



Lake City Correctional Facility Experienced Start-Up Problems, But It Has Improved

at a glance

The Lake City Correctional Facility is a 350-bed privatized youthful offender facility operated by the Corrections Corporation of America (CCA).

- Lake City has reduced program staff turnover and resolved major noncompliance issues that undermined the quality of its programs for the first half of the contract period. Following state agency intervention, program performance showed significant improvement in 1998-99.
- Lake City's programs are comparable to the programs at the public youthful offender prisons and its per diem costs are consistent with the costs of similarly sized public youthful offender prisons.
- The Legislature exempted private youthful offender prisons from any cost savings requirements to ensure that vendors provide programs of optimal capacity and high quality. If Lake City establishes additional vocational and industry programs as planned, it could meet this legislative intent.
- The commission should renew the contract with CCA for the continued operation of the Lake City prison. However, the commission could save over \$560,000 annually by lowering the marginal per diem rate paid to CCA for inmates in excess of 90% capacity. In addition, the commission should add contract provisions to allow it to sanction the vendor for noncompliance with state and federal regulations and contract requirements.

Purpose

The Corrections Corporation of America opened the Lake City Correctional Facility in February 1997 under contract with the Correctional Privatization Commission, which administers private prisons for the state of Florida. Section 957.11, F.S., directs OPPAGA to evaluate the costs and benefits of this contract and the performance of the private contractor and recommend whether the contract should be continued.

Background

The Legislature established the Correctional Privatization Commission in 1993 for the purpose of entering into contracts for the design, construction, and operation of private prisons.¹ In December 1995, the commission contracted with Corrections Corporation of America for the construction and operation of the Lake City Correctional Facility. Now in its third year of operation, the Lake City facility is a 350-bed youthful offender prison.

Youthful offenders are inmates under age 25 who have a sentence of 10 years or less and have not been previously sentenced to prison.² Florida law requires

¹ Chapter 93-406, Laws of Florida.

² Youthful offender eligibility is defined in Ch. 958, F.S.

special facilities for youthful offenders to prevent their association with career criminals, protect them from victimization, and promote their rehabilitation. The law also requires that youthful offenders under age 19 be housed separately from youthful offenders age 19-24. Lake City serves male youthful offenders in the older age group. Throughout the period of our review, the Department of Corrections operated two youthful offender prisons for male inmates under age 19 and two facilities for male inmates age 19-24.³

This report assesses Lake City's performance and operating costs to determine whether the contract with Corrections Corporation of America should be renewed and recommends ways to optimize the benefits from prison privatization.⁴

To assess program performance and cost, we compared Lake City to four public youthful offender facilities. Differences in the number and age of assigned inmates prevented the direct comparison of the private facility with any single public youthful offender facility.⁵ For example, Lake City serves the same age group as Brevard, but Brevard houses three times the number of inmates. (See Exhibit 1.) However, comparing Lake City to the four public facilities provides a reasonable context for assessing the private facility's program performance and operating costs.

Exhibit 1
While Lake City Is Not Directly Comparable to Other Public Youthful Offender Facilities, It Shares Similarities

Facility	Inmate Age	Number of Youthful Offenders ¹
Hillsborough Correctional Institution	Less than 19	302
Lake City Correctional Facility	19-24 years	342
Indian River Correctional Institution	Less than 19	360
Lancaster Correctional Institution	19-24 years	827
Brevard Correctional Institution	19-24 years	1,183

¹Lancaster and Brevard both supervise an adjacent youthful offender work camp that is included in the population count.

Source: Fiscal Year 1998-99 data from the Department of Corrections.

Performance

During its first year of operation, Lake City experienced significant staff turnover and noncompliance that undermined the overall quality of its programs. Lake City's programs showed improvement over the second half of the contract period; however, significant progress did not occur until state agencies intervened. The Lake City contract does not provide adequate sanctions to ensure that the vendor addresses issues affecting program quality in a timely manner.

Staff vacancies and noncompliance with state and federal regulations

Program staff vacancies. During its first year and a half of operation, Lake City experienced considerable staff turnover that adversely affected the quality of its programs. Lake City was unable to fill certain program staff positions in a timely manner. As a result, programs were understaffed for extended periods, limiting the facility's ability to deliver program services at specified contract levels.

³In 1998, the department converted Dade Correctional Institution from an adult male to a youthful offender facility. Due to this transitional status, we eliminated it from our review.

⁴We did not attempt to compare Lake City's construction costs with the costs of constructing the public youthful offender facilities due to significant differences in facility age. This facility was built in 1996-97, whereas the public facilities are all more than 20 years old.

⁵Four of the five facilities house a similar mix of minimum, medium, and close custody inmates. Lancaster Correctional Institution houses minimum and medium custody inmates, but generally does not house close custody inmates.

As shown in Exhibit 2, the Correctional Privatization Commission reported that Lake City had 29 program staff vacancies for 18 positions during Fiscal Year 1997-98. Eleven of these vacancies lasted more than 45 days and included some instructor positions that remained unfilled for two to three months. During Fiscal Year 1998-99, the facility's second full year of operation, it experienced fewer vacancies with only three vacancies that exceeded 45 days.

Exhibit 2
Lake City Experienced Significant Staff
Vacancies in 1997-98

Position	Positions	Vacancies ¹	Vacancies ≥45 Days
Academic Instructor	7	10	5
Addictions Treatment Coordinator	1	2	0
Computer Lab Technician	1	1	1
Counselor	2	7	1
Recreation Supervisor	1	1	0
Librarian	1	1	1
Recreation Coordinator	2	3	1
Vocational Instructor	3	4	2
Total	18	29	11

¹The number of vacancies exceeds the number of positions because some positions were vacant more than once during the year.

Source: Correctional Privatization Commission monthly monitoring reports for Lake City Correctional Facility.

Noncompliance with state and federal regulations. During its first year of operation, Lake City failed to comply with state and federal exceptional student education (ESE) regulations and state licensing laws for substance abuse programs. Lake City's contract with the Correctional Privatization Commission requires that the facility operate its programs in compliance with applicable state and federal regulations.

The Corrections Corporation of America, the Correctional Privatization Commission, and the Department of Corrections all share responsibility for ensuring that Lake City provides appropriate service to its ESE inmates in full compliance with the law. However, Lake City's noncompliance with ESE regulations was not addressed until the Department of Education's Bureau of Instructional Support and Community Services initiated an inquiry into program deficiencies in December 1997. ⁶

In response to the Department of Education's inquiry, Lake City agreed to work with the Department of Corrections to develop a corrective action plan to address noncompliance issues. The plan required Lake City to designate specific teachers responsible for providing special education services, document that special education teachers were appropriately certified, and identify staff to support the provision of special education services, including transition planning.

During the facility's second year of operation, the Department of Corrections provided Lake City staff with training in special education and monitored the facility's implementation of its corrective action plan. The Department of Education also monitored the facility's progress. In June 1999, the Department of Corrections and Department of Education reviewed Lake City's ESE services and found that the corrective action plan had been implemented. ⁷

Substance abuse treatment was the second program area of significant noncompliance during the facility's first year of operation. Lake City's substance abuse program operated for 10 months without a license, in violation of Ch. 397, F.S. The Correctional Privatization Commission reports that

⁶The Department of Education monitors the provision of legally required services to Florida's exceptional education students, including prison inmates.

⁷The Department of Education review team noted an extended delay in the provision of services to newly admitted inmates. However, Lake City reports that this situation has been resolved.

Private Prison Review

Lake City started its substance abuse program in March 1997. However, the private prison was not licensed for these services until January 1998.

In December 1997, the Department of Children and Families district staff conducted a site visit to the facility and issued Lake City a probationary license, so that the facility's substance abuse program could operate legally. The department continued to license Lake City's program on a probationary basis and required the facility to submit corrective action plans to address identified program deficiencies, such as staffing levels that were not adequate for licensure and insufficient treatment planning. The department monitored Lake City's progress in addressing these deficiencies and issued the facility a regular license July 1, 1998.

Inadequate Sanctions for Noncompliance

The Correctional Privatization Commission's contract with Lake City needs to include intermediate sanctions for ensuring that the vendor resolves program noncompliance in a timely manner. The commission may make per diem deductions for extended staff vacancies, but there is no provision authorizing deductions for poor performance. The commission's only formal sanction for performance failures or other major instances of noncompliance is taking steps to terminate the contract. The commission needs to be able to apply intermediate sanctions, such as fines and/or reductions in inmate per diem rates, until program deficiencies are resolved.

Program Performance Improved in 1998-99

Lake City's program performance improved as staff addressed issues affecting program quality. The facility also showed significant improvement in terms of inmate participation in academic and vocational programs. In Fiscal Year 1997-98 Lake City

had a relatively low program participation rate. By the end of the 1998-99 fiscal year, the number of Lake City inmates participating in academic and vocational programs had substantially increased. As shown in Exhibit 3, in 1998-99 Lake City compared very favorably with the public facilities for the percentage of inmates enrolled in these programs.

Exhibit 3
Percentage of Lake City Inmates Enrolled in Programs Increased

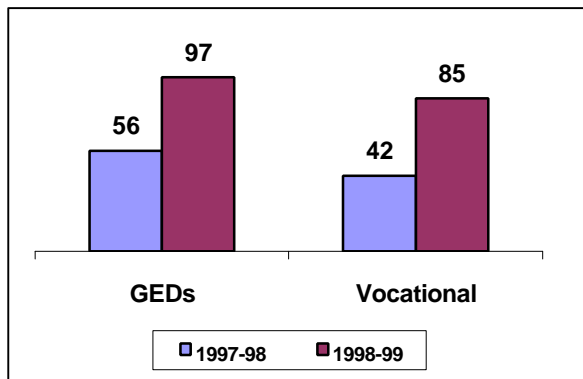
Facility	Percentage Inmates Enrolled in Programs			
	June 30, 1998		June 30, 1999	
	Academic	Vocational	Academic	Vocational
Hillsborough Correctional Institution	46%	12%	38%	15%
Lake City Correctional Facility	32%	31%	41%	34%
Indian River Correctional Institution	58%	18%	53%	20%
Lancaster Correctional Institution	30%	19%	32%	24%
Brevard Correctional Institution	42%	12%	38%	13%

Source: Department of Corrections.

Program completion rates also showed significant improvement from Fiscal Year 1997-98 to 1998-99. The number of general equivalency diplomas (GEDs) earned by inmates at Lake City increased by 73% and the number of vocational certificates more than doubled. (See Exhibit 4.) For Fiscal Year 1998-99, Lake City had the highest completion rate for GEDs and second highest rate for vocational certificates among youthful offender facilities. In 1997-98, Lake City ranked fourth for GEDs and fifth for vocational certificates.⁸

⁸ "Completion rate" refers to the number of GEDs and vocational certificates awarded compared to the prison's average population.

Exhibit 4
Lake City GEDs and Certificates Are Increasing



Source: Department of Corrections.

Lake City's Programs Are Comparable to Public Facilities' Programs

Section 957.125, F.S., requires vendors to provide youthful offender facilities that optimize the level of rehabilitative programming. The statute also exempts private youthful offender facilities from the 7% cost savings required at adult prisons. In waiving this cost requirement, the Legislature gave private vendors the opportunity to provide a more program-rich environment than state-run facilities. Lake City, however, does not provide a greater number or variety of programs than the public youthful offender prisons. Overall, Lake City and the four public prisons provide comparable programming for youthful offenders.

Lake City and the public youthful offender prisons all operate programs in six major areas: academics, vocational training, life skills, wellness education, substance abuse treatment, and behavior modification. In each of these areas, the public and private programs are similar in design and content. For example, Lake City and the four public prisons follow curriculum frameworks developed by the Department of Education for vocational training. The Lake City facility and the public prisons also use similar behavior modification programs, in which inmates are rewarded with more privileges as they meet more demanding

behavioral expectations and accomplish rehabilitative goals.

In the area of vocational training, Lake City provides three programs, whereas the number of programs at the public prisons ranged from three to seven. Both larger facilities, Lancaster and Brevard Correctional Institutions, offer more vocational programs than the Lake City facility. Economies of scale facilitate the provision of more programs at larger institutions. However, as shown in Exhibit 5, Lake City provides the same number of vocational programs as Hillsborough but fewer than Indian River, which are the two similarly sized prisons that serve younger inmates.

Also, for the first 10 months of 1999, Lake City's nursery operations program was not fully operational. The class was unable to use the greenhouse or garden due to construction of new culinary arts and Prison Industry Enhancement (PIE) program buildings.⁹ Thus, the quality of instruction of one of its three vocational programs was severely limited during this extended period.

Lake City is in the process of adding a culinary arts vocational program. In addition, the facility is looking for a business partner for its PIE program. If Lake City is successful in adding these two additional programs, and if the PIE program includes a vocational training component, the facility will compare more favorably with the similarly sized public youthful offender prisons.

⁹ The Prison Industry Enhancement Program (PIE) allows a private company to establish an industry on the prison location and to use inmates working for lawful wages to work in the industry. Inmates keep a portion of the wages that they earn; other portions go toward paying restitution to victims and reimbursing the state for the cost of incarceration.

Exhibit 5

Lake City Offers Fewer Vocational but More Substance Abuse Programs

Youthful Offender Facility	Vocational Programs	Substance Abuse Programs
Hillsborough Correctional Institution	Building Maintenance Technology Commercial Foods and Culinary Arts Diversified Cooperative Training	Therapeutic Community
Lake City Correctional Facility	Data Entry ¹ Electricity Nursery Operations	Drug Prevention Education Substance Abuse Intervention Therapeutic Community
Indian River Correctional Institution	Building Maintenance Technology Business Software Applications Diversified Cooperative Training Environmental Services Masonry Technology	Drug Prevention Education
Lancaster Correctional Institution	Automotive Technology Carpentry Commercial Foods and Culinary Arts Diversified Cooperative Training Environmental Services Gas Engine Service Technology Printing	Drug Prevention Education Therapeutic Community ²
Brevard Correctional Institution	Automotive Technology Carpentry Commercial Foods and Culinary Arts Diversified Cooperative Training Electronic Technology Masonry Technology Welding Technology	Drug Prevention Education Therapeutic Community

¹ Lake City initially operated an Environmental Services program. In 1998, Lake City removed its Environmental Services program and replaced it with Data Entry.

² The adjacent Lancaster Work Camp also has a modified therapeutic community.

Source: Florida Department of Corrections, Correctional Privatization Commission, and Corrections Corporation of America.

Substance abuse treatment is the one area where Lake City provides more programs than the four public youthful offender facilities. Lake City provides a moderate intervention component that is not available at any of the four youthful offender prisons. The four public prisons offer drug prevention education and/or the therapeutic community, but do not have the moderate intervention program.

Operating Costs

An anticipated benefit of prison privatization is the provision of a higher level of services at a lower cost. To determine the extent to which the state's contract with Corrections Corporation of America has realized this benefit, we

compared the per diem rate the state pays for each inmate housed at Lake City Correctional Facility with the per diems of the state's major youthful offender prisons.

Per Diem Rates

Lake City Correctional Facility's per diem costs are consistent with public prison costs for similarly sized youthful offender prisons (See Exhibit 6.) While larger public prisons were operated at substantially lower costs, Lake City's costs fall between the two smaller public prisons. Due to fewer economies of scale, smaller prisons tend to operate at a higher per diem rate. As shown in Exhibit 7, this is particularly the case with the Lake City facility and the state's youthful offender prisons.

Exhibit 6
Lake City's Unadjusted Per Diem Rate Falls Between Unadjusted Rates for Smaller Public Youthful Offender Prisons ¹

Institution	Average Number of Inmates	1997-98 Unadjusted Per Diem Rate	Average Number of Inmates	1998-99 Unadjusted Per Diem Rate
Hillsborough Correctional Institution	352	\$80.86	302	\$83.87 ²
Lake City Correctional Facility	343	66.12	342	67.97
Indian River Correctional Institution	360	64.82	360	67.57
Lancaster Correctional Institution	857	54.43	827	59.07
Brevard Correctional Institution	1,224	45.77	1,183	47.92

¹ The per diem amounts presented in this exhibit are based on direct costs only. A more detailed comparison, including indirect costs and other adjustments, is provided in Appendices A and B.

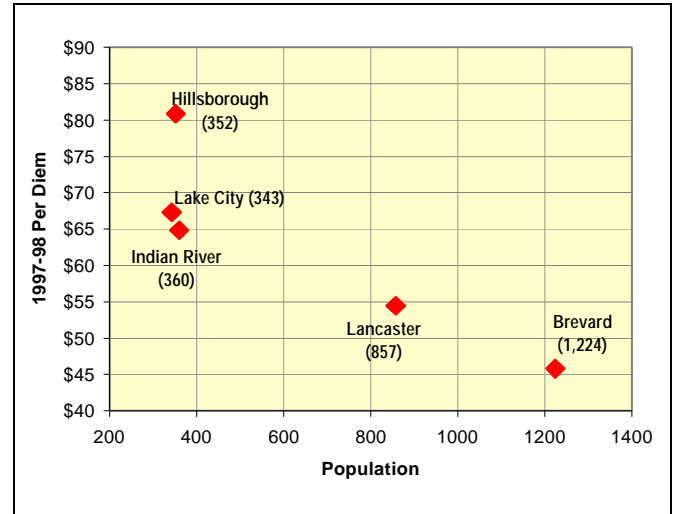
² While the Hillsborough facility is similar in size to the Indian River facility, its per diem is much higher as a result of several factors, including a relatively intensive staffing level and higher health services costs.

Source: Department of Corrections.

Although the Legislature exempted this youthful offender prison from meeting the 7% cost savings requirement that is applied to adult private prisons, the state should take steps to improve the cost effectiveness of the contract with the Corrections Corporation of America. Restructuring the contract's marginal per diem rate alone could reduce the total cost of the contract by over \$560,000. ¹⁰

¹⁰ In OPPAGA [Report No. 97-68](#), *A Review of Bay and Moore Haven Correctional Facilities*, we identified a similar concern with the contract with Corrections Corporation of America for the operation of Bay Correctional Facility.

Exhibit 7
Smaller Facilities Have Higher Per Diem Costs



Source: Department of Corrections and Correctional Privatization Commission.

In addition to the primary per diem rate, the operating costs of private prisons include a marginal per diem rate. The Correctional Privatization Commission has structured the private prison contracts to pay vendors a guaranteed per diem rate for inmates up to 90% of capacity. The state is obligated to pay this guaranteed rate even if the population falls below 90%, thus providing a guarantee to the vendors that the state will cover their fixed costs. For each inmate in excess of 90% capacity, the vendor is paid a marginal per diem rate to cover the variable costs associated with additional inmates.

As shown in Exhibit 8, Lake City's contracted marginal per diem rate is \$65.82, which is approximately 95% of the guaranteed base per diem. This is significantly higher than the marginal rate paid at the adult private prisons operated by the Wackenhut Corrections Corporation. For example, at South Bay Correctional Institution, the marginal per diem rate is \$6.77, which is approximately 15% of the guaranteed base per diem.

Exhibit 8
1997-98 Marginal Per Diem Rate
for Lake City Is Unfavorable

Private Prisons	Guaranteed Rate for Each Inmate Up to 90% Capacity	Marginal Rate for Each Inmate Over 90% Capacity	Marginal Rate as Percentage of Guaranteed
Lake City Correctional Facility	\$69.06	\$65.82	95%
South Bay Correctional Institution	45.24	6.77	15%

Source: Correctional Privatization Commission.

The state could realize considerable cost savings if the Lake City facility's marginal rate were more comparable to the marginal rate at Wackenhut prisons. During the 1997-98 fiscal year, for example, Lake City housed an average of 343 inmates, 28 inmates over 90% capacity. If its marginal rate had been set at 15% of the base rate, for example, rather than at 95%, the per diem payment for each of these inmates would have been only \$10.36, compared to the \$65.82 the state paid. This would result in an annual cost savings of over \$560,000.¹¹

Conclusion

While the Legislature has exempted youthful offender facilities from the 7% cost savings required of adult prisons, an anticipated benefit of prison privatization is the provision of a higher level of services at a lower cost. In addition, the legislative intent of s. 957.125, F.S., is that private vendors provide prisons that optimize the level of rehabilitative programming for youthful offenders.

Due to significant noncompliance and staff vacancies, Lake City did not deliver

programs of enhanced quality during its first year of operation. However, the quality of Lake City's programs improved following intervention by state agencies. By its second year, the facility had addressed noncompliance issues and staff vacancies decreased. Program performance compared very favorably with public prison performance.

The Lake City Correctional Facility currently does not provide more programming at a lower cost. Rather, it provides comparable programming at a comparable cost. Lake City plans to expand its vocational programs to include a new Culinary Arts course and a PIE program. With these improvements the anticipated benefits of privatization may be achieved, provided Lake City's costs remain comparable to the costs of public prisons.

However, the problems Lake City experienced during its first year and a half of operation raise quality control concerns. Lake City's problems exceeded the normal difficulties associated with start-up and seriously affected program performance. As a result, the state did not get the quality programs for which it paid.

Existing mechanisms for ensuring compliance with state and federal regulations in a timely manner failed. To some extent, this may have resulted from the shared responsibility for monitoring compliance between the Department of Corrections, the Correctional Privatization Commission and appropriate regulating agencies. However, private vendors should have an adequate understanding of the federal and state laws that apply to the programs they provide and they should be held accountable for noncompliance.

The Lake City facility's contract does not include intermediate provisions that would allow the state to sanction the vendor for either poor performance or noncompliance without closing the institution. We recommend that the Legislature renew the

¹¹ It is OPPAGA's assumption that the vendor has had the foresight to cover its fixed costs, including a profit margin, in the guaranteed rate contracted with the state. We are recommending only that the marginal rate be decreased, not that the guaranteed rate be increased, as the commission has interpreted our previous recommendation.

contract, but that the Correctional Privatization Commission renegotiate the contract to provide explicit sanctions for noncompliance and nondelivery of the contracted level of services. Such sanctions could include fines and/or reductions in inmate per diem rates until program deficiencies are resolved.

We also recommend that the Correctional Privatization Commission restructure the marginal rate to limit the cost of the prison.

Agency Response —

We provided a draft of our report to the Corrections Corporation of America, the Correctional Privatization Commission, and the Department of Corrections for review and response. The responses provided cannot be reproduced within the space limitations of this report, but are published with the electronic version of our report on our website, *The Florida Monitor*: <http://www.oppaga.state.fl.us/>, and are available on request.

The Secretary of the Department of Corrections provided comments regarding the divided responsibilities of the department and the commission for overseeing private prison operations. He indicates that a determination by the Office of the Governor in November 1997 was necessary to verify that the Department of Corrections had authority to monitor and ensure compliance of educational programs for students with disabilities in private prisons.

The Corrections Corporation of America and the Correctional Privatization Commission each emphasized the problems involved in comparing Lake City with public facilities. The president and chief operating officer of CCA states that “the report has serious limitations that should have been recognized and emphasized by its authors.” The executive director of the CPC states that “the lack of comparability

between privately operated facilities and facilities built and operated by the Department of Corrections creates significant limitations to the study and in turn the conclusions of the report.”

OPPAGA has acknowledged that the differences in the size and the ages of the populations in the public and private facilities serve as a limitation in making comparisons between the facilities. Because no single public facility provided a good direct comparison, it was necessary for us to use the four state youthful offender facilities despite those differences. If we eliminated every public facility that differed in any significant way from the private facility, we would have been left with no means of comparison or benchmark for evaluating the private prison's costs and performance as directed by s. 957.11, F.S.

CCA and CPC also raise issues related to the fact that Lake City was in a “start-up” mode during the first year of analysis whereas the public facilities used by OPPAGA had been operating for several years. The CCA president states, “No aspect of program evaluation research is more obvious or more fundamental than the need to discount or to ignore altogether the results of initial periods of program operation. To do otherwise creates an unacceptable and essentially irrelevant amount of ‘noise’ associated with program start-up issues.”

OPPAGA repeatedly emphasized the improvements shown by CCA in its second year of operation in recognition that some start-up problems may be encountered during the first year. However, it was our opinion that the start-up problems experienced by Lake City were more than irrelevant “noise,” but were in fact major instances of contract noncompliance and should have resulted in sanctions from the state.



J. Michael Quinlan
President and Chief Operating Officer

January 20, 2000

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

Dear Mr. Turcotte:

The Corrections Corporation of America (CCA) has reviewed the report on the Lake City Correctional Facility prepared by the Office of Program Policy Analysis and Government Accountability's (OPPAGA). We appreciate the confidence of OPPAGA in the cost effectiveness of CCA's efforts that is reflected in the recommendation that our contract be renewed. We also welcome your invitation for our written reactions to that report. As will become apparent, our most general conclusion is that it reflects a good-faith effort by OPPAGA to meet the difficult duty imposed on it by Section 957.11, F.S.

Notwithstanding our overall reaction to the OPPAGA report, the focus of our comments here will be two-fold. First, the report has serious limitations that should have been recognized and emphasized by its authors. Second, there is some information that escaped attention in the report that we feel is of sufficient significance as to deserve comment here.

Limitations of the OPPAGA Report

All research has limitations. It is essential that those shortcomings be expressly recognized and carefully taken into account in any interpretations of research data. The difficulties we believe should have been more fully recognized include the following major items. It is convenient to divide them into two categories.

The Absence of Comparable Public Facilities for Youthful Offenders

- No aspect of program evaluation research is more obvious or more fundamental than the need to discount or to ignore altogether the results of initial periods of program operation. To do otherwise creates an

unacceptable and essentially irrelevant amount of "noise" associated with program start-up issues. To be sure, OPPAGA repeatedly indicates that CCA made much progress during the time period of operations it considered. Much as we welcome that praise, we believe it would have been more appropriate to focus largely or entirely on what was achieved after facility operations had moved beyond a start-up phase. This flaw in the OPPAGA study is somewhat difficult to understand when it is recognized that one Florida youthful offender facility (the Dade Correctional Institution) was excluded from the analysis altogether because it was in a start-up phase of operation and, "because of its transitional status, was eliminated from our review."

- The problem with OPPAGA's consideration of performance at Lake City during its start-up phase is compounded by its methodologically unwise decision to compare the performance of the CCA facility during that period with the performance of public facilities that were not in a comparable start-up phase of their operations. This criticism has nothing to do with whether the comparison proved to be favorable or unfavorable to CCA. It is simply the case that any comparison of a new correctional facility and its programs with more established facilities and their programs would universally be viewed as inappropriate and potentially misleading.
- Those familiar with correctional policies and practice are aware of the bright-line differences that exist between what takes place in facilities housing younger youthful offenders (the Hillsborough Correctional Institution and the Indian River Correctional Institution, both of which are operated by the Department of Corrections (DOC)) versus what takes place in facilities housing their older counterparts (the CCA facility as well as the Lancaster Correctional Institution and the Brevard Correctional Institution, both of which are operated by the DOC). A shortcoming of the OPPAGA report is that the comparative approach on which it relies fails in large measure to recognize the magnitude of these differences. The result is that what are implied to be "apples-to-apples" comparisons are in reality "apples-to-oranges" comparisons.
- Those familiar with correctional policies and practice are also aware of the bright-line differences that exist between the costs and quite commonly the array of programs one finds in relatively small versus relatively large facilities. To the degree that many of the OPPAGA comments compare the CCA facility with two far larger DOC facilities (the Lancaster Correctional Facility and the Brevard Correctional Facility), we believe the meaningfulness of those comments is undermined.
- The utility of the OPPAGA analysis is weakened further when it is recognized that the shortcomings already identified interact with one another. For example, it is impossible to meaningfully compare the CCA facility with either of the two DOC-operated facilities that are of similar size. The two DOC facilities house offenders below the age of 19; the CCA facility house the quite different 19-24 population. Further, it is impossible to meaningfully compare the CCA facility with either of the two DOC-operated facilities that

have comparable offender populations. The two DOC facilities are much larger than the CCA facility to make any such comparisons meaningful.

Readers of the OPPAGA report will easily recognize how these shortcomings limited the utility and validity of many of the research findings. For example, the report comments critically on such start-up phase events as staff turnover rates, position vacancies, noncompliance with the technicalities of some regulations, and program participation rates. Those critical comments are then balanced with positive findings regarding progress in these and other dimensions of facility operation that was achieved during the second year of facility operations. The result is a repetitive conclusion that much progress has been achieved by CCA. In truth, however, the report actually confuses the perfectly ordinary problems any public or private facility encounters during its initial period of operation with what one would expect to find once the "noise" associated with the start-up phase diminishes.

We are persuaded that a better methodological approach would have focused largely or entirely on the second year of operations. Little more than a brief summary of what transpired during the start-up phase of operations would seem to have been necessary. Importantly, the rather hollow assertion by OPPAGA that "comparing Lake City to the four public facilities provides a reasonable context for assessing the private facility's program performance and operating cost" cannot transform obvious methodological flaws into an acceptable analytical approach.

The Cost Savings Issue

The OPPAGA report allocates a good deal of attention to the cost savings issue. Nonetheless, the fundamental incomparability of the DOC-operated facilities coupled with the absence of any applicability of Section 957.07, F.S. to the Lake City facility recommends against a detailed reaction. However, we do believe that three comments are worth making.

First, it is the case that all Correctional Privatization Commission (CPC) facilities confront a statutory duty to provide programs designed to reduce recidivism. Published evidence carefully documents that significant reductions in rates of recidivism are being achieved in CPC facilities. DOC facilities confront no comparable statutory mandate. Perhaps because of this difference, our interpretation of the data presented in the OPPAGA report indicates that the array of programs aimed at reducing recidivism at Lake City are now superior to what those in place in DOC facilities. It might be possible to reduce operating costs at Lake City by weakening those programs. Our judgment is that such a strategy would fall into the category defined by commonsense as being "penny wise and pound foolish."

Second, it is also the case that even the cost comparisons prepared by OPPAGA suggest that the operating costs at Lake City compare favorably with those of DOC-operated youthful offender facilities.

Third, we are not persuaded that various technical aspects of the cost comparison methodology relied upon by OPPAGA yield the results that decision makers typically seek. Our experience is that decision makers desire information about the total cost associated with the operation of a privatized facility and the total cost associated with the operation of one or more reasonably comparable public facilities.

At least two relevant limitations of the cost comparison strategy used by OPPAGA in this report trouble us. One of these is the lack of an explanation for the manner in which indirect costs were allocated. To merely assert that there was a need to add \$1.32 or \$1.35 to the direct cost is not sufficient.

Our other criticism is that DOC per diem costs were pushed rather sharply lower by "credits" for expenditures related to unfunded retirement system debt and the payment to DOC employees of a competitive area differential. The net effective of these adjustments drives estimates of Lake City costs higher and estimates of DOC costs considerably lower. In fact, however, Florida taxpayers obviously paid real and not adjusted dollars for the operation of all facilities under consideration by OPPAGA. We believe that decision makers are far more interested in real dollar payments rather than in adjusted dollar payments.

Additional Relevant Information

ACA Accreditation

Following a three-day audit of virtually every aspect of facility design, operations, and programs completed in June of 1998, the audit team chosen by the American Correctional Association (ACA) recommended the accreditation of the Lake City Correctional Facility. What this means is that the facility was judged in terms of the ACA's Standards for Adult Correctional Institutions, standards that include 38 mandatory and 425 non-mandatory standards. To achieve accreditation requires a finding of 100% compliance with all mandatory standards and a finding of no less than 90% compliance with all non-mandatory standards.

Very significantly, the final accreditation "score" achieved by Lake City was 100% on the mandatory standards and 100% on the non-mandatory standards. We know of no private corrections firm and of only a tiny handful of public corrections agencies that have been as successful in achieving and maintaining ACA accreditation. Even within CCA's correctional system, a correctional system that includes more facilities and houses more offenders than all but approximately a half a dozen of the largest systems in the nation, a perfect

ACA accreditation score is quite uncommon. We thus believe that the important achievement should have been recognized in the OPPAGA report.

Florida Correctional Privatization Commission Audit

The Florida Correctional Privatization Commission's (CPC) most recent audit of the Lake City Correctional Facility was conducted in October of 1998. The two-member audit team was chaired by Timothy New who is the Assistant Warden of Texas Department of Criminal Justice's correctional facility in Huntsville, Texas. Mr. New noted that the Lake City facility was clean, fully functional, and in compliance with the contract between CCA and the CPC. Additionally, the audit team scored the facility as being 99.9 % compliant of 799 standards that were considered. None of the standards was scored as non-compliant; two were scored as partial compliance.

Progress with Vocational Training Programs

CCA is committed to continue the quality and variety of programs that are offered the Lake City facility. As the OPPAGA report mentions, the Lake City facility currently offers three vocational programs to inmates housed within the facility. The facility produced 85 vocational certificates during the 1998-99 fiscal year.

We are pleased to report that the facility has produced 47 vocational certificates during the first six months of the 1999-00 fiscal year, so it appears the facility will improve on last years' high level of productivity in this important area. Further, during February of this year Lake City facility will be add its fourth vocational program (Culinary Arts) and by July will be adding two additional vocational programs (Building Maintenance and Landscaping/Grounds Maintenance). The Landscaping/Grounds Maintenance program will be developed to provide an advanced program for graduates of the currently offered Nursery Operations program. The Building Maintenance program will focus on general maintenance skills that are needed for managing a commercial/industrial building.

PIE Program Developments

The OPPAGA report also mentions that CCA has focused its efforts on establishing a Prison Industry Enhancement (PIE.) Program. The PIE Program falls within the authority of the Bureau of Justice Assistance of the U.S. Department of Justice and is designed to encourage private sector companies to place their businesses within the confines of a prison or detention setting. Youthful offenders would be trained as employees of the companies to render services or to produce commodities. Thus, within the boundaries of the facility offenders would simulate a free world working environment and perhaps develop a link for employment upon their release from the facility.

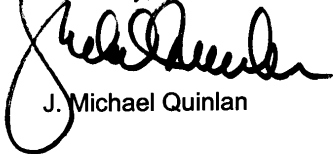
CCA is and will remain committed to achieving the goal of establishing a PIE program at Lake City. The company has recently augmented its efforts by contracting with Enterprise Prison Institute; a company specifically incorporated to interest private sector partners to locate their business within a prison setting. Although CCA is confident that its efforts will result in success, locating the most appropriate company remains a critical challenge.

Conclusions

CCA is satisfied that OPPAGA made a good-faith effort to meet its statutory duty in its preparation of this comparison of costs and performance. The limitations to which we have pointed in this reaction are of considerable magnitude, but it must be understood that many of those deficiencies were largely unavoidable consequences of two influences. One of these is the fact that the CCA facility did not open until February of 1997. The other is that there is no DOC-operated facility with which the CCA-operated facility can meaningfully and directly be compared. CCA's recognition of these facts and their consequences aside, it is the case that the Lake City facility experienced difficult challenges during its first 18 months of operation. CCA believes that the OPPAGA report correctly concludes that the problems exceeded the normal difficulties associated with the start-up of a correctional institution. However, by working closely and cooperatively with the CPC, CCA made comprehensive operational and management changes in early 1998.

The beneficial effects of those agreed upon changes were numerous. CCA's judgment is that today the Lake City Correctional Facility is providing services equivalent or superior to those found in any other youthful offender facility in Florida and that the costs of those services is below what Florida would incur in a traditional, government-operated facility. This for CCA is the bottom line. Our commitment is to deliver correctional services that meet or exceed all applicable legal and professional standards at a significant cost savings to taxpayers. CCA meets that commitment every day to governmental clients all across the nation. Importantly, meeting that commitment in Florida is made all the more possible because of the consistently positive and supportive relationship CCA enjoys with the Correctional Privatization Commission.

Sincerely,



J. Michael Quinlan



Correctional Privatization Commission

4050 Esplanade Way • Pepper Building, Suite 680 • Tallahassee, Florida 32399-0950
850/921-4034 • Fax 850/922-7594

January 19, 2000

John Turcotte
Director, Office of Program Policy and
Governmental Accountability
The Florida Legislature
111 West Madison Street, Room 312
Claude Pepper Bldg
Tallahassee, Florida 32301

Response: Lake City Correctional Facility

Dear Mr. Turcotte:

Subsequent to the review of the Office of Program Policy Analysis Governmental Accountability (OPPAGA) "Private Prison Review" of Lake City Correctional Facility, the Correctional Privatization Commission (Commission) would like to take this opportunity to note and comment on several issues raised in the report. The Commission realizes the difficult task set before OPPAGA in meeting the statutory duty set forth by section 957.11, Florida Statutes, to compare the cost and benefits of private and public prisons. Although the Commission appreciates OPPAGA's efforts to provide an objective review, the lack of comparability between privately operated facilities and facilities built and operated by the Department of Corrections creates significant limitations to the study and in turn the conclusions of the report.

The OPPAGA report recognized that the differences in the number of and age of assigned inmates prevented a direct comparison to Lake City Correctional Facility. As noted in the OPPAGA report, due to this lack of a comparison, Lake City was compared to four "similar" public facilities operated by the Department of Corrections. Although the group of public facilities and Lake City have similar characteristics; the differences in the number and age of inmates assigned to the respective facilities distorts the magnitude of the quantitative differences.

Performance

As noted in the OPPAGA report, as with any correctional facility, Lake City did in fact experience start up problems. However, comparing Lake City during its initial year of operation to facilities that have been operational for several years is misleading. Dade Correctional Institution, as with Lake City, being in its initial stage would have been a more comparable facility to use in this comparison. Nevertheless, the report indicates that Dade was excluded from the analysis due to the very fact that it was in "transitional status".

Jeb Bush
GOVERNOR

Joel J. Freedman
CHAIRPERSON

C. Mark Hodges
EXECUTIVE DIRECTOR

**JOHN TURCOTTE
LCCF REVIEW**

Page 2

In addition, comparing programming at Lake City in its initial year to programs provided at facilities that have been existence for several years leads to skewed results. Naturally, assessing and tailoring programs to meet the needs of the inmate population causes a minimal delay in programs during the first year of operation. Facilities that have been in existence for several years do not have these issues. In many cases, programming at public facilities are non functional or minimal during the first year of operation. Despite the start up issues at Lake City, Lake City provided a level of programming that exceeds most public facilities during the start up phase.

OPPAGA indicates that during its initial year, Lake City had "relatively low program participation". However, in academics Lake City exceeded program participation of all comparison facilities with the exception of Hillsborough, which houses inmates under 19 and Brevard, which is almost four times the population of Lake City. During its second year, Lake City exceeded each of the facilities in academic participation with the exception of Indian River, which also houses inmates under 19. The additional programming needs for inmates under 19 and the proportion of the population in need of services are both factors that increase program participation due to the variance in the eligible inmate population. Despite these differences, it should be noted however, that inmate participation in vocational programs at Lake City exceeded all comparable youthful offender facilities in the first and second year of operation.

OPPAGA acknowledges that during the fiscal year 1998-99 Lake City had the highest completion rate for GEDs and second highest rate for vocational certificates among youthful offender facilities system wide.

Operating Costs

Despite the exemption provided Lake City in section 957.125, Fla. Stat., from any cost savings comparison, the issue of cost savings was addressed in the OPPAGA report. The relationship of size of the facility to cost per inmate is a significant determinant of the overall cost of operations. This factor puts Lake City, a 350-bed facility, at a disadvantage when compared to facilities such as Lancaster, an 827-bed facility, and Brevard Correctional Institutional, a 1,183-bed facility. When comparing Lake City to facilities of similar size, the per diem for Lake City is \$6.72 cheaper than the average department youthful offender facility. This equates to cost savings of approximately 10.16%.

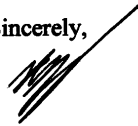
In conclusion, the Commission concurs with the recommendation by OPPAGA to renew the contract of Lake City Correctional Facility. Although the Commission will continue to evaluate program needs and enhance programs at its facilities, Lake City has met its statutory requirement in providing programs to meet the needs of youthful offenders in the state of Florida with a high level of efficiency. This is evident in the completion rates

**JOHN TURCOTTE
LCCF REVIEW**

Page 3

and certificates awarded in academic and vocational programs that substantially exceed those of the public prisons. Although the Commission has noted several concerns, we strongly believe that OPPAGA has made a conscientious effort to conduct an objective review. However, the lack of comparable facilities significantly diminishes the ability to provide a realistic and meaningful comparison of private and public prisons.

Sincerely,



C. Mark Hodges
Executive Director

CMH/ldo



FLORIDA
DEPARTMENT of
CORRECTIONS

Governor
JEB BUSH

Secretary
MICHAEL W. MOORE

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January 20, 2000

Mr. John W. Turcotte, Director
Office of Program Policy Analysis
and Government Accountability
111 West Madison Street
Claude Pepper Building, Room 312
Tallahassee, Florida 32399-1475

Dear Mr. Turcotte:


This is in regard to your January 5, 2000, request for our response to preliminary findings and recommendations of your private prison review entitled:

**Lake City Correctional Facility
Experienced Start-Up Problems But Has Improved**

Attached are comments and responses from our Office of Program Services. These responses address educational and substance abuse programs.

If we can provide additional information, please advise.

Sincerely,

for  *Dep. Sec.*

Michael W. Moore
Secretary
MWM/JC/sc
Attachment

cc: Fred Schuknecht, Inspector General
Jerry Chesnutt, Chief, Bureau of Internal Audit

STATE OF FLORIDA
DEPARTMENT OF CORRECTIONS
OFFICE OF PROGRAM SERVICES



MEMO TO: Fred Schuknecht
Inspector General

FROM: Wilson C. Bell

DATE: January 20, 2000

SUBJECT: OPPAGA Report on Lake City Correctional Facility (LCCF)

This report fairly and accurately reports the difficulties LCCF had during the first year and a half of operation. It does not accurately report the circumstances and impediments that prevented the Department of Corrections from addressing compliance with ESE regulations. Compliance action was not initiated by a December, 1997 inquiry, but by the determination of the Office of the Governor in November, 1997 that the department does, indeed, have authority to monitor and ensure compliance of educational programs for students with disabilities. Note the attached letter from the Governor's Chief of Staff.

As early as January 1997, the department had made numerous documented attempts to advise LCCF of their responsibilities and monitored their progress. All monitoring reports citing deficiencies were reported to LCCF and Mark Hodges, Executive Director of the Corrections Privatization Commission (CPC). The CPC's clearly stated position was that they were the only entity that had enforcement authority over the Corrections Corporation of America (CCA) contract.

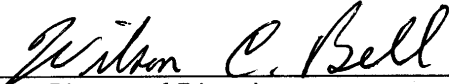
Throughout 1997, the department had advised FDOE of the deficiencies discovered and the resistance by CPC for the department to enforce compliance.

The report very accurately reports that a major flaw in the CCA Lake City Correctional Facility contract was the lack of provisions for sanctioning the vendor for noncompliance.

The issue of noncompliance in the substance abuse program was exclusively the responsibility of the CPC per the contract and the policy decision by the Office of

Fred Schuknecht
Page 2
January 20, 2000

the Governor. The department provided LCCF with program information and state requirements for licensure.



Deputy Director of Education

WCB/jhb

Attachment

cc: Richard J. Nimer
Bernard Cohen
J. Bidy

12/19/1997 10:44

850-992-6200

GOV ENV AFF

PAGE 02

LAWTON CHILES
GOVERNOR

STATE OF FLORIDA

Office of the Governor

THE CAPITOL
TALLAHASSEE, FLORIDA 32399-0001

November 18, 1997

Jim Biddy

Mr. Joel Freedman
Vice President of Planning
78 Sarasota Center Boulevard
Sarasota, Florida 34240

Dear Mr. Freedman:

Thank you for your letter of October 3 in which you state that the Correctional Privatization Commission has operational oversight responsibility for Commission facilities and that "The only statutory authority the Department [of Corrections] has whatsoever is in the area of Security Audits..."

In response to the Commission's assertion that it has "oversight responsibility for Commission facilities," I would like to point out that Chapter 957, F.S., does not mention oversight at all. Specifically, s. 957.03, F.S., states that the Commission is "... created for the purpose of entering into contracts with contractors for the designing, financing, acquiring, leasing, constructing, and operating of private correctional facilities" and specifies that the Commission's duties are to:

"(a) ...enter into a contract or contracts with one contractor per facility for the designing, acquiring, financing, leasing, constructing, and operating of that facility or, if specifically authorized by the Legislature, separately contract for any such services..."

(b) ...invite innovation and...not require use of prototype designs of state correctional facilities specified or designed by or for the department or of state juvenile facilities specified or designed by or for the Department of Juvenile Justice...[and]...not require the use of any prototype design that specially advantages any contractor.

(c) ...report to the Speaker of the House of Representatives and the President of the Senate by December 1 each year on the status and effectiveness of the facilities under its management...including a comparison of recidivism rates for inmates of private correctional facilities to the recidivism rates for inmates of comparable facilities managed by the department."

It is the position of the Governor that the Department of Corrections has the authority and responsibility to inspect all correctional facilities housing inmates as a matter of statutory mandate, not as an act of grace on the part of the Commission. That authority extends to Inspector General inspections and investigations, health services monitoring for minimum standards, and for monitoring educational programs for students with disabilities, as well as

11/19/1997 10:44 850-992-6200

GOV ENV AFF

PAGE 03

Mr. Joel Freedman
November 18, 1997
Page 2

security inspections.

Section 944.31, F.S., 1996 Supplement, states, in part:

"The inspector general shall be responsible for...inspecting the penal and correctional systems of the state. The office of the inspector general shall inspect each correctional institution or any place in which state prisoners are housed, worked, or kept within the state, with reference to its physical conditions, cleanliness, sanitation, safety, and comfort;...the number and conditions of the prisoners confined therein; and the general conditions of each institution....The office of inspector general shall see that all the rules and regulations issued by the department are strictly observed and followed by all persons connected with the correctional systems of the state...The inspector general and inspectors may enter any place where prisoners in this state are kept and shall be immediately admitted to such place as they desire and may consult and confer with any prisoner privately and without molestation."

Section 945.6034, F.S., states, in part:

"The [department] is responsible for developing a comprehensive health care delivery system and promulgating all department health care standards. Such health care standards shall include, but are not limited to, rules relating to the management structure of the health care system and the provision of health care services to inmates, health care policies, health care plans, quality management systems and procedures, health service bulletins, and treatment protocols..."

The Departments of Corrections and Education have entered into an interagency agreement that states, in part:

"The Office of Education and Job Training shall in the provision of education for inmates with disabilities...assist in the general supervision of educational programs for inmates with disabilities by...participating and assisting in the monitoring and evaluation of special education programs for inmates with disabilities to ensure compliance with applicable state and federal laws, rules, and regulations..."

The Department of Education has stated that regardless of the institutional assignment of an inmate with disabilities, the responsibility for implementing and monitoring educational programs rests with the Department of Corrections.

To ensure that these processes flow as smoothly as possible, Department of Corrections staff will provide a list of the scheduled visits to the Commission, the affected provider, and the contract monitor. To avoid redundancy and duplication of effort, the Department of Corrections

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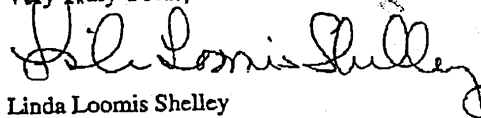
Mr. Joel Freedman
November 18, 1997
Page 3

will eliminate standards that are not applicable to Commission facilities and may also utilize the results of Commission inspections for items that are identical or substantially similar to standards used by the Department.

Lacking a statutory change that would exclude private facilities from the provisions of ss. 944.31 and 945.6034, F.S., it is clear that the law requires the Department of Corrections to inspect all facilities in which inmates are housed. We expect that the Commission, private vendors, and the Department of Corrections will work together professionally to ensure that the law is followed and the inspections are carried out in the most efficacious manner possible.

If you feel that another meeting would be helpful so that no further misunderstanding occurs, please contact my office at 488-5603.

Very Truly Yours,



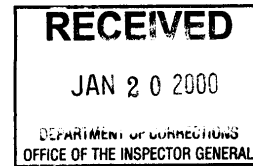
Linda Loomis Shelley
Chief of Staff

LLS/mtm

cc: Harry Singletary
Mark Hodges

STATE OF FLORIDA
DEPARTMENT OF CORRECTIONS
OFFICE OF PROGRAM SERVICES

SUBSTANCE ABUSE PROGRAM SERVICES



MEMO TO: Fred Schuknecht
Inspector General

FROM: Pam Denmark

DATE: January 20, 2000


SUBJECT: **OPPAGA Letter on Lake City Correctional Facility dated
January 5, 2000**

This response is specific to the issues regarding substance abuse treatment in the above referenced document. Initially the Department provided the vendor with DC substance abuse program standards, the Florida Statute Chapter 397 and Administrative Code 65D-16 for their usage in program implementation. At that time, it was understood that the Corrections Privatization Commission had responsibility for operational oversight and contract enforcement.

The issue regarding operational oversight and contract enforcement received considerable debate. It was resolved in a letter from Linda Loomis Shelley, Chief of Staff, Office of the Governor dated November 18, 1997. The letter stated that the department had the authority for monitoring health services, security inspections and educational programs for students with disabilities. It did not include responsibility for monitoring substance abuse treatment programs. Program oversight, monitoring and contract compliance responsibilities were left with the Corrections Privatization Committee. Therefore, the Department has not provided any substance abuse program oversight to Lake City Correctional Facility.

It is recommended that the current monitoring authority be extended to include monitoring substance abuse programs for minimum standards. This would increase consistency in service delivery types and provide a mechanism for monitoring program quality. This would also ensure that when a cost comparison is made, it would reflect a comparison between similar services, which are monitored for the same standards and quality.

If any additional information is needed, please contact me at 488-9169.


Bureau Chief
Substance Abuse Program Services

PD/cg

cc: Richard J. Nimer, Director of Program Services
Bernard R. Cohen, Deputy Director of Programs
Wilson C. Bell, Deputy Director of Education

Private Prison Review

Appendix A

Comparison of Lake City Correctional Facility's Costs with Costs of Public Youthful Offender Prisons

Fiscal Year 1997-98	Lake City Private Prison	Hillsborough	Indian River	Lancaster	Brevard
Direct costs for the operation of the prisons					
Contracted per diem for inmate days billed by vendors	\$ 8,408,683				
Less					
Deductions made for staff vacancies	(29,440)				
Medical co-payments collected from inmates -- retained by vendor	(3,192)				
Amount retained by the CPC for salaries of contracted on-site monitor and additional commission administrative staff	(67,999)				
Per diem provided by the contract for property taxes -- not payable to counties/cities	(77,968)				
Per diem payments to the vendor for Lake City for the fiscal year	\$8,230,084				
Salary competitive area differential (CAD) paid to vendor	NA				
Medical expenses over \$7,500 paid by the Department of Corrections for private prison inmates	NA				
Cost for DC classification staff at private prison	52,469				
Total direct expenditures for the operation of private prison	\$ 8,282,553	\$10,381,769	\$8,526,455	\$17,033,589	\$20,442,530
Direct costs converted to a per diem rate for the fiscal year					
Average inmate population for the fiscal year	343	352	360	857	1,224
Total inmate-days for the fiscal year	125,262	128,399	131,546	312,956	446,616
Total direct expenditures calculated as a per diem	\$ 66.12	\$ 80.86	\$ 64.82	\$ 54.43	\$ 45.77
Indirect costs allocated to private and state prisons					
Correctional Privatization Commission	\$0.44				
Department of Corrections	1.32	\$3.15	\$3.15	\$3.15	\$ 3.15
Other state agencies	0.07	0.24	0.24	0.24	0.24
Statutory credits to costs of private prisons					
Credit for sales tax paid by private vendor ¹	\$ (0.35)				
Credit for Florida corporate income tax paid ²					
Vendor payment to Major Maintenance Repair Fund	(0.24)				
Credit to state prisons					
Public work squads		\$ (0.26)	\$ (0.74)	\$ (0.53)	\$ (0.37)
Reduce costs of contributions to repay non-current prior year's unfunded debt of retirement system		(2.52)	(1.93)	(1.57)	(1.31)
Reduce costs of CAD		(4.58)	(4.38)	NA	(2.40)
Operating cost comparison	\$ 67.36	\$ 76.89	\$ 61.16	\$ 55.72	\$ 45.08

¹These amounts are based on Corrections Corporation of America estimates. CCA does not maintain records that make it feasible to retrieve this information.

²CPC's estimate of CCA's corporate income tax, based on the vendor's bid proposal, would result in a credit of \$0.26 per diem. However, CCA did not provide OPPAGA with documentation to disclose actual corporate income taxes paid in Florida.

Source: Prepared by OPPAGA staff based on data provided by the Department of Corrections and Correctional Privatization Commission.

Appendix B

Comparison of Lake City Correctional Facility's Cost with Costs of Public Youthful Offender Prisons

Fiscal Year 1998-99	Lake City Private Prison	Hillsborough	Indian River	Lancaster	Brevard
Direct costs for the operation of the prisons					
Contracted per diem for inmate days billed by vendors	\$ 8,591,397				
Less					
Deductions for staff vacancies	(6,094)				
Medical co-payments collected from inmates -- retained by vendor	(3,120)				
Amount retained by the CPC for salaries of contracted on-site monitor and additional commission administrative staff	(67,799)				
Per diem provided by the contract for property taxes -- not payable to counties/cities ¹	(77,968)				
Per diem payments to the vendor for Lake City for the fiscal year					
	\$ 8,436,416				
Salary competitive area differential (CAD) paid to vendor	NA				
Medical expenses over \$7,500 paid by the department of corrections for private prison inmates	NA				
Cost for DC classification staff at private prison	56,795				
Total direct expenditures for the operation of private prison	\$ 8,493,211	\$ 9,250,596	\$ 8,881,475	\$ 17,824,052	\$ 20,701,883
Direct costs converted to a per diem rate for the fiscal year					
Average inmate population for the fiscal year	342	302	360	827	1,183
Total inmate-days for the fiscal year	124,947	110,294	131,443	301,723	431,967
Total direct expenditures calculated as a per diem	\$ 67.97	\$ 83.87	\$ 67.57	\$ 59.07	\$ 47.92
Indirect costs allocated to private and state prisons					
Correctional Privatization Commission	\$0.44				
Department of Corrections	1.35	\$3.22	\$3.22	\$3.22	\$ 3.22
Other state agencies	0.07	0.23	0.23	0.23	0.23
Statutory credits to costs of private prison ¹					
Credit for sales tax paid by private vendor ²	\$ (0.35)				
Credit for Florida corporate income tax paid ³					
Vendor payment to major maintenance repair fund	(0.24)				
Credits to state prisons					
Public work squads		\$ (0.31)	\$ (0.96)	\$ (0.78)	\$ (0.74)
Costs of contributions to repay non-current prior year's unfunded debt of retirement system		(2.85)	(1.94)	(1.63)	(1.29)
Costs of CAD		(3.98)	(3.77)	NA	(2.10)
Operating Costs Comparison	\$ 69.24	\$ 80.18	\$ 64.35	\$ 60.11	\$ 47.24

¹The contract with the Corrections Corporation of America (CCA) includes an estimated property tax payment amount. However, current interpretation of state law regarding the nature of the private prison properties does not require vendors to pay property taxes on the prisons. Therefore, the commission deducts the estimated property tax amount from each payment to the vendor. In 1998, the Legislature appropriated funds to pay counties in lieu of the anticipated local property tax payments for private prisons. Of these funds, the state paid \$164,924.42 to Columbia County for the Lake City Correctional Facility in Fiscal Year 1998-99. We did not include this payment in our calculations as a private prison cost.

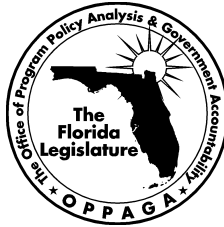
²These amounts are based on CCA estimates. CCA does not maintain records that make it feasible to retrieve this information.

³CPC's estimate of CCA's corporate income tax, based on the vendor's bid proposal, would result in a credit of \$.27 per diem. However, CCA did not provide OPPAGA with documentation to disclose actual corporate income taxes paid in Florida.

Source: Prepared by OPPAGA staff based on data provided by the Department of Corrections and Correctional Privatization Commission.

The Florida Legislature

Office of Program Policy Analysis and Government Accountability



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OPPAGA 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 in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

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Project supervised by Byron Brown (850/487-9215)

Project conducted by Louise Cobbe (850/487-9239) and Kathy McGuire (850/487-9224)