

PRISON PRIVATIZATION

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PENNSYLVANIA HOUSE LABOR RELATIONS COMMITTEE

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Good Afternoon, my name is Nathan Benefield, I am the Director of Policy Research with the Commonwealth Foundation, a research and educational organization based in Harrisburg. I would like to thank Chairman Belfanti and the members of this committee for inviting me to share some of our thoughts on House Bill 1469 and prison privatization in general.

There are three types of privatization within prisons and correctional institutions in the US. The first involves contracting out food service, medical services, job training, alcohol and drug rehabilitation, and the like. The second involves publicly owned prisons, which contract out the management to a private firm. The final type of privatization involves fully privatized prisons—both owned and operated by a private firm—which contracts with governments for the care of prisoners.

House Bill 1469 would only address (that is, prohibit) the third type, i.e. fully private prisons, so I will limit my testimony to privately run prisons, and not address issues of contracting out services.

We believe HB 1469 is a misguided attempt to—well I'm not really sure what HB 1469 is attempting to do, other than deprive elected officials of a good government management tool. Pennsylvania faces a prison crunch, as we expect far greater demands for prison space than we currently have available. Private prisons can help meet this need. Studies demonstrate that private prisons are much more efficient than government-run prisons, and typically save taxpayers 10-15% in per-prisoner costs. Studies also show that private prisons typically provide better quality service and lower incidents of violence than government run prisons.

Pennsylvania Faces a Prison Crunch

Pennsylvania's correctional facilities are in crisis. A growing—and aging—prison population is putting a strain on the budget. In December 2006, the state housed 44,365 prisoners, despite an operational bed capacity of only 39,284, and annual admissions to Pennsylvania's state prisons have increased 53% since 2000 with no indication of abatement.¹ The Pennsylvania Department of Corrections anticipates accommodating 51,596 prisoners by the close of the year 2011—with an estimated 42,851 beds. This would entail operating at 120% capacity.

At \$93.21 per inmate per day, Pennsylvania's prisons are also among the nation's most costly facilities.² Pennsylvania currently spends \$1.6 billion on corrections annually, an increase of 55% (24% after adjusting for inflation) in the last ten years. The anticipated growth in prison population will add almost \$250 million to that

¹ Pennsylvania Department of Corrections 2007 Budget Request Presentation. www.cor.state.pa.us/stats/lib/stats/Budget2007.pdf

² Bureau of Justice Statistics, "Prisoners in 2005." www.ojp.usdoj.gov/bjs/

cost—assuming per inmate costs remains constant. The Commonwealth faces a looming prison crisis, and the privatization of prison construction, services and management, offers a cost-effective solution to these pressing concerns.

Prison Privatization is Not New

Critics of prison privatization often call private correctional facilities risky, unproven, or experimental. Yet private prisons operate successfully across the US. Nationally, over 107,000 federal and state prisoners—about 7% of the inmate population—were housed in private facilities in 2005 (an additional 73,000 inmates were held in privately-run local jails). Privately-operated prisons are the most common in the south and west, with five western states—New Mexico (43.3%), Wyoming (41.3%), Hawaii (30.9%), Alaska (28.4%) and Montana (25.5%)—housing more than a quarter of their inmates in private facilities.³

Currently, Pennsylvania has only one privately-run prison facility—the Monshannon Valley Correctional Center. But the vast experience of other states with private prisons should serve as case studies for how Pennsylvania can lower costs and provide higher quality services, while also meeting the future demand for correctional services.

Privatization Leads to Cost Savings for Taxpayers

By expanding competition, Pennsylvanians can expect anywhere from 5 to 20% savings in per-prisoner costs from private facilities. A wealth of studies, as demonstrated in an accompanying table, find significant cost-savings of prison privatization, most frequently in the range of 10-15% savings.⁴

Additionally, states that have introduced privatization in prisons have seen slower rates of growth in correctional costs. A 2003 study found that states with 20% of prisoners in private facilities saw per-prisoner cost grow 5.9% from 1999 to 2001, versus 18.9% in state with no private facilities (states falling in the middle in private prisoners also ranked in the middle in rate of cost growth).⁵

Based on these findings, if Pennsylvania were to place 30% of inmates in private facilities, taxpayers could save upwards of \$100 million annually, with higher expected savings in the future.

Private Prisons Offer Higher Quality Care

Critics of private prisons often allege that privatization leads to lower service quality and endangers public safety. In fact, the opposite appears to be true. While some private prisons have experienced problems, not unlike government-run prisons, on the whole, private prisons have a *better record* of performance than do government-run facilities.

³Bureau of Justice Statistics, "Prisoners in 2005." www.ojp.usdoj.gov/bjs/

⁴Segal, Geoffrey and Adrian Moore, "Weighing the Watchmen: Evaluation the Costs and Benefits of Outsourcing Correctional Services." Reason Foundation, www.reason.org

⁵Blumstein, James F. and Mark A. Cohen, *The Interrelationship between Public And Private Prisons: Does The Existence Of Prisoners Under Private Management Affect The Rate Of Growth In Expenditures On Prisoners Under Public Management?*, Corrections Corporation of America, [ww.correctionscorp.com/media/blumstein-report.pdf](http://www.correctionscorp.com/media/blumstein-report.pdf)

Private prisons have many institutional, contractual and legal safeguards to ensure quality, and contractors have compiled an enviable record of providing secure, safe, humane and well-run correctional facilities. Privately-managed correctional facilities have contractual requirements and inherent financial incentives to maintain order and security, provide educational and rehabilitation programs, and respect inmates' civil liberties. A private prison that fails to provide an adequate level of service is likely to suffer contract revocation or the threat thereof, which adversely affects the corporation's ability to offer its services elsewhere and survive among its competitors.

All prisons—public and private—must deal with inmate fights, rapes and attacks on guards. But in the private sector, prison management and staff are held accountable for a failure to perform. The state can terminate a contract with a private prison for mismanagement; private managers and staff are much more likely to face penalties, or be fired, than are government workers; and private companies may go out of business if they don't perform adequately. When is the last time a government-run prison was shut down because of rioting, abuse, poor care, etc.?

But the performance of private prisons is not merely conjecture or theoretical—we have evidence from 34 states. Many studies show private prisons outperforming state-run facilities on quality and performance indicators. A review of prison performance studies found that nine out of the ten rigorous studies of quality found higher quality of service in private prisons, as did most of the less rigorous studies.⁶

The Arizona Department of Corrections reported that private prisons outperformed state-run institutions across the board in safety of the public, staff, and inmates and compliance with professional standards. A University of Florida comparative analysis found significantly lower recidivism rates among comparable inmates released from private prisons. An Urban Institute study reported that inmates and staff alike rated services and programs offered by private facilities as superior to those available in state-run prisons, and found fewer escapes and disturbances at private prisons.⁷

A survey of inmates in Tennessee's Silverdale Detention Center provides further evidence of the ability of private management to substantially improve service quality. Inmates rated the facility highly on most issues, almost invariably better than the facility under previous management, leading the author of the study to conclude that "the evidence is overwhelming that the private takeover of Silverdale has resulted in substantial improvements in the institution's physical conditions and upkeep, as well as several critical areas of inmate service and institutional procedure."⁸

A Bureau of Justice Assistance study found that private prisons have slightly higher rates of assault on inmate and staff, but substantially lower rates of riots and

⁶ Segal, Geoffrey and Adrian Moore, "Weighing the Watchmen: Evaluation the Costs and Benefits of Outsourcing Correctional Services." Reason Foundation, www.reason.org

⁷ Ibid.

⁸ Ibid.

inmate death,⁹ as illustrated in an accompanying chart.

It is also useful to note that private corrections facilities are more than four times more likely than state-run prisons to obtain accreditation with the American Correctional Association,¹⁰ certifying compliance with that organization's standards for quality of operation, management, and maintenance. Part of this discrepancy may be related to private prisons' need to demonstrate quality, whereas public prisons face no such scrutiny.

Prisons Privatization does not Mean Lost Jobs

While the impact of prison privatization on prisoners and taxpayers are the focus of this testimony—and should be the primary focus of policy makers—unions and employees of public prisons tend to be those objecting most to prison privatization.

An analysis by the Reason Foundation indicates that privatization of existing prison results in a 93% retention of employees, and often involve mitigating the impact of those laid off (often with early retirement options).¹¹ Much of the employment impact is controlled by a contract between the state and a private provider.

Furthermore, private prisons typically offer comparable compensation. These usually involve defined contribution 401(k) plans that may be as generous as traditional defined benefit pensions. Private prisons also frequently offer employees stock options, to take some ownership in the company¹²—this should be viewed both in the light of employee benefits and incentive for quality assurance.

Finally, it should be noted that given Pennsylvania's need for new prison capacity, prison privatization is most likely to be in the form of new capacity. Thus, privatized prisons would likely be *additions* to current state prisons, rather than *replacements* for state prisons. Thus, the State Corrections Officers Association should have no fear of fewer prison jobs, AFSCME should have no worries of less union dues, and lawmakers need not to worry about losing control.

Summary and Conclusion

In short, private prisons allow Pennsylvania to address its growing need for corrections facilities, at a lower cost to taxpayers, while providing as good or better quality of service as existing state facilities.

I thank you for the opportunity to testify. I will be happy to address any questions you have, though I think most of the concerns over privately run prisons would better be answered by those involved in private prison management, or even representatives of their trade associations. Unfortunately, none of these groups were able to testify today, so I will do my best to answer your questions as best I can.

⁹ Bureau of Justice Statistics, "Emerging Issues on Privatized Prisons." www.ncjrs.gov/txtfiles1/bja/181249.txt

¹⁰ American Correctional Association, www.aca.org

¹¹ Segal, Geoffrey, *Frequently asked Questions about Prison Privatization*, Reason Foundation, www.reason.org/corrections/faq_private_prisons.shtml;

¹² *Ibid*

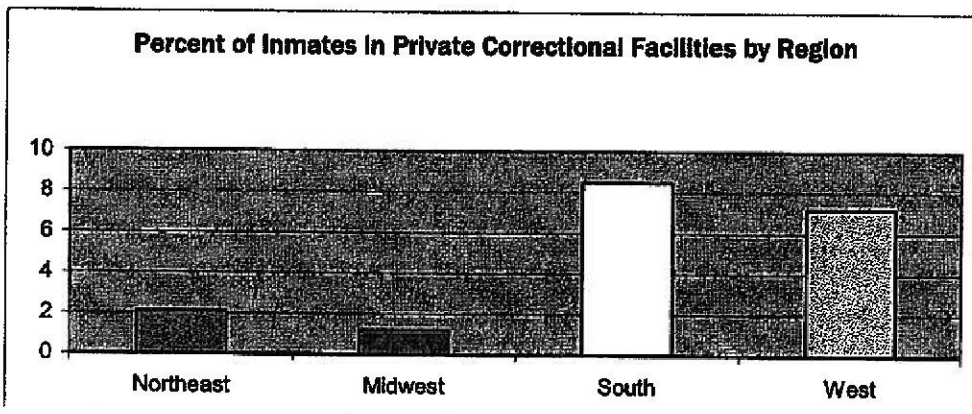
Additional Resources

Association of Private Correctional and Treatment Organizations: www.apcto.org

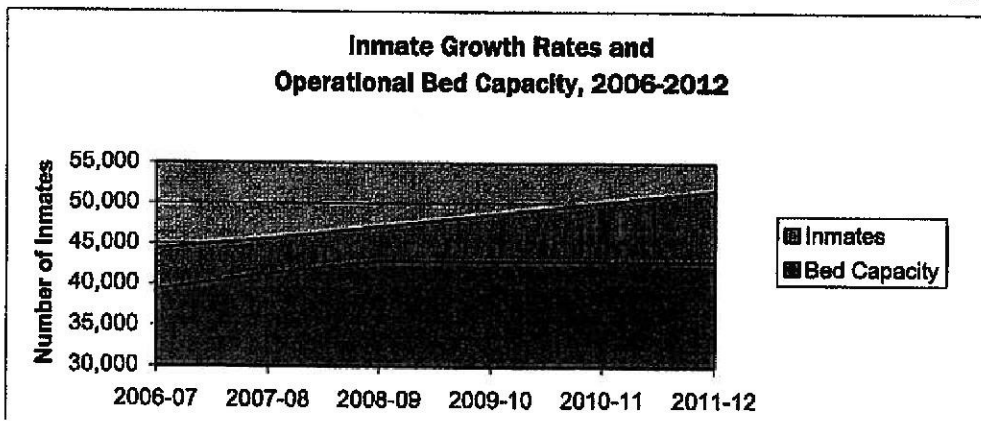
American Correctional Association: www.aca.org

Reason Foundation: *Frequently asked Questions about Prison Privatization:* www.reason.org/corrections/faq_private_prisons.shtml; *Reviewing the Literature on Cost and Quality Comparisons:* www.reason.org/ps290.pdf

Wisconsin Policy Research Institute: *Corrections Privatization Generates Savings and Better Services.* www.wpri.org/WIInterest/Vol12No1/Duff12.1.pdf

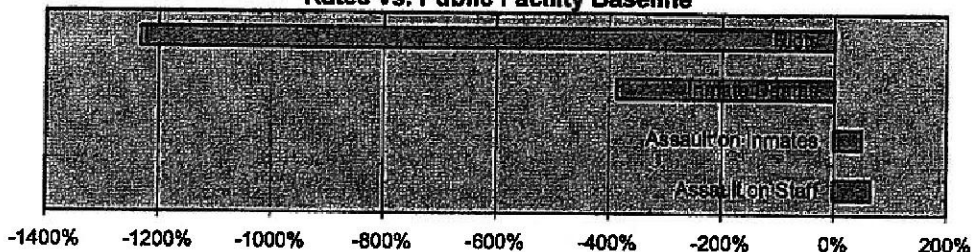


Source: Bureau of Justice Statistics



Source: Pennsylvania Department of Corrections

Private Prison Incident Rates vs. Public Facility Baseline



Source: Bureau of Justice Statistics

Comparative Studies of Private Facility Operational Cost Savings

Study	Estimated Savings
Hamilton County, Tennessee, 1989	5%
Urban Institute: KY and MA, 1989	0%
Sellers Study, 1989	63%
Texas Sunset Advisory, 1991	14%
Florida Corrections Commission, 1993	8-10%
California Community Corrections, 1993	0%
Australia, 1993	23%
Australia, 1994	11-28%
Kentucky DOC, 1994	9%
NIC: Florida, 1995	0%
Texas, 1995	21%
Tennessee Fiscal Review Committee, 1995	0%
Tennessee and Louisiana, 1996	0 to 2%
Louisiana, 1996	14% to 16%
Wisconsin Task Force, 1996	11-14%
UK, 1996	13-22%
UK, 1996	11-17%
Kentucky, 1996-97	12%
Washington (TN. and LA.), 1996	0-2%
Kentucky DOC, 1996-1997	12%
Arizona DOC, 1997	17%
University of Cincinnati, 1999 (per inmates/day)	\$0 to \$2.45
Delaware County Pennsylvania, 1999	14-16%
Florida OPPAGA, 2000	3.5-10.6%
Arizona DOC, 2000	12.23%

Taken from Segal, Geoffrey, *Corporate Corrections? Frequently Asked Questions About Prison Privatization*, Reason Foundation, www.reason.org