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# PRIVATE CORRECTIONS INDUSTRY NEWS BULLETIN

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*Reporting on Prison Privatization and Related Issues*

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## Corrections Companies Target California

CCA, which began building a 1,024-bed prison in Mendota, San Joaquin County last February, is now planning to construct a 2,304-bed facility in California City, north of Los Angeles. The \$94 million prison is expected to open next year and is being welcomed by the community for the 500 jobs it will create.

Said Mayor Larry Adams, "We did a survey of the people, and they said they wanted it." CCA's efforts to build the California City prison have been endorsed by state Sen. Richard Polanco; the company also intends to construct a \$60 million 1,000-bed immigrant detention center in California by 1999.

All three prisons are being built on-spec, with no firm contracts with any government agency to house inmates at the facilities. "If you build it in the right place the prisoners will come," said David Myers, president of CCA's West Coast operations. Myers expects to attract business from the INS and the U.S. Marshals Service, and also hopes to win over the California Dept. of Corrections.

However, the politically powerful California Correctional Peace Officers Association, a 23,000-member union, vehemently opposes expanding the use of private prisons beyond the state's current contracts.

CCPOA president Don Novey vowed to "fight like hell" to keep CCA from housing California inmates at its new facilities. The union is backing a proposed amendment to the California Constitution that would prohibit state and local agencies from contracting with private companies for public safety services, including prison management.

CCA and two other for-profit corrections firms, Wackenhut Corp. and Cornell, have hired lobbyists and public-relations experts to oppose the constitutional amendment. The companies stand to profit enormously should they crack California's prison market, as the state operates the largest corrections system in the nation. California's prison population is expected to triple over the next 25 years due to the state's notorious three-strikes law.

A number of community corrections facilities already are privately managed, and the state has contracted with Wackenhut Corp. and Bakersfield-based Maranatha Productions for 2,000 low-security emergency prison beds.

But unlike in California City, not all state residents are enthused about for-profit prisons. Concerned citizens in Blythe have called on the city council to reject proposals from three companies seeking to build a correctional facility in their community. Cornell, Maranatha Productions, and Management and Training Corp. (MTC) are vying to construct a 500-bed medium-security facility in Blythe. More than 100 residents and guards from nearby state prisons protested the proposal, saying that privately-operated facilities lack adequate staffing levels, safety features and employee training. □

Sources: *The Wall Street Journal*, May 27, 1998; *The Fresno Bee* (CA), May 31, 1998; *The Press-Enterprise* (CA), July 1, 1998.

## AFSCME Report Critical of Prison Privatization

On May 6, 1998, Corrections United, a 100,000-member subdivision of the American Federation of State, County and Municipal Employees, released a scathing report on the private prison industry. "Private prisons are a threat to public safety, a taxpayer ripoff and they saddle the public with unlimited liability," stated AFSCME President Gerald McEntee. Last year McEntee withdrew his union's support from a prison privatization bill being considered by the Tennessee legislature.

The 16-page report cited myriad problems at private prisons, including the following:

- A guard at a privately-operated facility in Florida who aided an inmate's escape.
- Video-taped brutality and abuse at a CCRI-managed jail in Brazoria County, Texas.
- The license revocation of a privately-run juvenile prison in Brush, Colorado.
- Florida paid a private company \$48-\$49 a day per inmate, when it cost the state \$43 per day for each prisoner housed at public jails.
- A study by Oklahoma officials indicated that the state paid 45% more to house prisoners at private prisons than in its own facilities.

The AFSCME report also noted that guards at privately-run prisons are paid less and receive fewer benefits than their public counterparts. A spokesperson for CCA discounted the union report as "assertions and

allegations based on nothing."

Several prison guards' unions took action to highlight the report locally. AFSCME Council 4, which represents almost 5,000 corrections employees in Connecticut, gathered at the state capitol to denounce prison privatization efforts.

Connecticut Governor John G. Rowland is considering plans to transfer 350 inmates to rent-a-jails in other states at a cost of \$7.2 million. "The governor has the authority to do it on his own, but we know it's a bad idea," said state Rep. Michael Lawler, who supports the union's opposition to privatization. "Justice is not something that can be put out to bid; public safety is not something that can be put out to bid," he added.

Michael Minney, president of AFSCME Local 391, noted that the state still has the option of reopening the 350-bed Northeast Correctional Institution, which was closed in 1996 around the same time that Gov. Rowland began contemplating out-of-state inmate transfers. "No one is claiming the DOC is perfect, but it is doing a much better job than the more costly companies operating prisons for profit," Minney said.

According to Council 4 executive director Michael Ferrucci, prison privatization was the topic of numerous press conferences held by Corrections United chapters across the country following the release of the AFSCME report. □

Sources: *San Francisco Chronicle*, May 7, 1998; *The Tennessean*, May 7, 1998; *The Journal Inquirer* (CT), May 13, 1998.

## In the News

The Cumberland County, Virginia planning commission voted to recommend amendments to a local development plan to permit the construction of private prisons in the area. The county has received an application from Dublin-based NKW Development to construct a 1,000-bed facility that would house federal prisoners for the INS. Last March the state's first privately-run prison — a 1,500-bed medium-security facility built and managed by CCA — opened in Lawrenceville. Virginia is leasing the \$44 million prison, which was financed with tax exempt municipal bonds. Sources: *The Richmond-Times Dispatch*, March 21, May 20, 1998.

Wackenhut Corp. plans to build a 500-bed "special needs" prison for mentally ill inmates in Lauderdale Co., Mississippi. Other privately-run prisons in the state include the Delta Correctional Facility in Leflore Co. (CCA, 1000 beds); the Marshall Co. Correctional Facility (Wackenhut, 1000 beds); and the Wilkinson Co. Correctional Facility (CCA, 500 beds).

## WANTED

Articles, clippings and news reports regarding the private corrections industry — please include the source and date of all materials submitted. Contact: PCINB, 3193-A Parthenon Ave., Nashville, Tennessee 37203.

## Switch to Private Prison Angers Ohio City

Officials in Grafton, 25 miles southwest of Cleveland, are incised that a prison planned to be built in their community will be privately operated. The 500-bed facility initially was going to be managed by the state, like three other prisons already located in the town. But Ohio lawmakers, in hammering out a compromise to a stalled bill to regulate privately-operated facilities, H.B. 293, decided to privatize the minimum-security prison.

Unfortunately they didn't consult with city officials in Grafton, who oppose the idea due to safety issues. Concerned citizens note that guards at the private facility likely will be lower-paid non-union employees, which has people worried about their qualifications.

Other nay-sayers cite a CCA-operated prison housing out-of-state inmates in Youngstown, the Northeast Ohio Correctional Center, which has been embroiled in controversy — including numerous stabbings, two murders, lockdowns, and an extensive lawsuit. Said Tom Smith, president of the Grafton Village Council, "We just don't think this is an area that government should be privatizing."

A campaign is under way in Grafton-area communities to pass resolutions opposing the privately-run facility. The sponsor of H.B. 293, Rep. Ronald Gerberry, agrees that state lawmakers should rethink their plans. "If they would have done their homework, they wouldn't be in the unfortunate position of being in

a community that doesn't want [the private prison]," he said. Despite the city's concerns, and opposition by the Ohio Civil Service Employees Association, it is unlikely the legislature will reverse its decision.

Another privately-run prison is being built in Conneaut, about 70 miles northeast of Cleveland. The Conneaut community is looking forward to the 400 prison jobs, but, according to City Manager Robert Herron, would prefer to have the prison publicly managed.

The Grafton and Conneaut facilities would be owned by the state and subject to state rules and regulations. □

Source: *The Columbus Dispatch*, (OH), May 15, 1998.

## New Private Jail Contracts in Texas

The Texas Board of Criminal Justice has agreed to new contracts with private operators of five state jails. The contracts, which take effect Sept. 1, include a change in management at the 2,000-bed Dawson State Jail in Dallas from CCA to the Ogden, Utah-based Management and Training Corp. (MTC).

In announcing the altered contracts the state cited savings of \$21 million, mostly due to reduced daily rates for housing prisoners at the facilities. State officials say they will save more than \$3 per inmate a day at the Dawson facility by switching the contract to MTC; the other four privately-operated jails include one

managed by MTC, two by Wackenhut and one by CCA. The three-year contracts are valued at \$225 million, with bids ranging from \$26.89 to \$29.74 per prisoner per diem.

Tom Baker, the state's jail director, noted that his staff presently spends about 60% of their time focusing on the 30% of facilities that are privately operated. "With better contracts, I think that balance will begin to shift," he stated. The new contracts call for more rehabilitation programs, including substance abuse treatment, at the jails. □

Source: *Tyler Morning Telegraph* (TX), May 23, 1998.

### Other Private Corrections Industry Resources

The *Prison Privatisation Report International*, a publication of the non-profit Prison Reform Trust, is published ten times a year. Highly recommended! Subscription rates are £25 for individuals, £50 for public or non-profit agencies and £100 for corporations or businesses. Covers private prison news both in the U.S. and internationally. Address:

Prison Reform Trust, 15 Northburgh Street, London EC1V 0AH. Phone: ++44-171-251-5070; e-mail: prison-reform@prisonreform.demon.co.uk.

## Private Prison Companies Do the REIT Thing

In July 1997 CCA spun off a related company, the Prison Realty Trust, which was formed to buy the corporation's prisons under a lease-back arrangement.

Prison Realty is a real estate investment trust, or REIT, which offers certain tax advantages. Nine months later, on April 20, 1998, CCA stunned investors by announcing that it intended to sell itself to Prison Realty in a \$3 billion stock swap that would create a "super-REIT."

There already had been controversy regarding the interconnecting corporate directorships of CCA and Prison Realty: Doctor R. Crants, CCA's C.E.O., is also the chairman and C.E.O. of Prison Realty; his son is Prison Realty's president, former CCA officers sit on Prison Realty's board, and both companies share the same Nashville office. Crants denies there is a conflict of interest.

The proposed merger will split CCA into three companies, all under the CCA name, with two managing facilities not owned by the REIT and the third handling contracts for REIT-owned facilities. This convoluted arrangement is necessary to squeeze the merger into IRS regulatory guidelines, which restrict the revenues that REITs can receive.

Prison Realty also plans to buy out the real estate assets of U.S. Corrections Corporation, the third largest private prison contractor in the United States, thereby adding to CCA's market share of the for-profit corrections industry.

Apparently Wall Street did not appreciate the incestual marriage between CCA and its sister corporation — in the weeks following the an-

nouncement of the merger CCA's stock dropped almost 25%. Several investment firms downgraded their ratings of CCA stock, and one company, Paine Webber, said the merger would result in a "shell corporation" with little capitalization.

At least nine investors have filed shareholder suits against CCA claiming the proposed merger puts the personal gain of corporate officers before the interests of stockholders. Following the merger Crants would own 1.9 million shares in the combined companies. Although he said he would have to pay more income tax as a result of the merger, Crants evidently doesn't find his situation very taxing: He recently purchased a \$3.7 million home in the affluent Green Hills section of Nashville.

Meanwhile, Wackenhut Corp., the nation's second-ranking private corrections contractor, announced it was creating a REIT of its own, the Correctional Properties Trust, which would purchase eight of the company's facilities. Although Correctional Properties Trust will be run by two former Wackenhut executives, Wackenhut C.E.O. George Zoley made it clear that he didn't plan to follow in CCA's footsteps by pursuing a merger.

Eager investors looking to cash in on the profitable private prison industry apparently took him at his word: While CCA's stock dropped, shares in Wackenhut's REIT rose 15% on its first day of trading. □

Sources: *The New York Times*, April 21, 1998; *The Wall Street Journal*, April 21, 22, 1998; *The Tennessean*, May 3, 1998.

## Idaho Regulates Private Prisons

The state of Idaho has enacted statutory guidelines regarding the establishment of privately-operated prisons. Highlights of the new regulations include:

- All profits from inmate labor at private prisons must revert to the contracting government agency; this precludes contractors from reaping extra profits through private prison / private industry partnerships.
- Privately-run prisons may only house medium or lower security inmates. No prisoners with records of institutional violence with a weapon, or inmates with histories of escape, may be housed in privately-operated facilities.
- Prisoners transferred from other states must be tested for HIV, with negative results.
- Private prisons may be established only with the permission of local government entities; this prevents the construction of unwanted speculative facilities built to house out-of-state inmates.
- Private prison contractors must reimburse local or state authorities for expenses incurred in responding to riots, escapes or other emergency situations that occur at privately-run facilities.

These statutory guidelines, codified at I.C. §§ 20-801 to 20-812, go into effect on July 1, 1998. □

Source: Correspondence.