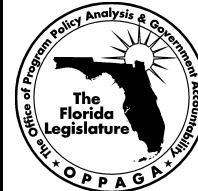




Office of Program Policy Analysis And Government Accountability



John W. Turcotte, Director

March 1997

Information Brief

Comparing Costs of Public and Private Prisons

Abstract

- While it is possible to evaluate whether private prisons save money, significant differences in Florida's public and private prisons hinder comparisons.
- Preliminary comparisons of the costs of public and private prisons by the Department of Corrections and the Correctional Privatization Commission reached opposite conclusions about whether private prisons provide cost savings. The Department and Commission did not agree on which prisons to compare or how to adjust for differences.
- To facilitate better cost comparisons to determine whether private prisons save money, the Legislature should establish public and private prisons that are comparable in size, location, types of inmates and programs provided.

Purpose

The purpose of this review is to answer the following questions posed to the Office of Program Policy Analysis and Government Accountability (OPPAGA) by the Senate Criminal Justice Committee:

- Is it possible to evaluate in an accurate and meaningful way whether private prisons save money over prisons that are publicly constructed

and operated? Are there obstacles to making such an evaluation? If so, what are they?

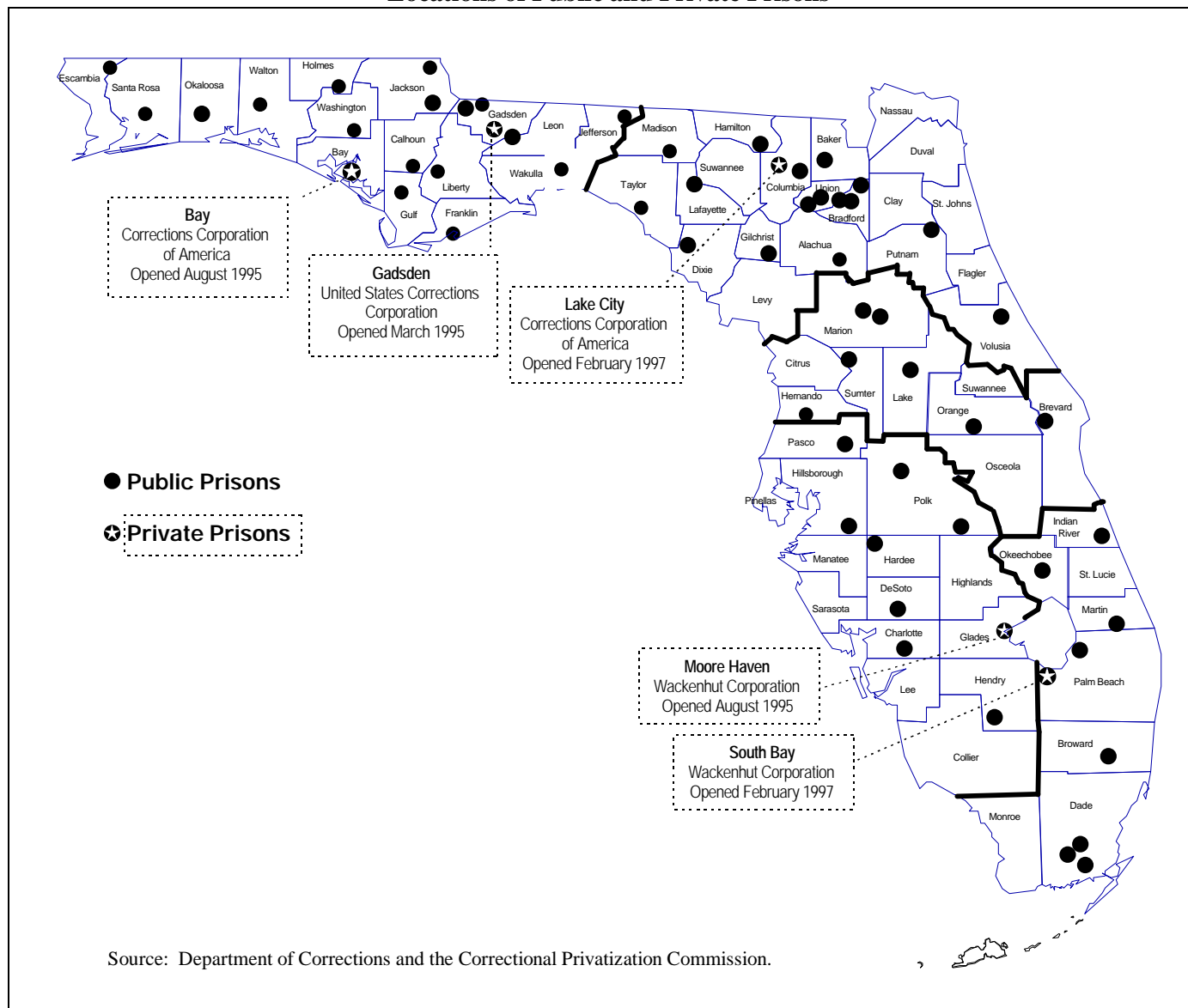
- What can the Legislature do to facilitate accurate and meaningful evaluations of the operating costs of public and private prisons?
- What do preliminary cost comparisons tell us? Are there flaws in the comparisons made by the Correctional Privatization Commission and the Department of Corrections?
- Are cost savings affected by private prisons operating at 90% of capacity and public prisons operating at 130% of capacity?
- Do the Department's calculations for determining the costs of public prisons include administrative costs?
- How are savings to the state affected when other cost factors for private prisons, such as taxes, are included in cost comparisons?

Background

In 1989, the Legislature authorized the construction and operation of private prisons to reduce the costs associated with the state's rising inmate population. Florida currently houses 96% of its inmates in 56 public prisons, and 4% of inmates in 5 private prisons.¹ (See Exhibit 1.)

¹ As of January 31, 1997, Florida prisons housed 59,851 inmates. This figure excludes inmates housed in other types of facilities such as road prisons, stand alone work and forestry camps, and community facilities.

Exhibit 1 Locations of Public and Private Prisons



Responsibility for administering Florida’s private prisons is divided between the Department of Corrections and the Correctional Privatization Commission.² The Department, which also administers the state’s public prisons, administers one private prison contract. Contracts for the other four private prisons are administered by the Correctional Privatization Commission. The Commission, which consists of five members appointed by the Governor, contracts for private prison financing, design, construction, and operations.

Four of the five private prisons were required by law to provide a cost savings to the state. Prior to awarding the contracts, the administering entities made preliminary calculations that indicated the Legislature would pay less for private than for public construction and operation of these prisons. The projected savings ranged from 10% to 14%. However, as indicated in OPPAGA Report No. 95-12, the reliability of these projections was limited by the differences in the programs provided by the public and private prisons. We also noted that actual cost savings would not be measurable unless the Department and the Commission agreed on which prisons to compare.

² For more information on privatization, see OPPAGA Report No. 95-12, Review of Correctional Privatization, and OPPAGA Report No. 95-48, Performance Audit of the Gadsden Correctional Institution.

Prison costs are typically analyzed in terms of “inmate per diem,” the average daily operational cost of incarcerating an inmate. Per diem costs are affected by a number of factors including prison size, types of inmates housed, location, and programs. The Department’s reported inmate per diem rates ranged widely, from as low as \$32.24 to as high as \$284.83, and averaged \$45.38 during fiscal year 1995-96.³ These reported per diem rates do not include Department administrative costs, which have been previously determined to add approximately \$3 to the per diem rate.

Inmate per diem rates for the private prisons are specified by contract. Typically, the contracts guarantee a rate based on 90% of capacity, and include a second, lower rate for additional inmates.⁴ For the contract year most comparable to the 1995-96 fiscal year, these per diem rates ranged from \$38.44 to \$45.88 for 90% capacity and from \$8.61 to \$40.00 for each additional inmate.⁵ The average per diem paid by the state for private prisons varied depending on the actual number of inmates assigned.

Findings

Is it possible to evaluate in an accurate and meaningful way whether private prisons save money over prisons that are publicly constructed and operated? Are there obstacles to making such an evaluation? If so, what are they?

While it is possible to evaluate whether private prisons save money, significant differences in Florida’s public and private prisons currently serve as obstacles to making such comparisons.

Comparisons of the operating costs of public and private prisons are more reliable when the prisons are similar in size, location, types of inmates, and

³ The most costly public prison is the 86 bed Corrections Mental Health Institution at \$284.83 per inmate day, which includes over \$115 in health services costs.

⁴ These per diem rates pertain only to prison operations and do not include construction and financing costs.

⁵ The \$45.88 is net of ad valorem tax deduction of \$1.42. Also, the new 350-bed youthful offender private prison which opened in February 1997 has a contracted per diem rate of \$65.73 and \$63.29 for its first contract year. The 90% contracted per diem rate for the 1,318-bed adult prison that opened the same month is within the indicated range, but the rate for additional inmates is \$6.57.

programs offered. However, none of the private prisons operating in Florida during the 1995-96 fiscal year were directly comparable in these categories to a public prison. As shown in Exhibit 2, public prisons that are similar in size to the private prisons differ in terms of other variables. These differences limit the precision and usefulness of cost comparisons.

Exhibit 3 describes many of the variables that require consideration when comparing costs. To draw conclusions about how these attributes affect comparability, analysts must apply professional judgment. Because of the subjective nature of these decisions, it is inevitable that these conclusions will be challenged.

What can the Legislature do to facilitate accurate and meaningful evaluations of the operating costs of public and private prisons?

To facilitate more reliable evaluations, the Legislature could establish public and private institutions that are comparable in size, location, types of inmates, and educational and substance abuse programs.

Establishing more comparable prisons would be the best way to facilitate more reliable cost evaluations. Comparable prisons could be established in three ways: (1) the Department and the Commission could build similar new prisons; (2) existing public or private prisons could be modified to reduce dissimilarities that hinder comparisons; or (3) one or more existing public prisons could be transferred to private operation.

Build new comparable prisons. If additional prisons are needed, the Legislature could direct both the Department and the Commission to construct and operate new prisons of similar size, location, types of inmates, and programs offered. This approach was used by Louisiana to simultaneously construct and then operate one public and two private prisons. Professors from Louisiana State University recently issued a five-year cost comparison for these three prisons which showed that both private prisons achieved savings in excess of 10% over the public prison.

Exhibit 2
Public Prisons That Are Similar in Size to Private Prisons
Differ in Programs, Types of Inmates, and Location

Factor	Male Prisons						Female Prisons			
	Private		Public				Private	Public		
	Bay	Moore Haven	Avon Park	Brevard	Lawtey	River Junction	Gadsden	Florida Main Unit	Jefferson	
Lawful Capacity ¹	750	750	842	814	788	761	768	699	951	
Inmate Program Capacity (FTEs ² @ 6 Hrs/Day)	Academic	198	160	72	144	18	0	87	72	36
	Vocational	50	51	105	105	0	0	75	60	45
	Substance Abuse	228	220	39	69	13	15	199.5	38	24
	Total	476	431	216	318	31	15	361.5	170	105
Custody Level	Medium	✓	✓				✓			
	Close			✓	✓				✓	✓
Youthful Offenders?				✓				✓		
Work Camp Attached?			✓	✓				✓		
Payroll CADs ³		⁴	\$3,800	\$3,800				\$3,800		

¹ Does not include capacity of work camps.

² A full-time equivalent (FTE) inmate assignment is normally 6 hours per day.

³ To hire and retain correctional officers in some counties in central and south Florida, the Department has implemented additional pay (Competitive Pay Differentials—CADs). The CADs range from \$3,800 to \$6,300 annually.

⁴ Moore Haven is located in an area where the Department pays CADs of at least \$3,800.

Source: Developed by OPPAGA from data provided by the Department.

Exhibit 3
Variables Hinder Comparison of Prisons

Factor	Why Important?	Example of Potential Effect
Size of Institution	A larger prison can achieve economies of scale because fixed costs are divided among a higher number of inmates.	Three of the smallest, non-specialty public prisons averaged only 323 inmates and reported per diems that averaged \$51.24. The four largest public prisons averaged more than 1,600 inmates and reported per diems that averaged \$33.21 for 1995-96.
Education, Substance Abuse, and Other Rehabilitation Programs	Programs designed to serve larger portions of the prison population will require specially trained education and substance abuse staff, thus increasing payroll expenses.	Bay charges \$2.24 and Moore Haven charges \$4.96 per diem for programs. In contrast, at public prisons, education program per diems ranged from \$.01 to \$6.28.
Type of Inmate: <ul style="list-style-type: none"> • Psychological and Medical Grade of Inmates • Custody Level of Inmates • Age of Inmates: Youthful Offenders • Gender of Inmate (Male/Female) 	<ul style="list-style-type: none"> • Psychological treatment requires professional and medical staffing, appropriate medication, and specialized medical equipment and facilities. • Higher inmate custody levels require closer supervision, which increases construction costs. • Youthful offender institutions are more costly than adult facilities due to closer supervision and more programs. • Females generally cost more to house than male inmates. 	<ul style="list-style-type: none"> • The health services portion of reported per diems range from less than \$4 at prisons with healthy inmate populations to over \$13 at prisons with higher levels of psychologically and medically restricted inmates. • Because most public prisons in Florida include a mixture of custody levels, it is difficult to quantify variances in cost by custody level. • Compared to average adult male per diems reported in 1995-96 by the Department, average youthful offender per diems were \$6.85 more for operations, and \$2.63 more for education. • Male institutional per diems averaged \$41.47 for 1995-96, while female per diems averaged \$55.64. The \$14.17 difference includes \$10.33 for health services.
Geographical Location	Some prisons located in the central and southern part of the state have higher costs.	Salary costs for prisons in south Florida include competitive area differential (CADs) salary additives of \$3,800 to \$6,300 annually.

Source: Developed by OPPAGA.

Modify existing prisons. Many of the 53 public prisons are similar in several ways to the private prisons. Some of these prisons could be modified to make them more comparable. For example, some public prisons are similar in size, location, and types of inmates but differ in the level of education and substance abuse programs authorized. The Legislature could direct the Department to add programs to these public prisons to make them more comparable to specific private prisons. Similarly, the Legislature could authorize modifications in private prison contracts, such as housing close custody inmates, to increase comparability.

Allow vendors to operate existing public prisons. The Department operates prisons that are similar in size, location, types of inmates, and programs offered. Allowing private vendors to operate one or more of these public prisons would provide for a direct comparison between public and private operation. This option would require the vendor to work within the existing prison design. It would also require the vendor, the Commission, and the Department to negotiate issues such as staff retention, pay, and benefits.

What do preliminary comparisons of the cost of public prisons with the cost of private prisons tell us? Are there flaws in the comparisons made by the Correctional Privatization Commission and the Department of Corrections?

Preliminary comparisons by the Commission and the Department have reached opposite conclusions. The Commission and the Department did not work together to identify the public prisons that are most comparable to the private prisons. They also used different methodologies to calculate adjustments to public and private prison costs. To ensure a fair evaluation, an independent third party, such as OPPAGA, should develop a methodology and compare the costs of public and private prisons.

The Commission and the Department each made comparisons of the costs of Moore Haven and Bay Correctional Institutions with selected public prisons using reported costs from the 1995-96 fiscal year. They reached opposite conclusions: the Commission concluded both private prisons were providing a cost

savings, whereas the Department concluded that they were not.⁶

Rather than working together, they separately identified public prisons on which to base comparisons with private prisons. The public prisons chosen were not directly comparable to the private prisons. Both comparisons were flawed due to the prisons chosen for comparison and the methodologies used to make adjustments.

The Commission compared its private prison costs with the costs of 32 of the Department's 39 adult male prisons, whereas the Department based its comparison on 9 public prisons.⁷ The public prisons were dissimilar from the private prisons in size, location, types of inmates, and programs offered.

Both the Commission and the Department made adjustments for administrative costs and for the differences in programs. Each entity also made other adjustments for various differences in private and public prisons. Many of the differences identified by the Commission and the Department warrant cost adjustments.

Although it is necessary to adjust public and private prison per diems to improve cost comparisons, the Commission and the Department have not agreed on the data or the methodologies to use. They also have not made adjustments for size, location, or types of inmates. Each entity has emphasized adjustments that favor its perspective, so the results of the comparisons are subject to contention. Consequently, these preliminary cost comparisons do not provide a clear answer regarding the cost savings provided by privatization in Florida.

Because the outcome of cost comparisons reflects upon the performance of both the Commission and the Department, it may not be reasonable to expect them to work together to develop accurate and meaningful cost comparisons. It will be necessary for an independent third party, such as OPPAGA, to

⁶ Two private prisons which opened in February 1997 were not included in the evaluation. The Department used a similar methodology to compare the costs of Gadsden Correctional Institution with a public female prison, and concluded that the public prison was less costly to operate.

⁷ An initial comparison by the Commission included all 39 adult male prisons. At the request of the Department, the Commission revised the comparison excluding 7 prisons that had special factors that made them less comparable.

identify comparable prisons and develop methodologies for comparing costs.

Our preliminary review of the cost data for public and private prisons indicates:

- Public prison per diems vary widely depending on factors such as size, location, types of inmates, and programs. Large prisons located in North Florida without special needs inmates and offering lower levels of programs are the least costly public prisons.
- Unadjusted private prison per diems fall within the range of reported public prison per diems and exceed those of some larger public prisons that offer fewer programs. However, private prison per diems are lower than those reported for other public prisons.
- Public prison costs have risen slowly during the last three years, suggesting the possibility that the competition produced by privatization may have encouraged the Department to operate more economically. Reported public prison per diems for the 1995-96 fiscal year were only 4.4% higher than in the 1992-93 fiscal year, an increase of less than 1.5% per year.

Are cost savings affected by private facilities operating at 90% of capacity and public facilities operating at 130% of capacity?

The extent to which a prison is operating at full capacity does affect the cost savings calculations for private and public prisons.⁸ A prison operating at a higher capacity should achieve more economies of scale.

Per diem costs can vary substantially depending on whether a prison is operating at a higher capacity. When a prison operates below capacity, there are fewer inmates among which to allocate fixed costs. Public prisons that operate below lawful capacity tend to have higher per diem rates.

Cost comparisons are affected by the law and by the standards used for determining lawful capacity. Public prison capacity is based on the size of cells and dormitories according to the requirements of

⁸ For the 1995-96 fiscal year, the private prisons generally operated at 94% of lawful capacity. By comparison, the public prisons operated at 89% of lawful capacity and 122% of design capacity.

s. 944.023(7), F.S. Public prisons are generally authorized to have a lawful capacity of up to 150% of design capacity.

By contrast, private prisons are not currently allowed to exceed their design capacities. It may be feasible to allow private prisons to use the same rules as public prisons to set lawful capacity to improve the comparability of public and private prisons. The capacity of existing housing at Bay Correctional Institution, a private prison, cannot be increased because the cells are not large enough to house additional inmates. However, the other private prisons could house more inmates if authorized by law and if such increases were negotiated in contract revisions.

Do the Department's calculations for determining the costs of public prisons include administrative costs?

The Commission and the Department both made allocations of administrative costs to public and private prisons in making cost comparisons. However, there were differences in how these costs were calculated.

It is standard practice to include administrative expenses in cost comparisons. The Commission and the Department used slightly different administrative cost totals in their calculations of cost savings. They are not in agreement about whether certain Department administrative costs should be applied to private prisons.

How are savings to the state affected when other cost factors for private prisons, such as taxes, are included in cost comparisons?

Private vendors are currently paying certain sales and corporate income taxes that public prisons do not pay. In s. 957.07, F.S., the Legislature stated that costs resulting from an entity's private rather than public status should be included in cost savings determinations. Deducting tax payments from private prison costs will lower the private prison per diems that are used for comparison.

Tax payments by private vendors return a portion of the cost of private prisons to various levels of government. Since this cost is not borne by public

prisons, deducting taxes from the costs of private prisons allows comparisons of similar costs.

Conclusions and Recommendations

The lack of similarity between public and private prisons in Florida hinders meaningful cost comparisons. To facilitate such comparisons, the Legislature should consider authorizing the construction and operation of public and private prisons that are similar in size, location, types of inmates, and programs offered. The Legislature should also consider directing the Department or the Commission to modify the programs or the types of inmates at existing prisons that are similar in size and location.

The Commission and the Department have not worked together to identify comparable public prisons as OPPAGA recommended in Report No. 95-12. Because the outcome of public and private prison cost comparisons will reflect directly upon the performance of both the Commission and the Department, it is not likely that the two entities can work together effectively to develop cost comparison methodologies. Therefore, it will be necessary for the Legislature to rely on an independent third party, such as OPPAGA, to identify comparable public prisons and to develop methodologies for comparing costs.

Section 957.11, F.S., requires OPPAGA to conduct an evaluation of the costs and benefits of the private prison contracts and of the performance of the contractor at the end of each Commission management contract, and to make a recommendation to the Speaker of the House and the President of the Senate as to the continuation of the contract. To develop a cost comparison methodology, OPPAGA will consult with the Auditor General, the Commission, and the Department, and, if necessary, may retain the services of a cost-accounting or other professional firm. The first management contracts for Bay and Moore Haven correctional institutions will end during the summer of 1998. OPPAGA's evaluations will address both cost and performance; thus, they will provide the Legislature more complete information about the results of privatization.

Agency Response

Response From the Florida Department of Corrections

March 14, 1997

Mr. John W. Turcotte, Director
The Florida Legislature
Office of Program Policy Analysis
and Government Accountability
111 West Madison Street, Room 312
Claude Pepper Building
Tallahassee, Florida 32301

Dear Mr. Turcotte:

It is unfortunate that OPPAGA did not have sufficient time to perform a more in-depth review of correctional privatization to enable them to answer the questions posed by Senator Gutman. While we certainly do not disagree with the brief's primary findings, such as the difficulty in comparing such dissimilar facilities, we had hoped that a more focused analysis of the cost adjustments would have been attempted and a determination made as to which adjustments were appropriate in the circumstances and their impact on operating costs per diems.

It is true that the department chose not to make adjustments for the differences in the size of the facilities and the types of inmates assigned to each type facility. On average, the department operates larger and, through the application of economics of scale, more cost-efficient facilities than the two 750-bed private facilities. This is a reality that benefits the citizens of Florida and should not be artificially diluted to achieve a fictitious level playing field. Also, as you stated, it would be very difficult and problematic to attempt to quantify the cost difference attributed to different inmate custody levels. However, most persons would accept the assumption that the care and supervision of close custody inmates costs more than minimum/medium custody inmates. Had the department attempted to make such an adjustment, it would have

resulted in the private facilities being even more expensive, compared to public facilities, than our analysis showed. Our approach to this issue appears to contradict your conclusion that the department emphasized those adjustments that favored its perspective.

OPPAGA's Comment

We disagree with the Department's suggestion that we directly compare the costs of the 750-bed private prison with the costs of larger public prisons. Size is one of the primary factors that can influence inmate per diems, whether the prison is public or private. Thus, directly comparing a 750-bed prison with a 1,300-bed prison would not provide a fair evaluation.

The brief offered three suggestions to the legislature for the establishment of more comparable facilities. We believe that a fourth method would be to require that the private facilities receive a true cross-section of the department's inmate population, including all custody levels, medical grades, and mental health classifications. Also, the elimination of the limitation of the private vendors' liability for hospitalization costs (\$7,500) would go a long way toward making public and private facilities more comparable.

OPPAGA's Comment

We included the concept of modifying existing prisons within our second alternative.

We also noted that you referenced a Louisiana Study where three identical institutions were built by the state and subsequently operated independently by two private contractors and the state, resulting in private facilities being less expensive. We believe that a more balanced approach to disclosing the results of outside studies would have been to also reference the Tennessee Study, which also used identical facilities to enhance comparability but concluded that there was no appreciable cost savings attributable to privatization. The U.S. General Accounting Office has reported that

the Tennessee Study is one of the most comprehensive and credible studies performed to date.

OPPAGA's Comment

The purpose of our review was not to provide a comprehensive description of privatization research in other states. We cited the Louisiana study because it illustrated one of the possible approaches to measuring the cost savings that may be achieved by privatization.

The department disagrees with your conclusion that our success in controlling the growth of public prisons' costs is somehow the result of competition introduced by privatization. The department's costs, as measured in inmate per diems, have remained relatively flat for the last five years, long before the introduction of comparable private prison costs. Our success is due more to our department's implementation of total quality management principles and our continuing efforts to find more efficient and effective ways to do our jobs. If anything, the department's flat line on cost increases helps explain why it was originally perceived that private prisons would save money when in reality, (three years later) it is apparent they will not.

The most significant recommendation offered in the report is that the legislature should place its reliance on an independent third party to develop realistic costing methodologies and provide a fair evaluation of the costs of public and private prisons. We concur and are anxious to have such a review authorized and begun.

Sincerely,

/s/ Harry K. Singletary, Jr.
Secretary

HKSJr/JNB/mt

cc: The Honorable Alberto Gutman,
Senator, 34th District

**Response From the
Correctional Privatization Commission**

March 13, 1997

John W. Turcotte, Director
The Florida Legislature
Office of Program Policy Analysis
and Government Accountability
111 West Madison Street
Tallahassee, FL 32301

Dear Mr. Turcotte:

The Office of Program Policy Analysis and Government Accountability (OPPAGA) discussion of difficulties in precisely establishing the magnitude of cost savings being realized by contracts awarded by the Correctional Privatization Commission (Commission) is accurate in multiple regards. Especially if attention focuses on the two (2) 750-bed medium custody secure correctional facilities that have been fully operational since mid-1995 (the Bay Correctional Facility, operated by Corrections Corporation of America and the Moore Haven Correctional Facility, operated by Wackenhut Corrections Corporation), precise cost comparisons are impossible. There are no facilities operated by the Department of Corrections (Department) that are substantially similar in their capacities, locations, and missions. It logically follows that accepting the OPPAGA recommendation that the Legislature "rely on an independent third party to identify comparable public prisons and to develop methods for comparing costs" would have no cost benefits. It is obvious that no third party would have the ability to create comparability in the absence of facilities that are comparable.

OPPAGA's Comment

We agree that an independent third party will not be able to "create comparability in the absence of comparable facilities," but can

use available data to make objective judgments about cost comparisons.

Unfortunately, the OPPAGA report is flawed in that (a) it assigns no significance to the important fact that Chapter 957, Florida Statutes, expressly created non-comparability between the Commission and Department facilities, and (b) it trivializes the comprehensive cost comparisons prepared by the Commission. The nature of both flaws requires comment here.

OPPAGA's Comment

It is not a fact that the Legislature "expressly created non-comparability" between public and private prisons. Although the Legislature has imposed some different requirements on private and public prisons, it was clearly the Legislature's intent to make the prisons comparable, since ss. 957.07 and 957.11, F.S., both require cost comparisons to be made.

Regarding the statutory issue, it is unequivocally clear that all facilities operating under contract with the Commission must meet higher performance standards and provide more comprehensive programs than existing provisions of law impose on Department facilities.

- Contract vendors managing all Commission facilities must indemnify the State against any and all sources of legal liability (§957.04(1)(b)). No comparable requirement is imposed on the Department.
- All Commission facilities are subject to continuous on-site monitoring to assure compliance with all constitutional, statutory, regulatory, and contractual requirements (§957.04(1)(g)). No comparable requirement is imposed on the Department.
- All Commission facilities must seek, achieve, and maintain accreditation by the American Correctional Association (§957.04(1)(d)). No comparable requirement is imposed on the Department.

- All Commission facilities must provide a broad range of educational, treatment, vocational training, and work programs capable of reducing recidivism and thereby yielding additional long-term savings to Florida taxpayers (§957.04(1)(f)). No comparable requirement is imposed on the Department.
- All Commission facilities must meet these responsibilities within a context that guarantees that multiple aspects of facility operations are of a caliber that is at least equal to what one finds in Department facilities (e.g., §957.04(1)(f) and §957.05(2)(a)).

All available evidence supports the judgement of the Commission that compliance with these higher performance standards has been achieved. Perhaps the best illustration of this is provided by our experience with the accreditation process of the American Correctional Association. Both the Bay Correctional Facility and the Moore Haven Correctional Facility achieved accreditation at earlier dates than required by contract. The accreditation scores achieved by both facilities were the highest scores ever earned by prisons in Florida.

Regarding the cost analysis prepared by Commission staff and one of its consultants whose expertise in correctional privatization is internationally recognized (Charles W. Thomas, Ph.D. of the Center for Studies in Criminology and Law at the University of Florida), the Commission regrets the fact that the OPPAGA discussion inaccurately describes how the analysis was accomplished and that OPPAGA provided no substantive comments on either the methodology relied upon or the conclusions reached by the analysis.

The OPPAGA report is factually inaccurate when it asserts that “[r]ather than working together, they (referring to the Commission analysts and the Department) separately identified public prisons on which to base comparisons with private prisons”. This simply is not true. The Commission’s cost comparison

was finalized only after multiple drafts were prepared, discussed in public Commission meetings, shared with the Department, and revised in substantial and significant ways following receipt of both verbal and written input from the Department. Indeed, directly contrary to the comments made by OPPAGA in the body of the report, footnote seven (7) expressly recognizes that a draft version of the Commission’s cost comparison was amended following input from the Department.

OPPAGA’s Comment

As illustrated below, the concept of “working together” involves a higher level of cooperation than has been exhibited by either the Commission or the Department.

Suffice it to say that the Commission believes that the process could not reasonably have been more open or more public or more thorough. Further, the Commission is deeply concerned that the subsequent release of a radically different cost comparison judged by the Commission to be far less comprehensive and sophisticated was released to the Legislature by the Department without the Commission having been accorded the professional courtesy of any opportunity whatsoever for pre-release review or comment.

Equally important but ignored by the OPPAGA report is the clear evidence in the detailed cost comparison prepared by the Commission (a) that the State is realizing significant cost savings via privatization and (b) that additional cost savings could have been realized had the full capacity of Commission facilities been utilized. To be sure, the Commission concurs with the OPPAGA judgment that the absence of comparable Department facilities make precise cost savings estimates impossible regardless of by whom cost comparisons are made. Nonetheless, the Commission is confident that, at a minimum, the seven percent (7%) cost savings mandated by §957.07 are being achieved, that the cost savings will grow as the Commission realizes the economy

of scale benefits which are now flowing from the opening of the 350-bed Lake City Correctional Facility and the 1,318-bed South Bay Correctional Facility, that greater cost savings would be realized if the Department more fully utilized the capacity of all Commission facilities, and, finally, that the overall cost benefits achieved by Commission facilities will increase if and when the Department adopts a cooperative rather than adversarial posture in its dealings with the Commission.

OPPAGA's Comment

While suggesting that “precise cost savings estimates” are “impossible,” the Commission states that its comparison provides “clear evidence” that significant cost savings are being achieved. Accurate and meaningful comparisons are possible, but they should be based upon the most closely comparable prisons and appropriate cost adjustments. We did not accept the Commission’s cost comparison because the Commission did not identify the most comparable prisons, and because additional cost adjustments were needed.

Should you have any questions or require additional information, please do not hesitate to contact me at 904/921-4034.

Sincerely

/s/ C. Mark Hodges
Executive Director

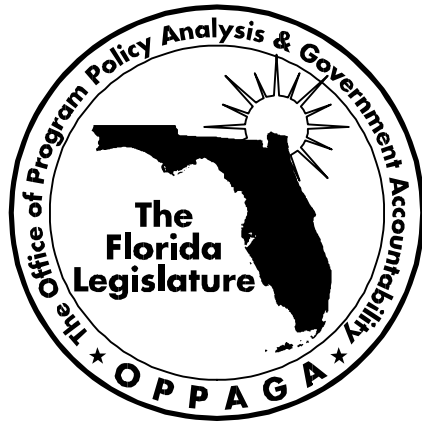
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cc: Commissioner Joel J. Freedman, Chairperson
Commissioner Samuel A. Block
Commissioner Joseph Middlebrooks
Commissioner Cecil L. (Don) Mills
Commissioner Ernestine W. Williams
Dr. Charles W. Thomas, Consultant

OPPAGA's Comment

As evidenced by these responses, the Department and the Commission each tend to emphasize the differences in public and private prisons that favor their perspectives. We agree that such differences exist, and we will work with the Department and the Commission to ensure that all meaningful differences in making the cost and benefit comparisons required by s. 957.11, F.S., are identified.

The Florida Legislature
Office of Program Policy Analysis
and Government Accountability



Mission Statement

This Office provides objective, independent, professional analyses of state policies and services to assist the Florida Legislature in decision-making, to ensure government accountability, and to recommend the best use of public resources.

This project was conducted in accordance with applicable evaluation standards. Copies of this report may be obtained by telephone (904/488-1023 or 800/531-2477), by FAX (904/487-3804), in person (Claude Pepper Building, Room 312, 111 W. Madison St.), or by mail (OPPAGA Report Production, P.O. Box 1735, Tallahassee, FL 32302).

Web site: <http://www.state.fl.us/oppaga/>

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