



PUBLIC-PRIVATE PARTNERSHIP IN CORRECTIONS

A SERIES OF EVALUATION STUDIES

“The Interrelationship Between Public and Private Prisons: Does the existence of prisoners under private management affect the rate of growth in expenditures on prisoners under public management”

April 2003

By James F. Blumstein and Mark A. Cohen

www.apcto.org/logos/Study.pdf

In this study the Vanderbilt University researchers, including a professor of law and a graduate school professor of economics, concluded that between 1999-2001 – the years for which the most accurate data is available – states that utilized private prisons had considerably more success in keeping public corrections spending under control than states with no private prisons. The existence of prisoners under private management in a state resulted in reduced growth in daily costs for the public corrections system by 8.9%, about 4.45% per year (1999-2000 and 2000-2001 budget cycles). In 2001, the average Department of Corrections expenditures in states without private prisoners were approximately \$445 million. If the “average” state in that group were to introduce private prisons to some extent, the potential savings for one year in the Department of Corrections could be approximately \$20 million in the public system’s operating costs alone.

“The Pros of Privately-Housed Cons: New Evidence on the Cost Savings of Private Prisons”

March 2003

Rio Grande Foundation - New Mexico

By Matthew Mitchell

www.riograndefoundation.org

Three-fifths of all U.S. states contract with private corporations to house a portion of their state prisoners. This study, by research economist Matthew Mitchell, takes a broad approach, by comparing state per-prisoner department of corrections budgets across 46 states. The author conducted an interstate econometric test of the relative efficiency of private-run versus government-run prisons. The econometric test demonstrates to state policy makers nationwide strong empirical evidence of potential savings from privatization. Accounting for a number of cost factors, significant per-prisoner savings were found in states that house a portion of their prisoners privately. All other factors being equal, states such as New Mexico, with forty-five percent of its prisoners in private custody, spent about \$9,660 less per prisoner in 2001 than non-privatized states. Given New Mexico’s prison population of 5,300, this is an annual savings of \$51 million. Forty-five percent privatization is expected to reduce the typical department of corrections budget by about one-third.

“Lock In Savings With Prison Privatization”

Michigan Privatization Report , Winter 2003

Mackinac Center for Public Policy - Michigan

By Lawrence Reed and John La Plante

www.mackinac.org/5022

The Michigan Privatization Report gives an overview of all the benefits of including a significant percentage of privatized corrections management into a state’s corrections system. The Michigan Department of Corrections, utilizing a total operating budget of \$1.7 billion, operates 42 prisons and 11 camps including one private corrections facility that saves the state between an estimated \$6,975 and \$19,125 a day or between \$2.5 million and \$6.9 million annually. Michigan will see a budget deficit in the next fiscal year of \$1.8 million, largely due to economic shortfalls. Using Michigan’s one private facility as a model of future opportunities, outsourcing a portion of the criminal justice system could save taxpayers millions while improving services.

Private Prisons and the Public Interest – Improving Quality and Reducing Costs through Competition”

February 2003

Washington Policy Center - Washington

By Paul Guppy

www.washingtonpolicy.org/ConOutPrivatization/PBGuppyPrisonsPublicInterest.html

The state of Washington has very little correctional privatization in its state, but the report does reference success with what privatization does exist. A private 50-bed work release facility for a county has operated for more than 10 years. It operates at \$28 daily, compared to a charge of \$60 daily to keep that same inmate in the county jail. The report assesses the current Washington prison system and the potential benefits of public-private partnership. Washington’s correctional institutions face overcrowding to some extent. The report identifies four principles that show how competition can successfully improve quality and ease budget constraints: lower cost; higher service levels; better management; and changed government culture. Referenced in the report is recent data that shows a measurable relationship between states that have invested in private prisons and their ability to control the rise in total structural costs of state government. The data indicates that states with 20% or more private prison usage experienced a lower net cumulative increase in their overall state budget.

“Privatizing Iowa’s Prisons - Policy Study”

January 2003

Public Interest Institute - Iowa

By Steven B. Garrison

www.limitedgovernment.org

The report indicates that Iowa has not experimented with privatization of its corrections system, despite its high cost for managing its system. Iowa’s prisons already are at 126% of capacity and rising. Iowa’s prison costs are high when compared with other states around the nation. Iowa’s per diem is \$84.89, higher than neighboring Kansas’ at \$83.38, and Oklahoma’s is dramatically lower by almost half at \$43.34. The difference being that Oklahoma houses 30% of its inmate population with private prisons, Iowa and Kansas use none at all. Iowa could recognize a significant cost savings in prison construction through open bidding with the private sector for future inmate housing, potentially utilizing private prisons for approximately 34% of its inmate population by 2011.

“Developments in the Law – The Law of Prisons, Section III: A Tale of Two Systems: Cost, Quality and Accountability in Private Prisons”

May 2002

Harvard Law Review

www.correctionscorp.com/overview/Harvard%20Law%20Review.pdf

A Harvard Law Review article about the benefits of the private-public partnership in corrections is seen as one of the most compelling cases for outsourced corrections management. The analysis in this article about the cost effectiveness, quality, accountability and long-term viability of the outsourced corrections management industry contends that private management services produce cost savings, while maintaining or exceeding quality and accountability levels in comparison to public corrections agencies. The article asserts that private prisons are “a promising avenue for the future development of the prison system.”

Statements from the Harvard Law Review article on references to cost, quality and accountability include:

- “The most rigorous studies find clearly positive cost savings. . . none of the more rigorous studies finds quality at private prisons lower than quality at public prisons on average, and most find private prisons outscoring public prisons on most quality indicators.”
- “. . . private prisons are, if anything, more accountable for their constitutional violations than are public prisons. The presence of this additional judicial check should in turn increase private prison quality.”
- “. . . The government should maximize the efficiency gains from privatization and minimize opportunities for capture by institutionalizing competition between public correctional departments and private prison firms and making contract monitoring independent of both the public and the private sector.”

“Corrections Privatization Generates Savings and Better Service”

Wisconsin Interest, Winter 2003

Wisconsin Policy Research Institute, Inc. - Wisconsin

By Marc C. Duff

www.wpri.org/WIInterest/Vol12No1/Duff12.1.pdf

This report assesses Wisconsin’s recent corrections system situation. Wisconsin’s prison system began limited dealings with private prisons in 1998 and today has more than 20% of its inmate population managed out-of-state by a private management company. The report states that few leaders have led the change for increased corrections privatization due to expected strong opposition from labor unions and liberal interests. But the report states that, ironically, liberal interests could benefit from corrections privatization because funds freed up by privatization efficiencies would become available for spending in other areas, including education and social services programs. The report states that Wisconsin should revisit prison privatization with renewed interest.

“Weighing the Watchmen: Evaluating the Costs and Benefits of Outsourcing Correctional Services (Parts I and II)”

January 2002

Reason Public Policy Institute - California

By Geoffrey F. Segal and Adrian T. Moore

www.rppi.org/ps290.pdf

This study identifies and examines 28 studies that analyze cost data, and while each of the studies was not without flaws, many provided comparable results related to cost savings in corrections privatization. Virtually all studies find private prison costs to be lower – on average between 5 and 15 percent. A wide variety of approaches, spanning over a decade and a half, in states across the nation have repeatedly come to the same conclusion: privatization saves money without reducing quality.

Factors such as quality, faster bed capacity, enhanced accountability, better risk management, innovation, new service delivery acquisition, improved efficiency and flexibility, and cost savings should collectively be considered when assessing privatization, utilizing a best-value approach to procurement. These factors may be as important as cost savings alone in justifying privatizing. There is clear and significant evidence that private prisons actually improve quality.