

Joint Legislative Committee on Performance
Evaluation and Expenditure Review (PEER)

Report to
the Mississippi Legislature



Mississippi Department of Corrections: A Study of Incarceration Costs

PEER contracted with an independent certified public accounting firm to review the Mississippi Department of Corrections' (MDOC) incarceration costs. The contractor was to identify opportunities for improving efficiency and reducing expenditures.

The contractor found \$9.6 million of estimated annual cost savings opportunities. These savings could be realized by:

- renegotiating contracts for special needs prisons on the basis of actual cost data;
- adjusting private prison contracts to the same level and quality of service offered by MDOC;
- privatizing selected MDOC units or locations or restructuring correctional officer pay scales;
- utilizing empty beds at MDOC; and,
- eliminating farming losses.

PEER recognizes that factors other than cost savings must be considered in decisions to implement cost savings strategies and actual savings resulting from implementation of these strategies may vary accordingly.

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues which may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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The Mississippi Legislature

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July 12, 2000

Honorable Ronnie Musgrove, Governor
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Members of the Mississippi State Legislature

On July 12, 2000, the PEER Committee authorized release of the report entitled **Mississippi Department of Corrections: A Study of Incarceration Costs.**

A handwritten signature in cursive script, reading "William Canon", written over a horizontal line.

Senator William Canon, Chairman

This report does not recommend increased funding or additional staff.

Smith, Turner & Reeves

A Professional Association
Certified Public Accountants / Financial Consultants

Joint Legislative Performance Evaluation and
Expenditure Review Committee
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Ladies and Gentlemen:

We are pleased to report the completion of our engagement to conduct an efficiency review of the Mississippi Department of Corrections. The scope of the review included areas identified in our contract for professional and technical services, the purpose of which was to identify opportunities for improving efficiency and reducing expenditures in the specified areas.

Our report, which follows, contains \$9,660,000 of estimated annual cost-savings opportunities. We recognize that the degree to which management of the Mississippi Department of Corrections decides to implement the cost-savings strategies is a matter of professional judgement. Factors other than cost savings must be considered in the evaluation. Accordingly, the actual cost savings to be derived from implementation of these strategies may vary from our projected amounts.

We appreciate the opportunity to be of service to the State of Mississippi.

SMITH, TURNER & REEVES

Jackson, Mississippi
May 26, 2000

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Mississippi Department of Corrections: A Study of Incarceration Costs

Executive Summary

We sought to determine if the Mississippi Department of Corrections (MDOC or the Agency) is using effective cost-containment strategies to reduce or limit growth of its expenditures. We specifically sought answers to the following questions:

- Does the present method of determining daily incarceration costs provide suitable information to attain real cost savings from private correctional firms?
- Has MDOC negotiated with private correctional firms to receive the lowest and best contract price?
- What treatment is given to private prison telephone commission revenues when negotiating with private correctional firms?
- What significant cost-containment strategies could be initiated at MDOC and, specifically, the Mississippi State Penitentiary at Parchman (MSP)?

We sought to compare incarceration costs among facilities operated by MDOC, as well as compare MDOC costs to the State's private-operated prisons, county-operated regional prisons and prisons operated by other states. We specifically sought answers to the following questions:

- What factors account for the apparent inconsistencies in costs at various MDOC locations?
- Are MDOC's inmate education and training programs provided efficiently and effectively?
- What effects do staffing patterns and employee classification have on MDOC costs compared to private prisons?
- How does MDOC's cost of farm operations compare to similar prison farms?
- How do MDOC's per day prisoner costs compare to other states, Mississippi county-operated regional prisons and private-operated prisons?

We found that the present method of determining daily incarceration costs does not provide suitable information to attain real cost savings from private correctional firms. We also found that the cost-finding and contracting procedures did not help MDOC negotiate with the private correctional firms to receive the lowest and best contract price.

We identified cost-containment strategies that, if implemented, could save millions of dollars each year.

We found that direct facility expenditures, salary levels and staff tenure account for the cost differences among individual prison units. We also found that MDOC salaries and tenure cause the state's cost per inmate day to be higher than the county-operated and the private-operated prisons in Mississippi. These factors also contribute to higher cost of MDOC's inmate adult basic education and vocational education programs than similar programs provided by the private-operated prisons.

We found that the row crop yields for fiscal years 1998 and 1999 were significantly lower than the state-wide average yields for those periods. Had the agriculture enterprise obtained the average state-wide row crop yields, operating losses for 1998 and 1999 would have been turned into operating profits.

Does the present method of determining daily incarceration costs provide suitable information to attain real cost savings from private correctional firms?

The State has not attained a 10% savings from all private prison contracts due to insufficient cost data.

The Legislature mandated by statute that private prison contracts must save a minimum of 10% on "at least the same level and quality of service offered by the DOC". The Mississippi Joint Legislative Performance Evaluation and Expenditure Committee (PEER) determines the State's cost per inmate day for various custody levels. MDOC negotiates the private prison contracts.

MDOC has contracted for private operation of three special-needs prisons. The State does not have any publicly managed prisons that exactly compare to these private prisons. In the absence of cost data, MDOC provided PEER several significant operating assumptions to establish the State's comparative per inmate costs for the three facilities. Neither MDOC's cost accounting system nor PEER research could support or refute the assumptions. Our analysis of the assumptions does not support their validity. Estimated additional costs resulting from daily costs based on the assumptions compared to our analysis total \$2.3 million annually, \$11.5 million over a 5 year period and \$46 million over a 20 year period.

Has MDOC negotiated with private correctional firms to receive the lowest and best contract price?

MDOC did not adjust PEER's inmate costs for dissimilar level and quality of service which overstated the price that

PEER provided inmate costs to MDOC categorized by housing, education, food, farming, medical, parole board, administration and debt service. Certain of these services, such as medical, education, farming and parole board, are not provided by the private operators or they are provided at a reduced level from MDOC provided inmate

MDOC could contract.

services. With one exception, MDOC did not make adjustments to PEER's inmate costs to reflect the State's cost for comparable services. Consequently, MDOC entered contracts for the three special-needs prisons for payments to the private operators that would not provide the 10% cost savings. Estimated costs resulting from payments to contractors for dissimilar services amount to \$760,000 annually, \$3.8 million over a 5 year period and \$15.2 million over a 20 year period. There are other dissimilar services for which we did not attempt to analyze the cost.

What treatment is given to private prison telephone commission revenues when negotiating with private correctional firms?

Revenue from prison telephones by statute must be paid to MSP's farming operations, Inmate Welfare Fund and the State's Telecommunications Fund.

Private prison telephone commissions are appropriately not subject to negotiation with the private operators. MDOC's Deputy Commissioner of Administration and Finance settles the revenue according to statute, which is 50% to MSP's farming operation, 25% to the Inmate Welfare Fund and 25% to the State's Telecommunications Fund. Proceeds received in the Inmate Welfare Fund are used to provide various goods and services to inmates in both MDOC and private-operated prisons.

What significant cost-containment strategies could be initiated at MDOC and specifically at the Mississippi State Penitentiary?

Cost-containment strategies could save about \$6.1 million annually.

Guard salaries at MDOC's three facilities average \$2.22, \$.62 and \$.48 at MSP, Central Mississippi Correctional Facility (CMCF) and South Mississippi Correction Institution (SMCI), respectively, more per inmate day than guard salaries at the three surveyed private-operated prisons. MDOC's multi-job classification pay scales result in an estimated \$4.5 million higher annual operating cost than privately operated prisons.

Immediate adjustments to the pay scales are probably impractical. The most practical means of achieving cost savings in this area would be through privatization of selected MDOC units or locations.

Filling 175 empty MDOC beds with inmates that are presently housed in the private-operated prisons would save about \$1.6 million each year.

Better cost accounting and cost analysis techniques at MDOC could save the State an inestimable amount of money annually.

Farm land-use plans should be coordinated with the movement of MSP to a maximum security prison.

Upgrading MDOC's inmate tracking system has the potential for large annual savings. A study of the savings potential from upgrading the present system is needed.

What factors account for the apparent inconsistencies in cost at various MDOC locations?

Inmate housing unit cost varies primarily because of the number and salaries of guards assigned to individual units.

MDOC's financial and cost accounting systems identify direct facility expenditures for each prison. The direct salaries and benefits of staff, such as guards, are also identified with the related housing units in which they work. The number of guards working in the various units is primarily based on the custody level of inmates assigned to each unit. Therefore, the number of staff assigned to the units and the amounts of their compensation primarily explain inconsistencies in various housing unit costs. Less significant factors include direct prison administration and inmate support services.

Are MDOC's inmate education and training programs provided efficiently and effectively?

MDOC's performance related to outputs and efficiency measures do not appear to support better performance than the private prisons.

MDOC offers voluntary inmate adult basic education and vocational education programs at its three facilities. While MDOC's instructors are certified teachers, the number of certificates issued to students compared to the number issued by the surveyed private-operated prisons does not appear to support better performance than the non-certified instructors used by the private prisons. MDOC's average cost per certificate is substantially higher than the cost of the private prisons because of employing certified instructors and a higher teacher-student ratio.

The vocational education programs offered by MDOC appear to be a higher quality and more beneficial to the student-inmates when released from prison than the programs offered by the private prisons.

What effects do staffing patterns and employee classification have on MDOC costs compared to private prisons?

MDOC's salary, direct job classes and tenure add about \$1.41 to the overall inmate cost for all security levels.

The average daily cost per inmate is determined primarily by direct personnel costs of correctional officers. In 1999, nearly 56% of all direct housing costs were direct personnel costs.

Tenure plays a major role in per day cost for the much older MSP than CMCF and SMCI. MSP employees have about twice as much tenure as the other two facilities. MSP salaries and tenure add about \$2.22 to the daily incarceration cost, while the amounts are \$.62 and

\$.48 per day for CMCF and SMCI. The overall average is \$1.41 for all locations.

Average salaries for the five classes of non-supervisory correctional officers at MSP, CMCF and SMCI were \$23,060, \$20,965 and \$21,002, respectively. Comparative salaries for the single class of non-supervisory officers at the private-operated prisons and the county-operated prisons were \$17,137 and \$17,700, respectively. Employee benefits for MDOC correctional officers add about \$800 of additional cost to the annual payroll, compared to the private prisons.

How does MDOC's cost of farm operations compare to similar prison farms?

Farm row crop yields were substantially less than state-wide averages for 1998 and 1999, resulting in operating losses.

The farm program was created to provide exercise and activity for minimum and medium security inmates on a voluntary basis. In 1999, row crop yields ranged below state-wide averages from 52% less for soybeans to 17% less for wheat. These results were attained while using more than 700,000 no-cost hours of inmate labor.

Had row crop yields equaled the state-wide averages, operating losses of \$500,000 in both 1998 and 1999 would have been turned into operating profits of about \$20,000 and \$50,000, respectively, for the two years.

How do MDOC's per day prisoner costs compare to other states, Mississippi county-operated regional prisons and private-operated prisons?

Individual prison costs vary widely. Care must be exercised when making comparisons.

Within MDOC's three prisons are approximately 45 inmate housing areas, each with its own specific mission. Cost comparisons among facilities, if used alone without consideration of factors such as type and age of facility, type, sex and special needs of prisoners and mission of prison, do not provide policymakers, the media or the public with an adequate understanding of daily inmate incarceration costs.

With these variables in mind, MDOC's overall per day inmate operating cost for 1999 was \$39.88, compared to \$19.72 and \$26.03 for surveyed county-operated and private-operated prisons, respectively.

Summary of Potential Savings

Annual savings are possible for MDOC in the following areas:

| Strategy | Estimated Annual Savings |
|--|--------------------------|
| Renegotiate contracts for special needs prisons on the basis of actual cost data. | \$ 2,300,000 |
| Adjust private prison contracts to the same level and quality of service offered by MDOC. | 760,000 |
| Privatization of selected MDOC units or locations or restructure of correctional officer pay scales. | 4,500,000 |
| Utilize empty beds at MDOC. | 1,600,000 |
| Eliminate farming losses. | <u>500,000</u> |
| Total estimated annual savings | <u>\$ 9,660,000</u> |

Recommendations

1. MDOC should have a planning and research department that can perform cost analyses to assist management, not only to contain the Agency's total incarceration costs, but also to help negotiate real cost savings in contracts with private correctional firms.
2. MDOC should require potential private contractors to provide cost data by fixed and variable categories to serve as the basis for negotiating per diem rates.
3. MDOC should develop cost data by fixed and variable categories that can be applied to different sizes of prisons. They should also develop models of optimum staffing levels that can be applied to different facilities according to size. All major factors that affect cost should be based on factual data that can be supported.
4. PEER and MDOC should coordinate their cost-finding activities and establish procedures that MDOC can follow to establish and adjust, as needed, the State's comparable cost of services.

5. If the Legislature and MDOC choose to provide additional special-needs prisons, they should consider having MDOC build and operate them if the process of cost-finding is not improved to a sufficient level.
6. MDOC should implement procedures to analyze and make adjustments, where necessary, to the State's cost established by PEER. The contracted per diems should be based on the same level and quality of services dictated by law, with due consideration to variable or incremental costs where applicable.
7. MDOC should study the advantages and disadvantages of privatizing selected MDOC units or locations versus restructure of correctional officer pay scales.
8. MDOC should continue to seek funding for computer software for a comprehensive inmate tracking system. An in-depth analysis of MDOC's needs and the investment payback period should be prepared to show how the State could experience cost savings to recover the purchase price of the software.
9. MDOC should consider the evolving mission of MSP, as it makes long-term plans for the farming operations.
10. MDOC should develop and continually use analytical review techniques to set objectives and measure results. More detailed information about the various components of costs of operations should be available to management.
11. The cost-finding process would be more accurate and useful if MDOC's financial and cost accounting system identified direct housing unit expenditures, such as commodities and contracted services to applicable housing units. We suggest that MDOC management consider if the present systems could be designed accordingly without expending a significant amount of money.
12. MDOC management should establish measurable objectives to assess the efficiency and effectiveness of the inmate education and training function as they relate to the specific program goals.
13. The education and training department should design its information system to produce data for policymakers to assess whether objectives are met.
14. Management should evaluate whether eliminating a number of positions that lead to inefficient class size could make more efficient use of adult basic education instructors.
15. Management should evaluate if instructor positions should be reallocated from MSP to CMCF and SMCI based on a larger

population of inmates who appear to have a need and likely use of the adult basic education and vocational education programs.

16. Management should review the different vocational education courses offered at the private prisons for quality and effectiveness. The inputs and outcomes should be similar to MDOC's.
17. Management should review its policy of employing only certified instructors to lead the adult basic education and vocational education courses. If management decides to continue to employ certified teachers, an assessment should be made of the benefits of requiring certified instructors at the private prisons.
18. Management should establish measurable objectives to assess performance of the agriculture enterprise.
19. Management should develop a short-term plan to at least reach a financial break-even point in the farming operations. If row crop operations cannot break-even or produce an operating profit, management should consider terminating row crop operations and reallocate resources to the less costly food crops.

Mississippi Department of Corrections: A Study of Incarceration Costs

Introduction

Authority

We were engaged by PEER to perform a review of MDOC to identify opportunities to improve efficiency and reduce expenditures, specifically addressing various areas detailed below.

Purpose

We sought to determine if MDOC is using effective cost-containment strategies to reduce or limit growth of its expenditures. We specifically sought answers to the following questions:

- Does the present method of determining daily incarceration costs provide suitable information to attain real cost savings from private correctional firms?
- Has MDOC negotiated with private correctional firms to receive the lowest and best contract price?
- What treatment is given to private prison telephone commission revenues when negotiating with private correctional firms?
- What significant cost-containment strategies could be initiated at MDOC and, specifically, MSP?

We sought to compare incarceration costs among facilities operated by MDOC, as well as compare MDOC costs to the State's private-operated prisons, county-operated regional prisons and prisons operated by other states. We specifically sought answers to the following questions:

- What factors account for the apparent inconsistencies in costs at various MDOC locations?
- Are MDOC's inmate education and training programs provided efficiently and effectively?
- What effects do staffing patterns and employee classification have on MDOC costs compared to private prisons?
- How does MDOC's cost of farm operations compare to similar prison farms?

- How do MDOC's per day prisoner costs compare to other states, Mississippi county-operated regional prisons and private-operated prisons?

Scope

Our review of cost-containment strategies focused primarily on MDOC's cost accounting system, staffing levels, facilities utilization and private prison contracting procedures. We limited our review of contracting procedures to the three private facilities that MDOC contracted.

For internal cost comparisons, we chose the following units:

| <u>Classification and Area</u> | <u>Inmate Capacity</u> | <u>Custody Level</u> |
|---|------------------------|----------------------|
| Minimum Security | | |
| Mississippi State Penitentiary (MSP) | | |
| Unit 22 | 180 | A |
| Unit 25 | 192 | A, B |
| Medium Security | | |
| MSP | | |
| Unit 24 | 346 | A, B |
| Unit 29 | 856 | A, B, C |
| Central Miss. Correctional Facility (CMCF) | | |
| Area 2 | 855 | A, B, C |
| South Miss. Correctional Institution (SMCI) | | |
| Area 2 | 1,200 | A, B |
| Maximum Security | | |
| MSP | | |
| Unit 32 | 1,000 | C, D |

For comparison to regional prisons, we chose the following:

- Carroll - Montgomery County Regional Correctional Facility
- Issaquena County Correctional Facility
- Jefferson - Franklin County Regional Correctional Facility

For comparisons to private-operated prisons, we chose the four that operated during the 1999 and 2000 fiscal years:

- Delta Correctional Facility
- East Mississippi Correctional Facility
- Marshall County Correctional Facility
- Wilkinson County Correctional Facility

We substantially limited our survey of cost data for other states to the Southeastern United States. These states include Arkansas, Florida, Kentucky, Louisiana, Tennessee

and Texas. We also reviewed numerous incarceration reports from other states.

We reviewed the current MDOC organizational structure and applicable operating policies and procedures. We used MDOC financial data for fiscal year 1999 and the current fiscal year.

Method

Our analyses for cost-containment and cost comparisons were limited in some respects due to insufficient data.

We reviewed and analyzed MDOC financial and cost accounting records and operating statistics, management financial reports and relevant policies and procedures. We interviewed MDOC employees, as well as personnel of public correctional agencies from other states. We also interviewed employees from certain of the private-operated and county-operated regional prisons in the State. Additionally, we surveyed the three aforementioned external groups for cost-containment strategies and cost data. We also interviewed a number of leading authorities on private/public prison operations in the United States.

A number of surveyed out-of-state correctional agencies did not respond to our requests for information. Others did not provide the level of detailed information that we requested. The three private prisons that we surveyed also did not provide the level of detailed financial information that we requested. Consequently, we had to alter some analyses or use professional judgments when insufficient data dictated.

Background

Tougher crime policies and budget constraints have combined to create a problem in the State, not unlike what other states face. Mississippi enacted a truth-in-sentencing law in 1995. Offenders, regardless of type of crime, are required to serve 85% of their sentences before becoming eligible for release from incarceration. In the United States, violent offenders released from prison in 1996 were sentenced to serve an average of 85 months in prison. Prior to release, they served about half of their prison sentences or 45 months. Under truth-in-sentencing laws requiring service of 85% of each sentence, violent offenders are serving an

average of 88 months in prison based on the average sentence for violent offenders admitted to prison in 1996¹.

While there is no data that correlates rise in prison budgets with this legislation, Mississippi's spending on corrections has shot up because the number of inmates in the system has skyrocketed. Since 1992, the number of inmates has risen 87% through fiscal year 1999, while total MDOC expenditures have increased by 185% over that same period.

**Exhibit 1
Comparison of MDOC Annual Expenditures
With Average Number of Prisoners**

| Fiscal Year | Annual Expenditures | Number of Prisoners | Annual Cost Per Inmate |
|--------------------|----------------------------|----------------------------|-------------------------------|
| 1992 | \$ 82,807,764 | 9,562 | \$ 8,660 |
| 1993 | 87,430,181 | 9,626 | 9,083 |
| 1994 | 109,601,286 | 10,669 | 10,273 |
| 1995 | 119,322,080 | 12,518 | 9,532 |
| 1996 | 164,212,495 | 13,849 | 11,857 |
| 1997 | 185,795,368 | 14,674 | 12,662 |
| 1998 | 202,468,031 | 16,014 | 12,643 |
| 1999 | 236,461,650 | 17,908 | 13,204 |

Source: Mississippi Department of Corrections

Mississippi has more than 18,000 state inmates now, and the number is expected to increase to about 25,000 by 2006. Beds do not exist to accommodate this large influx. There are several possible solutions to the problem, including a combination of the following:

- Build more prisons.
- Reduce mandatory time for crimes.
- Implement more cost-containment strategies.

Impact of Truth-in-Sentencing on Mississippi's Prison Population

| | |
|------|--------|
| 1996 | 13,346 |
| 1998 | 15,933 |
| 2000 | 18,508 |
| 2002 | 21,058 |
| 2004 | 23,261 |
| 2006 | 24,963 |

Source: Mississippi Department of Corrections

Annual direct operating costs alone to care for the expected 7,000 additional prisoners will total about \$92 million using 1999 cost figures.

Assuming that prison costs will increase at the average compounded growth rate of 6.2% that was experienced between 1992 and 1999, the projected annual expenditures for new prisoners alone will increase to \$142 million in

¹ Bureau of Justice Statistics, *Special Report, Truth-in-Sentencing in State Prisons*, Paula M. Ditton and Doris James Wilson, January 1999.

2006. Further, the additional 7,000 projected prisoners will add an additional cumulative \$504 million of cost for fiscal years 2001 through 2006.

The projected average cost per inmate will increase to \$20,118 by 2006, for total projected expenditures of \$502 million for 2006 fiscal year. This represents a 112% increase in the cost of MDOC operations over 1999 actual expenditures.

This report focuses on cost-containment strategies that could control or reduce inefficiencies in the consumption and allocation of state resources that lead to higher than necessary costs

State prisoners are housed in several types of facilities, including state-operated, county-operated and private-operated prisons.

MDOC facilities consist of three institutions located in the northern, central and southern parts of the State. Each facility houses all custody level offenders. (See Appendix F.) The State also operates 20 community work and restitution centers located throughout the State. These community centers house primarily “A” custody inmates. The MDOC facilities have a combined inmate capacity approximating 16,300.

Ten county-operated regional prisons are in operation or under construction for “A” and “B” custody inmates. Each prison can house up to 250 state inmates.

Because of lack of beds in its own facilities, MDOC houses approximately 1,800 to 2,000 inmates in county jails in the State.

Presently, there are four private-operated prisons in Mississippi for state inmates. Their combined inmate capacity totals 3,597. These facilities were constructed with revenue bonds issued by local prison authorities created by the Mississippi Legislature. Each is leased to MDOC. MDOC also pays a per inmate daily rate to private contractors to operate each prison.

Mississippi State Penitentiary

MDOC’s primary and oldest prison, MSP, is located at Parchman in the Mississippi Delta Region. MSP is designed on a camp layout with various prisoner housing units disbursed throughout its numerous acres.

MSP was originally intended to be a work-based agricultural facility where inmate labor was used to produce agricultural crops. Its present housing capacity is 9,779 inmates. Lawsuits and court rulings in recent years have restricted MDOC's ability to force prisoners to work. Hence, farming was substantially discontinued for a number of years. Governor Kirk Fordice reintroduced farming in 1993.

**Central Mississippi
Correctional Facility**

MDOC's second largest facility, CMCF, is located in Central Mississippi in Rankin County. CMCF has a capacity to house 2,824 offenders, and it is the only state-related institution that houses female prisoners. This facility also serves as the entrance and initial classification unit for all prisoners entering the MDOC incarceration system. CMCF houses prisoners in a compound style.

**South Mississippi
Correctional Institution**

The third facility, SMCI, is located in South Mississippi in Greene County. It has a capacity to house 2,186 type "A", "B", "C" and "D" custody level prisoners. It is primarily a "B" or medium custody prison. SMCI is also designed as a compound style facility.

Cost-containment Strategies

Cost-containment of expenditures to private correctional firms to operate Mississippi's private prisons is an interrelated three step process.

- Step 1: Determine the total cost (operating and capital) per inmate day for the specific state-operated prisons that are comparable to the private prisons.*
- Step 2: Establish the nature and level of services to be provided by each private prison operator under contract with the State. Adjust the State's cost of services from Step 1 to the same level and quality of service to be provided by each private operator.*
- Step 3: Negotiate with private correctional firms to get the lowest and best contract price for the same level and quality of service as the State provides, not to exceed 90% of the State's comparable cost.*

Our focus and analysis of cost-containment through private prison contracting procedures was to assess the system and procedures in place that help MDOC management secure the lowest and best contract prices and to make recommendations where needed to improve the system and process. The analysis related to the first two questions below show that an adequate system with related procedures has not been designed and implemented for the five contracts that the State has entered. The amount of cost savings that has not been attained from the contracts was due to lack of an adequate process encompassing the three steps above rather than a failure by management responsible for contracting with the private firms.

Overview of Cost-finding and Contracting Process

Cost-finding (Step 1)

Beginning with fiscal year 1995, PEER contracted with a certified public accounting firm to establish a state cost per inmate day for a comparable state facility. The certified cost was to be used as the basis for measuring the validity of the 10% savings described later in this report. PEER asked the firm to determine an overall MDOC cost and a separate cost for minimum, medium and maximum security levels. PEER chose Units 25 and 32 at MSP as representative of minimum and maximum custody, respectively. The overall cost of SMCI was chosen as representative for medium custody.

For fiscal year 1997, psychiatric correctional facility costs were included in the annual cost-finding. MSP Units 24 and 32 were used as the most representative medium and maximum psychiatric prisons, respectively.

The annual cost reports, issued by PEER, have been provided to MDOC management for their use in contracting with private correctional firms. In addition to the annual

reports, MDOC requested and received from PEER interim cost reports related to special-needs facilities that MDOC planned to build and contract that were not included in the annual cost reports. PEER determined the costs included in the interim reports using a combination of the relevant annual report and assumptions provided by MDOC regarding operating costs of the applicable proposed special-needs prison.

**Determining services to be contracted and adjusting the State's cost for comparable services
(Step 2)**

MDOC is responsible for determining the nature and level of services that are included in the contract with the private correctional firm. This has been accomplished through generally a standard contract that states what the private operator is to provide.

It is also the responsibility of MDOC to adjust the State's costs provided by PEER for any differences in nature and level of services between what is contracted and what the State provides. With one exception, MDOC has not adjusted the State's costs for the many variables.

**Negotiate with private correctional firms
(Step 3)**

As a prudent manager of public funds, it is MDOC's responsibility to negotiate with the private correctional firms to secure the lowest and best price to operate the facility under consideration. It is also their responsibility to assure compliance with the legislative maximum contract rate discussed in more detail later.

MDOC has used the total cost per inmate day provided by PEER to comply with the maximum amount allowable when negotiating the private contracts without regard to the individual components of the cost, some of which are not relevant to the contracting process because of comparability.

Does the present method of determining daily incarceration costs provide suitable information to negotiate real cost savings from private correctional firms?

The present method of determining daily incarceration costs does not provide suitable information to negotiate real cost savings from private correctional firms.

Analysis

While PEER has used due diligence to calculate the State's cost per inmate day, the Legislature's authorization and MDOC's use of special-needs prisons and other variables are obstacles to determine the State's cost per inmate day. MDOC also performs very limited cost analysis to assist the process. The State's actual costs have not been determined because of unavailable data on which to base comparisons between private and public prison costs. Our analysis shows that the process that PEER and MDOC has been handed has not always reached its objective of at least a 10% cost savings by contracting with private correctional firms.² (See Exhibit 8.)

The State began providing for private prison beds in 1994.

In 1994, the Mississippi Legislature passed statutes providing for MDOC to contract with private correctional firms to construct and lease as well as operate special-needs prisons³. The State Prison Emergency Construction and Management Board (SPECM)⁴ was also created. The three member board - Attorney General, Lieutenant Governor and Treasurer - was authorized to provide additional housing for offenders coming into the State's correctional system due, in large part, to the newly enacted truth-in-sentencing statutes.

Additionally, specific legislation was enacted after 1994 for MDOC to contract with private firms to build and operate three additional prisons. Of the five private prisons that the Legislature has authorized, only one has a statutorily defined special-needs mission. MDOC has elected to designate two of the remaining four facilities as special-needs prisons. Exhibit 2 presents information about the prison beds created by SPECM and other legislation.

² Studies from Arizona, Florida, Louisiana, Kentucky, Tennessee and Texas show similar results due to the difficult nature and number of variables confronted by analysts in making comparisons.

³ MISS. CODE ANN. §47-5-1105, *Special Needs Prison Program of 1994*.

⁴ MISS. CODE ANN. §47-5-1201 Et seq.

**Exhibit 2
Inmate Beds Resulting from SPECM and Subsequent Legislation**

| Name of Facility | Type Inmate | Custody Level | Number Of Beds | Type Operator |
|--|-------------|---------------|--------------------|---------------|
| Central Mississippi Correctional Facility ⁵ (CMCF) | male | medium | 700 | public |
| South Mississippi Correctional Institution ⁵ (SMCI) | male | medium | 1,416 ⁶ | public |
| Marshall County Correctional Facility ⁵ (Marshall) | male | medium | 1,000 | private |
| Delta Correctional Facility ⁷ (Delta) | male | medium | 1,000 | private |
| Wilkinson County Correctional Facility ⁷ (Wilkinson) | male | protective | 1,000 | private |
| East Mississippi Correctional Facility ⁸ (East Miss.) | male | psychiatric | 500 | private |
| Walnut Grove Correctional Facility ⁹ (Walnut Grove) | male | juvenile | 500 | private |

Source: MISS. CODE ANN.

The Legislature has mandated that private prisons must save the taxpayers money.

The statutes¹⁰ require that state contracts for private prisons save a minimum of 10% on "at least the same level and quality of service offered by the DOC". PEER is required to contract annually with a certified public accounting firm to determine a state cost per inmate day for correctional facilities.¹¹ They have established the cost per inmate day pursuant to law. (See Exhibit 3.)

**Exhibit 3
State Cost Per Inmate Day**

| Custody Level/Special Needs | FY 95 | FY 96 | FY 97 | FY 98 | FY 99 |
|-----------------------------|---------|---------|---------|----------|---------|
| Overall | \$39.20 | \$38.08 | \$46.81 | \$ 45.28 | \$47.45 |
| Minimum | 34.54 | 37.48 | 43.26 | 42.90 | 46.19 |
| Medium | 34.98 | 41.40 | 46.58 | 38.99 | 40.06 |
| Maximum | 50.64 | 50.57 | 59.18 | 56.19 | 59.55 |
| Psychiatric | | | | | |
| Medium | | | 54.47 | 54.96 | 59.27 |
| Maximum | | | 64.66 | 62.19 | 62.48 |

Source: PEER.

Note: The above costs include both MDOC operating costs plus a factor for debt service. Debt service is not included in MDOC's annual expenditures in Exhibit 1.

⁵ The SPECM legislation provided new beds at the two state prisons and at the first two private prisons in Mississippi.

⁶ The statute specifies 1,216 beds for medium security males and 200 beds for males sentenced to the Regimental Inmate Discipline Program.

⁷ The Legislature authorized this facility as a medium custody prison. MDOC designated it as a protective custody unit, which is a hybrid of both medium and maximum custody.

⁸ The Legislature authorized a 1,000 bed medium custody prison. MDOC designated it as a 500 bed psychiatric facility.

⁹ The Legislature authorized this facility as a maximum custody prison to house up to 500 juvenile offenders.

¹⁰ MISS. CODE ANN. §47-5-1105(2) and §47-5-1211(3)(a).

¹¹ MISS. CODE ANN. §47-5-1211(3)(b).

Significant differences between Mississippi's public prisons and the five private prisons serve as obstacles to comparing costs in order to negotiate real cost savings through privatization.

The State currently does not have any publicly managed prisons that exactly compare to the private prisons. Adjustments, sometimes subjective, must be made to make comparisons in order to determine the State's costs for the same level and quality of service offered by the State.

Other state correctional agencies, researchers and analysts have identified a number of variables. Many, if not all, of the factors are relevant to Mississippi when negotiating with private correctional firms. (See Exhibit 4.) Professional judgment must be used to draw conclusions about how these factors affect comparability. Because of the subjective nature of these decisions, inevitably, the conclusions will be challenged.

**Exhibit 4
Variables Hinder Comparison of Prisons**

| Factor | Why Important |
|--|--|
| Size of prison | A larger prison can achieve economies of scale because fixed costs are divided among a higher number of inmates. |
| Education, substance abuse and other rehabilitation programs | Programs designed to serve larger portions of the prison population will require specially trained education and substance abuse staff, thus increasing payroll expenditures. |
| Type of inmate: <ul style="list-style-type: none"> • Psychological and other medical • Custody level of inmates • Age of inmates: Youthful offenders • Gender of inmate (Male/female) • Geographical location | <ul style="list-style-type: none"> • Psychological treatment requires professional and medical staffing, appropriate medication, and specialized medical equipment and facilities. • Higher inmate custody levels require closer supervision, which increases construction costs and payroll expenditures. • Youthful offender prisons are more costly than adult facilities due to closer supervision and more programs. • Females generally cost more to house than male inmates. • Salary and wage levels are sometimes higher in urban areas. |

Source: Developed by Smith Turner & Reeves from compiled research.

The cost of imprisonment varies according to the mix of prisoners held by a facility. Healthcare costs vary according to prisoners' ages. Staffing costs increase as the security level increases. The cost of prisons is also a function of their

size and age. Larger facilities benefit from economies of scale. Newer facilities benefit from new technology, design and equipment. More heavily-used facilities are less costly on a per inmate basis because staffing levels in prisons are relatively fixed.¹²

Another obstacle to comparing Mississippi public prisons to the private prisons is the limited amount of research and cost analysis performed by MDOC.

MDOC has a division for plans and programs consisting of three employees. The Director reports to the Deputy Commissioner of Administration and Finance. The employees have three major functions:

- Prepare MDOC's annual report
- Update the policy and procedures manual
- Answer queries

The educational backgrounds of the employees do not prepare them to perform cost analyses and related research.

For three of the five private prisons, PEER had to develop and use significant subjective assumptions to establish the State's per inmate costs.

In 1995, when PEER was first required to compute the State's cost per inmate day, it chose a representative, separate minimum, medium and maximum security level facility within the MDOC housing a general population of adult male offenders on which to base its calculations. It needed very little in-depth cost analysis from MDOC to provide the figures that were used in the contract process for the State's first two private prisons. The third, fourth and fifth private prisons, however, brought new challenges. For each of these contracts, PEER needed a substantial amount of cost analysis, almost none of which was available from MDOC or any other sources. A discussion of how limited cost analysis impacted on the negotiated contracted per diems of the three prisons follows.

¹² Douglas McDonald, Ph.D., Elizabeth Fournier, Malcolm Russell-Einhorn, J. D. and Stephen Crawford, *Private Prisons in the United States, An Assessment of Current Practice*, July 16, 1998.

Walnut Grove Correctional Facility (Walnut Grove)

In 1998, the Legislature authorized MDOC to contract for a private maximum security prison in Walnut Grove, Mississippi to house male juvenile offenders who are under 19 years old.¹³ Construction of the facility has begun and should be in operation in 2001. The State has no similar facility. Because of the major impact of the salaries and benefits¹⁴ of inmate supervision staff on the total contracted cost per diem, an appropriate staffing level for the prison was critical to the contract process.

As MDOC had made no cost analysis regarding staffing and other juvenile prison cost factors, the Commissioner arbitrarily selected a 140% factor to apply to the 1998 annually determined basic housing cost, which was \$21.68 for medium custody.¹⁵ PEER's cost report for the facility, dated August 23, 1999, states "PEER staff could not locate staffing standards for a facility of comparable size and consequently could neither confirm or refute the 40% increase in staffing for the Walnut Grove facility".

Use of any other arbitrary factor would have affected the private contract by millions of dollars. (See Exhibit 5.) Additionally, using a 140% multiplier for housing and visitation costs fails to give consideration to the fact that a material part of housing costs of the representative medium security prison is fixed costs which, unlike the variable part of cost, does not increase according to security level.

A State of Florida study suggests that the 140% factor is much too high. The study found that average youthful offender per diems were \$6.85 or 16.5% higher than average male per diems reported in 1995-96 by the Florida Department of Corrections.¹⁶ This finding suggests that even 130% is much higher than the contract should have provided. Assuming the actual costs are only 20% higher would indicate annual added contract costs of \$755,000.

¹³ MISS. CODE ANN. §47-5-943.

¹⁴ Salaries and related benefits at South Mississippi Correctional Institution accounted for approximately 80% of total expenditures for the year ended June 30, 1999.

¹⁵ PEER used medium security cost per day figures rather than maximum security "due to maximum security inmates not participating in educational programs and due to possible inefficiencies in fiscal year 1998 maximum costs at the Mississippi State Penitentiary at Parchman".

¹⁶ State of Florida Office of Program Policy Analysis and Government Accountability, Report No. 96-69, 1997, Page 4.

**Exhibit 5
Contract Effects Resulting from Arbitrary Staffing Factor**

| Staffing factor | Pro forma per diem | Contract per diem | Difference in per diems | Inmate days per year (500 beds) | Annual cost savings (added cost) | 5-year cost savings (added cost) | 20-year cost savings (added cost) |
|---|--------------------|-------------------|-------------------------|---------------------------------|----------------------------------|----------------------------------|-----------------------------------|
| 130 % | \$26.94 | \$28.98 | \$2.04 | 182,500 | \$372,300 | \$1,861,500 | \$7,446,000 |
| 135 % | 27.94 | 28.98 | 1.04 | 182,500 | 189,800 | 949,000 | 3,796,000 |
| 140 % | 28.98 | 28.98 | 0.00 | 182,500 | 0 | 0 | 0 |
| 145 % | 30.02 | 28.98 | (1.04) | 182,500 | (189,800) | (949,000) | (3,796,000) |
| 150 % | 31.02 | 28.98 | (2.04) | 182,500 | (372,300) | (1,861,500) | (7,446,000) |
| Total variance in cost savings and added costs | | | | | \$744,600 | \$3,723,000 | \$14,892,000 |

Source: Developed by Smith Turner & Reeves.

**Wilkinson County
Correctional Facility
(Wilkinson)**

The Legislature authorized the prison to be a 1,000 medium custody facility for adult males. The management of MDOC contracted to build the prison to hold 1,000 inmates in 500 two party cells. Management designated the prison a "protective inmate" facility. Protective custody is a form of separation from the general offender population for an offender who has requested or requires protection from other offenders. MDOC estimated that the inmate supervisory staffing level would be somewhere between that of a medium and a maximum security prison. In the absence of any in-depth MDOC cost analysis for this special-needs facility, PEER used the assumption, "The prison is to be a 523 cell facility (single occupancy cells), with one-half of its cells medium security, and one-half maximum security".

PEER used the fiscal year 1995 cost per inmate day figures to calculate the State's "comparable rate" for a prison similar to the Wilkinson County Correctional Facility. MDOC did not perform a cost analysis to determine the optimum staffing patterns by custody level.

| Average Operating Cost Per Inmate Day | |
|---------------------------------------|-----------------|
| Medium custody | \$ 29.08 |
| Maximum custody | <u>44.36</u> |
| Total | \$ <u>73.44</u> |
| Average | \$ <u>36.72</u> |
| Source: PEER | |

MDOC’s Method of Averaging Facility Costs Results in Excessive Costs.

The assumption that costs of operating Wilkinson would be an average of medium and maximum custody resulted in a cost that is 26.3% higher than medium custody amounts.

We tested this assumption by comparing the staffing levels of the two other medium custody private-operated prisons in our study to Wilkinson. Staffing patterns are considered to be a good indication of relative costs since salaries and benefits comprise approximately 80% of the variable operating costs of these facilities. Most other costs of operations would not change with higher or lower custody inmates.

As shown in Exhibit 6, staffing for this facility is only 14.2% higher, thereby resulting in an estimated 11.4% higher cost of the facility over the cost of a medium custody facility of similar size. If 11.4% had been added to the medium custody housing cost of \$18.67, after adjusting for two years of inflation and reducing the result by 10%, a housing cost of \$19.82 would have been used rather than the \$25.14. (See Appendix E.) The difference of \$5.32 would have resulted in an annual savings of \$1.6 million.

This analysis illustrates the potential inaccuracies of using simple averages to calculate complex variables.

**Exhibit 6
Test of Staffing Assumption**

| | <u>Inmate Capacity</u> | <u>Total Employees</u> | <u>Total Employees Per 1,000 Inmates</u> |
|---|------------------------|------------------------|--|
| Wilkinson County | 930* | 248 | 266 |
| Delta and Marshall Counties | 2,000 | 465 | 233 |
| Percentage higher | | | <u>14.2%</u> |
| Salaries and wages percentage | | | <u>80.0%</u> |
| Estimated actual cost difference for the facility | | | <u>11.4%</u> |
| * Number of inmates that present staffing plan will accommodate according to the MDOC private facility monitor. | | | |

**East Mississippi
Correctional Facility
(East Mississippi)**

In 1996, the Legislature authorized this prison to house up to 1,000 medium custody male inmates. MDOC management designated the facility to house "mental health inmates housed in Units 24 and 32 at Parchman and in the 730-bed unit at the Central Mississippi Correctional Facility". PEER, based on MDOC's assumption that half of the prisoners would be medium security and half maximum security inmates, calculated the State's operating cost for a comparable facility by taking a simple average of its fiscal year 1997 medium security cost and the maximum security cost for a psychiatric prison. MDOC did not prepare a cost analysis to aid PEER.

| Average Total Cost Per Inmate Day | |
|--------------------------------------|------------------|
| Medium custody | \$ 54.47 |
| Maximum custody | 64.66 |
| Total | \$ <u>119.13</u> |
| Average | \$ <u>59.57</u> |
| Source: PEER | |

Using simple averages of costs of different facilities is subject to high potential errors.

As in the case of the Wilkinson facility, using simple averages to arrive at contract costs is subject to a high potential error that

- (1) Actual costs of operations will not behave in such a manner and
- (2) The security levels incarcerated will be significantly lower than expected.

Although the average costs determined by calculation is only 9.4% higher than MDOC's medium security level experience, a cost analysis of this operation could have potentially determined that the cost of operations would be expected to be no greater than MDOC's medium security experience for a similar facility. Since our study did not include gathering cost data from this Facility, we are unable to make comparisons similar to those made for the Wilkinson facility.

If the medium custody basic housing cost of \$27.35 had been determined to be no more than that of a medium security, the maximum allowable housing per diem would have decreased from \$30.41 to \$24.61. The annual difference is \$1,058,000 less paid to the contractor.

MDOC does not monitor the security level of the inmates that are assigned to the prison in order to maintain a ratio of 50:50.

If the ratio of medium to maximum security inmates housed at the East Mississippi facility is not maintained at or near the assumed 50:50 ratio, losses due to unused capacity will occur. MDOC does not monitor the ratio. Additionally, if the inmates housed in the prison are not psychiatric inmates, additional payments to the private correctional firm will occur because of the medical payments to the operator.

Conclusion

The present method of determining daily incarceration costs does not provide suitable information to negotiate real cost savings from private correctional firms.

The statutes require that state contracts for private prisons save a minimum of 10% on "at least the same level and quality of service offered by the DOC". This statute does not restrict MDOC from achieving much greater cost savings in contracting for private services. The three contracts that MDOC negotiated do not provide the minimum savings.

The Legislature's authorization and MDOC's use of special needs prisons and other variables are obstacles to determine the State's cost per inmate day. The State currently does not have any publicly managed prisons that exactly compare with the private prisons. Adjustments, sometimes subjective, must be made to make comparisons in order to determine the State's costs for the same level and quality of service offered by the State.

MDOC does not perform the type of detailed cost analysis needed to assist PEER to determine the State's cost of providing "comparable" private facilities. For three of the five private prisons, PEER had to develop and use significant subjective, unsupported assumptions to establish the State's per inmate cost. Some of the assumptions do not appear to be valid based on actual results. In addition, no analysis of costs by fixed and variable exists.

MDOC also does not monitor the types of prisoners admitted to the private prisons for the purpose of ensuring that assumptions used to establish per diem payments to the private correctional firms continue to be valid. Moving away from the types of prisoners and ratios used to establish rates may be costing the State millions of dollars in payments to the private correctional firms.

Estimated costs resulting from daily costs based on the assumptions compared to our analysis total \$2.3 million annually, \$15.5 million over a 5 year period and \$46 million over a 20 year period.

Recommendations

MDOC should have a planning and research department that can perform cost analyses to assist management, not only to contain the Agency's total incarceration costs, but also to help negotiate real cost savings in contracts with private correctional firms.

MDOC should require potential private contractors to provide cost data by fixed and variable categories to serve as the basis for negotiating per diem rates.

MDOC should also develop cost data by fixed and variable categories that can be applied to different sizes of prisons. They should also develop models of optimum staffing levels that can be applied to different facilities according to size. All major factors that affect cost should be based on factual data that can be supported.

PEER and MDOC should coordinate their cost-finding activities and establish procedures that MDOC can follow to establish and adjust, as needed, the State's comparable cost of services.

If the Legislature and MDOC choose to provide additional special-needs prisons, they should consider having MDOC build and operate them if the process of cost-finding is not improved to a sufficient level.

Has MDOC negotiated with private correctional firms to receive the lowest and best contract price?

MDOC has not negotiated with private correctional firms to receive the lowest and best contract price.

Analysis

MDOC contracted three of the private prisons. We could not find any documentation to support a request for detailed proposals from competing private correctional firms for MDOC to negotiate the lowest and best bid for each private prison. In each case, the contracted daily inmate per diem was greater than the adjusted maximum amount established by PEER as allowable by law. (See Exhibit 7.) This occurred because MDOC did not adjust PEER cost data for "comparables". With one exception, the total per day cost was used to determine the maximum cost allowable in the contracting phase without regard to the contracted nature and level of services.

**Exhibit 7
Comparison of Maximum Allowable Per Diem¹⁷
With Contracted Per Diem**

| | East Mississippi | | Walnut Grove | | Wilkinson | |
|--------------|------------------|--------------------------------------|----------------|--------------------------------------|----------------|--------------------------------------|
| | Adjusted | Actual Contract Amount ¹⁸ | Adjusted | Actual Contract Amount ¹⁸ | Adjusted | Actual Contract Amount ¹⁸ |
| Operating | | \$37.86 | | \$34.98 | | \$30.46 |
| Capital | | 15.36 | | 17.19 | | 13.40 |
| Total | \$51.15 | \$53.22 | \$50.62 | \$52.17 | \$43.59 | \$43.86 |

Source: PEER reports and private prison contracts.

Private contracts must be for the same level and quality of service as provided by the State.

Mississippi statutes require that state contracts for private prisons save a minimum of 10% on "at least the same level and quality of service offered by the DOC". The three private prison contracts negotiated by MDOC were not adjusted for state-provided services not provided by the private prisons or provided at a different level. Certain of these more significant adjustments are shown in Exhibit 8.

¹⁷ The allowable amounts established by PEER have been adjusted for certain differences in level and quality of service offered by MDOC and each of the private prison operators. See Exhibit 8.

¹⁸ The operating cost per diem is stated in the contract. The capital cost per diem was calculated using total actual 20 year debt service divided by the number of maximum inmate days for the same number of years.

Exhibit 8
Private Prison Contracts
Adjusted for Same Level of Service¹⁹

| | Delta | | East Miss | | Marshall | | Walnut Grove | | Wilkinson | |
|--------------------------------|-------------------------------|-----------------|-------------------------------|-----------------|-------------------------------|-----------------|-------------------------------|-----------------|-------------------------------|-----------------|
| | <u>Actual Contract Amount</u> | <u>Adjusted</u> | <u>Actual Contract Amount</u> | <u>Adjusted</u> | <u>Actual Contract Amount</u> | <u>Adjusted</u> | <u>Actual Contract Amount</u> | <u>Adjusted</u> | <u>Actual Contract Amount</u> | <u>Adjusted</u> |
| Housing | | \$17.31 | | \$30.41 | | \$17.31 | | \$28.98 | | \$25.14 |
| Educ. & Training ²⁰ | | 1.13 | | .91 | | 1.13 | | 3.51 | | .59 |
| Food | | .94 | | 1.36 | | .94 | | 1.41 | | 1.06 |
| Farming ²¹ | | .00 | | .00 | | .00 | | .00 | | .00 |
| Medical ²² | | 2.37 | | 4.50 | | 2.37 | | .00 | | 2.25 |
| Parole Board ²¹ | | .00 | | .00 | | .00 | | .00 | | .00 |
| Admin. | | 2.11 | | 2.03 | | 2.11 | | 2.18 | | 2.18 |
| Total Operating | \$25.13 | 23.86 | \$37.86 | 39.21 | \$25.13 | 23.86 | \$34.98 | \$36.08 | \$30.46 | 31.22 |
| Debt Service | 5.64 | 7.02 | 15.36 | 11.94 | 5.60 | 7.02 | 17.19 | 14.54 | 13.40 | 12.37 |
| Total Per Diems | \$30.77 | \$30.88 | \$53.22 | \$51.15 | \$30.73 | \$30.88 | \$52.17 | \$50.62 | \$43.86 | \$43.59 |

Source: Private prison contracts and Smith Turner & Reeves computations.

Analysis of cost components above shows the actual per diems for Delta and Marshall are less than the adjusted maximum per diems allowable by statute considering only the cost categories shown. The actual per diems for East Mississippi, Walnut Grove and Wilkinson prisons exceed the adjusted maximums allowed by statute.

Estimated excess payments to the three private correctional firms for the services that were less than the same level as state-provided services show in Exhibit 8 (Footnotes 20, 21 and 22) amount to millions of dollars. No excess payments have been made to Walnut Grove, which will begin operations in 2001. (See Exhibit 9.)

¹⁹ The amounts in the actual columns for total operating costs are from the contracts for prison operations. The figures for debt service in the actual columns were computed using actual debt service requirements. The amounts in the adjusted columns were PEER amounts (See Appendices B through E) less the adjustments described in Footnotes 20, 21 and 22. Also see summary of adjustments in Appendix H.

²⁰ The private prisons use non-certified teachers to lead their adult basic education and vocational education programs, whereas MDOC's teachers are licensed teachers. The certified staff is paid an average of 26% more than the non-certified instructors. An adjustment for that percent has been made to reduce the state cost accordingly.

²¹ The private prisons do not have farming operations nor parole boards for which the State should pay operating costs.

²² Four of the contracts provide that once a prisoner leaves the prison for medical care, the private operator is responsible for the medical costs during the first 72 hours. The State is responsible for any medical costs incurred after that period. The contract per diem rates pay the operator as if it were responsible for 100% of inmate medical care. For the purpose of projections, in the absence of actual medical costs, we adjusted the contract rate by an arbitrary 25% to give due consideration for this difference. Determining precise differences would require "actuarial" type studies. MDOC properly adjusted the Walnut Grove contract to reflect that the State will be responsible for 100% of inmate medical costs when the facility opens in 2001.

Exhibit 9
Estimated Costs Resulting from Dissimilar Services²³

| | Delta | East Miss | Marshall | Walnut Grove | Wilkinson | Totals |
|----------------|-------|------------|----------|--------------|-----------|------------|
| Annual | \$ 0 | \$ 378,000 | \$ 0 | \$ 283,000 | \$ 99,000 | \$ 760,000 |
| 5-yr. period | 0 | 1,890,000 | 0 | 1,415,000 | 495,000 | 3,800,000 |
| 20-year period | 0 | 7,560,000 | 0 | 5,660,000 | 1,980,000 | 15,200,000 |

Source: Smith Turner & Reeves compilation.

There are a number of other factors and components that should have been, but were not, considered in the cost-finding and contracting processes. MDOC provides several services that are included in its per day cost that are not provided by the private contractors. Adjustments to the state cost may be warranted for postal services, offender services, internal affairs, emergency response team, security and escort, disciplinary, legal staff and construction supervisors. There may be other factors that we have not presented here. We did not attempt to adjust the costs presented above for these differences.

The private contractors also had additional costs for American Correctional Association (ACA) accreditation required by the contracts and Mississippi sales and income taxes that were not considered. We also did not adjust for these differences.

There is a school of thought that the central administrative cost pool should not be a component of the per diem paid to the private operators.

The central administration cost pool is allocated to the representative units on the basis of inmate days. (See Exhibit 15.) These costs would not increase if the State were to build and operate other prison facilities itself. The only costs that are relevant in decision making are the expected future costs that will differ among the choices (public vs. private operation) that are available. These are called differential costs or incremental costs. When determining the State's cost to operate a new facility, analysts are on sound theoretical ground to consider only the differential costs that are avoidable costs. If a cost is avoidable, it is differential and, therefore, is the only relevant cost to consider in the decision-making process.

²³ Costs are based on maximum number of beds in prison. Future excess costs for medical costs will not occur when MDOC negotiates new contracts with the State assuming responsibility for 100% of medical costs similar to the Walnut Grove contract.

When analysts examine the cost-effectiveness of privatization of prisons, it is essential that differential costs be correctly identified. When comparisons are made between in-house services and contracted services, it is improper to compare in-house fully allocated costs to the cost of paying a contractor to provide the service. Only the State's differential costs should be compared to the State's cost to contract.²⁴

This incremental or marginal approach to overhead allocation is not generally the one followed in the literature on the cost of corrections. Instead, analysts have generally sought to allocate the central office services. This approach tends to overstate the cost of public prisons because these costs will not be saved by privatization.²⁵

In Exhibit 8, all of the amounts in the adjusted columns for each of the five private prisons are differential costs except for the administration cost of \$2.11 for Delta and Marshall, \$2.03 for East Mississippi and \$2.18 for Walnut Grove and Wilkinson. The decision to pay these costs to the private facilities or eliminate them from the model affects payments by millions of dollars.

Each private prison contract must provide a minimum of a 10% cost saving for the taxpayers.

PEER determined the state cost of operating a prison comparable to the Wilkinson facility based on a population of 523 inmates. For fiscal year 1999, the average number of prisoners housed at the prison was 811. The contract provides in the event that more than 500 inmates are placed in the prison, the parties to the contract may agree to a lower per day inmate rate. The parties have agreed to the following schedule:

- Initial 500 prisoners \$ 30.36
- 501 to 1,000 prisoners 29.25

Fixed costs remain unchanged within certain ranges of activity. We did not have the detailed financial information to calculate the precise ranges for the facility. Since PEER's original costs related to a 523 single-cell lockdown prison, our analysis that follows is based on the assumption that substantially all of the prison's fixed operating costs being recovered from the per diem of the first 523 prisoners. The

²⁴ State of Tennessee Comptroller of the Treasury, Department of Audit, *Inmate Incarceration Costs and Security Staff Morale*, December 1999.

²⁵ Nelson, Julianna, Ph.D., *Comparing Public and Private Prison Costs*, 1998.

additional state cost per inmate for a comparable facility would be substantially less than the adjusted figures in Exhibit 8. If fixed costs remained unchanged up to a range of 750 beds and increase for the remainder of capacity, the estimated costs would be less than the amount in Exhibit 10. Since MDOC does not maintain fixed and variable prison costs, an estimated 80% to 20% ratio of fixed and variable cost, respectively, has been used to calculate the additional cost of housing 1,000 inmates rather than the 523 used by PEER. (See Exhibit 10.)

Exhibit 10
Estimated Maximum Inmate Per
Diem Adjusting Number of Beds from 523 to 1,000

| | Adjusted Contract Per diem (523 Beds) | Per diem for Additional Beds Up to 1,000 |
|----------------------------------|---|--|
| Housing | \$ 25.14 | \$ 5.03 |
| Education | .59 | .59 |
| Food | 1.06 | 1.06 |
| Medical | 2.25 | 2.25 |
| Administration | 2.18 | .00 |
| Total | \$31.22 | \$ 8.93²⁶ |
| Deduct added bed per diem | (8.93) | |
| Estimated per diem difference | \$ 22.29 | |
| Annual difference ²⁷ | \$ 3,474,000 | |
| 5-year difference ²⁷ | \$17,370,000 | |
| 20-year difference ²⁷ | \$69,480,000 | |

Conclusion

MDOC has not negotiated with private correctional firms to receive the lowest and best contract price.

Mississippi statutes require that state contracts for private prisons save a minimum of 10% on "at least the same level and quality of service offered by the DOC". For each of the three private prison contracts negotiated by MDOC, the actual contracted inmate per diem rate exceeds the adjusted maximum amount established by PEER. Exhibit 8 shows the estimated costs resulting from using unadjusted costs for certain factors, including farming, education and training, parole board and medical costs. MDOC did not consider these factors in the process.

PEER established the maximum per diem for the Wilkinson prison based on 523 beds. The State's payments for inmates

²⁶ The Florida Department of Corrections entered a contract with Wackenhut Corrections Corporation to pay a per diem of \$46.71 for up to 90% of capacity (750 beds) and \$8.87 additional inmates.

²⁷ Based on 950 inmates.

above that number, which have been more than 300, do not reflect the scale of economies realized by a much larger facility. The per diem rate of \$29.25 is substantially in excess of our estimated variable incremental cost of \$8.93 per inmate day.

Recommendations

MDOC should implement procedures to analyze and make adjustments where necessary to the State's cost established by PEER. The contracted per diems should be based on the same level and quality of services dictated by law with due consideration to variable or incremental costs where applicable.

What treatment is given to private prison telephone commission revenues when negotiating with private correctional firms?

MDOC's contract negotiations with private correctional firms appropriately do not include telephone commission revenues when establishing the inmate per diem rate.

Analysis

Each month, MDOC's Deputy Commissioner of Administration and Finance receives the commissions directly from the telephone company. He settles the proceeds according to law.²⁸

Each private prison also operates an inmate canteen. Inmate families send money to MDOC in the form of money orders for credit to the inmate's purchase account. Inmates use the cash-less system to make purchases from the canteens. MDOC pays all canteen invoices, records transactions and prepares canteen financial statements. (See Exhibit 11.) Net income is transferred to the Inmate Welfare Fund.²⁹ Proceeds received in the Inmate Welfare Fund are used to provide various goods and services to inmates in both MDOC and private-operated prisons.

**Exhibit 11
Canteen Operating Statement
Seven Months Ended January 2000**

| | Public Prisons | Private Prisons | Total |
|--------------------|---------------------------|----------------------------|-------------------|
| Sales | \$ 2,460,348 | \$ 330,969 | \$ 2,791,317 |
| Cost of sales | (1,714,102) | (235,665) | (1,949,767) |
| Gross profit | 746,246 | 95,304 | 841,550 |
| Operating expenses | (487,745) | (54,925) | (542,670) |
| Operating income | 258,501 | 40,379 | 298,880 |
| Other income | 5,508 | 545 | 6,053 |
| Net income | \$ 264,009 | \$ 40,924 | \$ 304,933 |

Source: Mississippi Department of Corrections

²⁸ MISS. CODE ANN. §47-5-158.

²⁹ Ibid.

Conclusion

MDOC appropriately does not consider private prison telephone commission revenues and canteen net income in contract negotiations.

The Agency collects the net proceeds and settles the amounts in accordance with state law, which is to MSP's farming operations, the State's Telecommunications Fund and the Inmate Welfare Fund.

What significant cost-containment strategies could be initiated at MDOC and, specifically, at the Mississippi State Penitentiary at Parchman?

Identified cost-containment strategies could be implemented to save MDOC an estimated \$6.1 million per year.

Analysis

MDOC's Multi-job Classification Scales Result in Higher Operating Costs than the Private-operated Prisons

Exhibit 22 shows that MSP average correctional officers are paid \$2.22 per inmate day more than the average correctional officers at the three private prisons that we surveyed. The average is \$.62 and \$.48 more for CMCF and SMCI, respectively.

Estimated additional cost of higher salaries of correctional officers at the three facilities total \$4.5 million annually. (See Exhibit 12.)

**Exhibit 12
Estimated Cost of Multi-job Pay Scales**

| | Per Day Cost | Annual Cost | 5-year Cost | 20-year Cost |
|---------------|---------------------|--------------------|---------------------|---------------------|
| MSP | \$2.22 | \$3,550,000 | \$17,750,000 | \$71,000,000 |
| CMCF | .62 | 610,000 | 3,050,000 | 12,200,000 |
| SMCI | .48 | 340,000 | 1,700,000 | 6,800,000 |
| Totals | \$1.41 | \$4,500,000 | \$22,500,000 | \$90,000,000 |

Source: Computed by Smith Turner & Reeves.

While it may appear that revision of MDOC's pay scales would result in cost savings, MDOC's management strongly disagrees. The classification scales were established in 1995 as a means to attract and keep competent correctional officers, and they believe that it would be unfeasible to reduce these benefits. The scope of our study did not include an analysis of how private prisons are able to attract and keep correctional officers using pay rates lower than MDOC.

We recognize that immediate reductions in salaries would be impractical. Gradual phasing out or capping the pay rates would result in savings within five to ten years. The most practical method of achieving cost savings in this area appears to be through privatization of selected MDOC units or locations.

Inmate Classification and Utilization of MDOC Beds

MDOC maintains a much lower rate of filled beds in its system than is desirable for maximum efficiency. (See Exhibit 13.)

Exhibit 13
Bed Occupancy at January 9, 2000

| | Beds Occupied | Bed Capacity | Percent Occupied |
|-------------------------------|----------------------|---------------------|-------------------------|
| MSP | 4,276 | 4,917 | 87.0 |
| CMCF | 2,453 | 2,869 | 85.5 |
| SMCI | 1,936 | 2,186 | 88.6 |
| Community work centers | 1,098 | 1,305 | 84.1 |
| Total MDOC facilities | 9,763 | 11,277 | 86.6 |
| Private prisons | 3,420 | 3,400 | 100.1 |
| County-owned regional prisons | 1,658 | 1,750 | 94.7 |

Source: Mississippi Department of Corrections.

One reason for the low utilization of beds at MSP is the numerous small housing units that are dedicated to special-needs inmates. Examples include the HIV Unit (No. 28) and the Geriatric and Acute Illness Unit (No. 31).

According to the former Commissioner and the Deputy Commissioner of Finance and Administration, another reason for some of the empty beds is explained by the inmate classification system. The Classification and Records Department at CMCF performs initial classification of all state inmates. Classification is the process of determining the custody level and special needs of each inmate. These factors and others determine to which facility an inmate will be housed. The complete process of classifying each inmate is performed manually. MDOC does not have computer software to eliminate many redundant entries into hard copy inmate records during the process. The Department is unable to process inmates quickly enough to meet the demand for new inmates and reclassification of other inmates. This antiquated method of processing inmates slows the movement of prisoners and ultimately bed utilization.

MDOC has recently accepted software development bids for a comprehensive offender tracking system. The lower of the two amounted to \$8,880,949. If a new computerized classification and tracking system would fill 175 MDOC empty beds with inmates presently housed in private-operated prisons, the annual savings would approximate \$1,600,000, assuming the lowest per diem rate for private contracts of \$25.

Long-Range Planning

The Agriculture Enterprise is developing plans to prepare more MSP land to grow crops. A significant amount of financial resources will be required to make the property serviceable for that purpose. More inmate labor will be required to work the additional acreage.

We understand that the MSP facility is slowly evolving into a higher security prison. As this conversion takes place, fewer inmates will be available to the farming operation to work the row and vegetable crops.

Cost Accounting and Analysis

MDOC's present cost accounting system does not provide the in-depth data for its staff to fully analyze operations. The entity performs very little analytical review of cost and ratio trends. Management does not have access to these kinds of data in its decision-making process to set efficiency objectives, measure results and take required actions to achieve objectives. Cost savings cannot be estimated.

Conclusion

MDOC's Multi-job Classification Scales Result in Higher Operating Costs than the Private-Operated Prisons

MSP average correctional officers are paid \$2.22 more per inmate day than the average correctional officers at the three private prisons that we surveyed. The average is \$.62 and \$.48 more for CMCF and SMCI, respectively.

Estimated costs from higher pay scales of correctional officers at the three facilities total \$4.5 million annually.

The most practical means to achieve cost savings in this area would be through privatization of selected MDOC units or locations.

Inmate Classification and Utilization of MDOC Beds

MDOC maintains a much lower rate of filled beds in its system than is desirable for maximum efficiency. One reason for the low utilization of beds at MSP is the numerous small housing units that are dedicated to special-needs inmates.

A second reason is that the complete process of classifying each inmate is performed manually. MDOC does not have computer software to eliminate many redundant entries into hard copy inmate records during the process. The department is unable to process inmates quickly enough to meet the demand for new inmates and reclassification of other inmates.

If MDOC could fill 175 of its empty beds with inmates presently housed in private-operated prisons, the annual savings would approximate \$1,600,000

Long-Range Planning

The Agriculture Enterprise is developing plans to prepare more MSP land to grow crops. More inmate labor will be required to work the additional acreage. We understand that the MSP facility is slowly evolving into a maximum security prison. As this conversion takes place, fewer inmates will be available to the farming operation to work the row and vegetable crops.

Cost Accounting and Analysis

MDOC's present cost accounting system does not provide the in-depth data for its staff to fully analyze operations. The entity performs very little analytical review of cost and ratio trends. Management does not have access to these kinds of data in its decision-making process to set efficiency objectives, measure results and take required actions to achieve objectives.

Recommendations

MDOC should study the advantages and disadvantages of adjusting the pay scales of its correctional officers. Privatization of selected MDOC units and locations may be the most practical means to accomplish cost savings in this area.

MDOC should continue to seek funding for computer software for a comprehensive inmate tracking system. An in-depth analysis of the system needs and investment payback period should be prepared to show how the State could experience cost savings to recover the initial purchase price of the software.

MDOC should consider the evolving mission of MSP as it makes long-term plans for the farming operations.

MDOC should develop and continually use analytical review techniques to set objectives and measure results. More detailed information about the various components of costs of operations should be available for management.

Incarceration Cost Comparisons

Cost comparison is an important and powerful analytical tool to help policymakers, media and taxpayers determine how effectively and efficiently an organization accomplishes its mission. Unfortunately, in the government sector, performance measures (service efforts and accomplishments data) are not as widely available as in the private sector³⁰.

What factors account for the apparent inconsistencies in cost at various MDOC locations?

Staffing and compensation levels are the major factors that account for the differences in costs for MSP, CMCF and SMCI.

Overview

MDOC's inmate cost per day is determined separately for MSP, CMCF and SMCI. MSP's cost per day is further broken down for each housing unit, generally corresponding to inmate custody classification. The cost per inmate day is determined through a cost allocation process.

MDOC's accounting system accumulates expenditures in a number of broad service centers as follows: MSP, CMCF, SMCI, community service, central administration, medical services and parole board. The direct facility expenditures accumulated for MSP, CMCF and SMCI are charged to a number of sub-cost centers within the accounting records for each facility. These sub-cost centers include the individual inmate housing units, education and training and other inmate services, including administration. For MSP, there are two additional cost centers, food service and agriculture enterprise, which capture 100% of MDOC's food and farm costs. The applicable portion of these two cost centers is reallocated from MSP to CMCF and SMCI to determine operating costs.

The only direct expenditures that are identified with the individual inmate housing units are salaries and benefits of employees who are assigned to work in each unit. All of the other costs that compose each housing unit's inmate cost per day are allocated to the units using the ratio of housing unit inmate days to total facility inmate days.

The medical cost center is allocated to the MDOC prisons based on the ratio of facility inmate days to total MDOC inmate days. The central administration and the parole board cost centers are

³⁰ Governmental Accounting Standards Board.

allocated to all of the facilities that receive their services, MSP, CMCF, SMCI, community centers and the private and regional prisons.

In summary, the inmate cost per day for all security levels for MSP, CMCF and SMCI is composed of the total direct expenditures for each facility and allocated central administration, medical and parole costs. Each facility's total number of employees and salary levels are the only major variables in the cost finding process. Likewise, MSP's inmate cost per day by security level or unit varies from the cost for any other security level only because of the number and salary levels of the personnel who work in each housing unit.

Analysis

All levels of security at MSP are more costly than the cost per inmate day at CMCF and SMCI. This is due almost exclusively to the fact that as the oldest of the three facilities, the longer tenured MSP employees on average are paid a higher salary. The number of staff on a per capita basis is larger at MSP because of its age, greater variety of inmate security levels and less campus or facility centralization than the newer CMCF and SMCI prisons. (See Exhibit 14.)

**Exhibit 14
Direct Facility Personnel Data**

| | Inmate | | | Totals |
|------------------------------|----------------|-------------|-----------------|--------------|
| | Administration | Management | Inmate Security | |
| Number of Employees | | | | |
| MSP | 186 | 159 | 1,403 | 1,748 |
| CMCF | 58 | 56 | 595 | 709 |
| SMCI | 67 | 55 | 409 | 531 |
| Average Salary | | | | |
| MSP | \$29,856 | \$28,424 | \$24,106 | \$25,111 |
| CMCF | \$15,823 | \$29,108 | \$22,940 | \$22,845 |
| SMCI | \$13,941 | \$26,486 | \$22,636 | \$21,938 |
| Total Salaries | | | | |
| MSP | \$5,553,271 | \$4,519,440 | \$33,820,775 | \$43,893,486 |
| CMCF | \$ 917,742 | \$1,630,032 | \$13,649,074 | \$16,196,848 |
| SMCI | \$ 934,017 | \$1,456,715 | \$ 9,258,172 | \$11,648,904 |
| Average Tenure | | | | |
| MSP | | | | 9.2 |
| CMCF | | | | 5.1 |
| SMCI | | | | 4.4 |
| Ratio Inmates to Emp. | | | | |
| MSP | 23.5 | 27.5 | 3.1 | 2.5 |
| CMCF | 41.9 | 43.4 | 4.1 | 3.4 |
| SMCI | 29.0 | 35.3 | 4.7 | 3.7 |

Source: Computed by Smith Turner & Reeves from MDOC data, which is approximately equal to FY 1999.

Exhibit 15 shows the detailed direct and indirect costs that were charged or allocated to the housing units that were included in PEER's December 1, 1999 report, *Mississippi Department of Corrections' FY 1999 Cost Per Inmate Day*. The table reflects that for the three MSP housing units, Nos. 24, 25 and 32, only salaries and benefits of employees assigned to duty within each unit are accounted for and charged to the units. All other costs are allocated based on use, generally using the ratio of housing unit inmate days to total facility days.

Exhibit 15
Analysis of Cost Per Inmate Day for MDOC Housing Units
Included in PEER's FY 1999 Report³¹

| | General | | Psychiatry | | |
|------------------------------------|--------------------------------------|--|--------------------------------------|-------------------------------------|--------------------------------------|
| | MSP Unit 25 Minimum Custody | SMCI All Units Medium Custody | MSP Unit 32 Maximum Custody | MSP Unit 24 Medium Custody | MSP Unit 32 Maximum Custody |
| Facility direct costs | | | | | |
| Direct housing unit costs | | | | | |
| Salaries and benefits | \$12.05 | \$17.96 | \$24.85 | \$19.55 | \$24.85 |
| Indirect housing unit costs | | | | | |
| Inmate support services | 5.78 | *0.00 | 8.88 | 6.72 | 8.88 |
| Local administration & other | 6.28 | 4.43 | 6.28 | 6.28 | 6.28 |
| Total housing costs | <u>24.11</u> | <u>22.39</u> | <u>40.01</u> | <u>32.55</u> | <u>40.01</u> |
| Other facility allocated costs | | | | | |
| Education and training | 3.98 | .62 | 0.00 | 3.98 | 0.00 |
| Food Service | 1.43 | 1.43 | 1.43 | 1.43 | 1.43 |
| Farming | .68 | .69 | .42 | .69 | .42 |
| Total other facility costs | <u>6.09</u> | <u>2.74</u> | <u>1.85</u> | <u>6.10</u> | <u>1.85</u> |
| Total facility direct costs | <u>30.20</u> | <u>25.13</u> | <u>41.86</u> | <u>38.65</u> | <u>41.86</u> |
| Central cost pools | | | | | |
| Administration | 2.14 | 2.14 | 2.14 | 2.14 | 2.14 |
| Medical costs | 5.07 | 5.07 | 5.07 | 5.07 | 5.07 |
| Parole Board | .15 | .15 | .15 | .15 | .15 |
| Total central cost pool | <u>7.36</u> | <u>7.36</u> | <u>7.36</u> | <u>7.36</u> | <u>7.36</u> |
| Cost per inmate day | <u>\$37.56</u> | <u>\$32.49</u> | <u>\$49.22</u> | <u>\$46.01</u> | <u>\$49.22</u> |

Source: Compiled by Smith Turner & Reeves.

Note: The above amounts do not include the debt service cost component.

* These cost are included in the \$17.96 figure.

³¹ PEER staff chose the units as representative of the three custody levels for determining state cost per day.

Conclusion

Inmate housing unit costs vary primarily because of the number of guards assigned to individual housing units and their salaries. All other costs are allocated to per day cost generally on the ratio of housing unit inmate days to total facility inmate days.

Recommendations

The cost-finding process would be more accurate and useful if MDOC's financial and cost accounting system charged direct housing unit expenditures such as commodities and contracted services to applicable housing units. We suggest that MDOC management consider if the present system could be designed accordingly without expending a significant amount of money.

Better financial records would allow MDOC staff to periodically evaluate cost of operations and pinpoint inefficiencies. This information could then be used to implement cost savings practices.

Are MDOC's inmate education and training programs provided efficiently and effectively?

MDOC does not maintain an adequate accountability information system for inmate education and training to help routinely make informed policy decisions. A properly implemented system should produce information that describes a program's functions, efficiency and effectiveness.

MDOC's average cost per certificate of completion earned by its student inmates was \$6,620 compared with the average cost of \$1,515 for the State's private prisons.

Background

Education and Training at MDOC

MDOC offers inmate education and training³² categorized as either adult basic education (ABE) or vocational education (VOC ED). Similar ABE programs are offered at MDOC's three prisons, MSP, CMCF and SMCI, while the number and types of VOC ED programs available at each location vary.

Adult Basic Education

The mission of the ABE Department is to provide educational services to the maximum number of inmates who lack a high school diploma or a GED and who are housed in units designed to provide prospective students.

Students are recruited to maintain the ABE Department's enrollment. New students are tested to determine placement into one of four levels of study. The ABE Department provides a planned program of individualized instruction in language arts, mathematics, social studies and science. Once an inmate successfully completes the ABE program by progressing through the applicable four levels of study, he or she is promoted to the General Education Development (GED) preparatory program that prepares the inmate to successfully pass the GED test. The Department makes arrangements for students who are ready to take the test.

ABE levels of study include ABE I, ABE II, ABE III, Pre-GED and GED.

³² MISS. CODE ANN. §47-5-10.

Vocational Education

The mission of correctional vocational education is to train inmates to obtain a marketable job skill before their release from prison.

To enroll in the program, an inmate must possess a desire to enter a trade vocation and have between 12 and 36 months remaining to serve before parole or release. An inmate that meets these criteria must be classified as a potential student by the Institutional Classification Committee.

Upon completion of the required hours of training, a VOC ED diploma is awarded to the inmate.

Fifteen courses of study are offered at MSP, while five courses are offered at both CMCF and SMCI. (See Exhibit 16.)

Exhibit 16
MDOC Vocational Education Courses of Study

| MSP | CMCF | SMCI |
|--|--|---|
| Air conditioning & refrigeration (1900 hrs.) | Business and office technology (1500 hrs.) | Auto body repair (1960 hrs.) |
| Auto body repair (1960 hrs.) | Cosmetology (1500 hrs.) | Industrial electricity (1620 hrs.) |
| Auto mechanics (1860 hrs.) | Industrial servicing (1200 hrs.) | Plumbing/pipefitting (2400 hrs.) |
| Brick/block/stone (1800 hrs.) | Metal trades (1850 hrs.) | Vehicle/mobile equipment repair (1860 hrs.) |
| Carpentry (1750 hrs.) | Upholstery (1200 hrs.) | Welding (1550 hrs.) |
| Cooking & baking (1600 hrs.) | | |
| Diesel mechanics (1260 hrs.) | | |
| Electronic servicing (1900 hrs.) | | |
| Horticulture/catfish farming (1750 hrs.) | | |
| Industrial electricity (1620 hrs.) | | |
| Machine shop (1965 hrs.) | | |
| Marine maintenance (1900 hrs.) | | |
| Plumbing/pipefitting (2400 hrs.) | | |
| Sheet metal (1850 hrs.) | | |
| Welding (1550 hrs.) | | |

Source: Mississippi Department of Corrections

Education and Training at Mississippi Private Prisons

The private prison contracts do not specifically require offering of VOC ED courses.

Section 4.36 of the five private prison contracts addresses inmate education and vocational programs to be provided by each of the operators. "The Authority shall provide adequate space for a minimum of five (5) programs including programs for the illiterate and GED certificate level programs. All classrooms shall meet the relevant criteria established by the Mississippi Department of Education. The curriculum shall meet the Mississippi Department of Education's requirements for adult basic education."

The three prisons that we surveyed offer the same ABE program as MDOC. However, the number and types of VOC ED courses offered differ. (See Exhibit 17.)

Exhibit 17
Private Prison Vocational Education Courses of Study

| Delta | Marshall | Wilkinson |
|--------------------------|--------------------------|-----------------|
| Computer info processing | Computer info processing | Building trades |
| Horticulture | Horticulture | Horticulture |
| Brick masonry | Small engine repair | |
| Carpentry | Food service | |
| Industrial cleaning | Marketing | |

Source: Smith Turner & Reeves survey of Mississippi private prisons.

Analysis

Program outputs, outcomes and efficiency measures are essential ingredients to evaluate performance and ultimately accountability.

MDOC captures some program output data, including number of participants and number of participants that earn certificates of completion. Certain other useful information is not captured or not readily available.

Program outcome information is limited to infrequent recidivism studies.

MDOC captures some efficiency information, but the information is not used to manage resources.

MSP VOC ED students provide services to MSP through construction and maintenance work programs. These services save MDOC a significant amount of money because the organization does not have to purchase the services from outside vendors. MSP management does not capture information to measure the economic benefits (cost savings) of this inmate work.

Program Outputs

Program outputs measure the amount of work accomplished or the quantity of goods and services produced or provided.

MDOC keeps up with number of inmates participating in programs by how many of them gain certificates of completion and how many do not gain certificates. There are a number of reasons why students do not complete

program courses. This information would be helpful to management, but it is not gathered.

There is also no mechanism to track the status of individual participants who have neither completed nor dropped out of the program in which they are enrolled.

A large percent of students that have earned certificates have not been released from prison. MDOC does not accumulate statistics that explain the reasons.

MDOC does not summarize data about program participants who will never use newly developed skills because of the nature of crimes and length of incarcerations.

MSP incarcerates only slightly more inmates than the combined number of inmates housed at CMCF and SMCI. However, MSP has 62% of the total number of MDOC instructors. The ratio appears more out of line when MSP's inmate population is reduced for the maximum and other close-security prisoners who cannot participate in education and training programs.

MDOC's performance regarding outputs is mixed, when compared with the surveyed private prisons and other responding states' correctional departments.

For 1999, the percents of inmates participating in academic programs who attained GED's are about the same for all three of MDOC's prisons. The results are not appreciably different from the results achieved at the three private prisons that we surveyed. MDOC's rate of success is a little better than Texas, about the same as Florida but substantially worse than Tennessee. (See Exhibit 18.)

For the same fiscal year, the percents of inmates successfully completing vocational courses of study at CMCF, SMCI and the three private prisons that we surveyed were substantially less than MSP's percent of completion. MSP performed about as well as Tennessee but not as well as Texas and Florida. (See Exhibit 18.)

Exhibit 18
Comparative Summary of Education and Training Data
Fiscal Year 1999

| | MSP | CMCF | SMCI | Delta | Marshall | Wilkinson | Florida | Tennessee | Texas |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------|------------------|---------------|
| ABE | | | | | | | | | |
| No. inmates served | 745 | 546 | 257 | 320 | 145 | 447 | 14,228 | 1,489 | 44,519 |
| No. GEDs earned | 111 | 84 | 34 | 43 | 31 | 65 | 1,728 | 583 | 4,278 |
| % GEDs earned | 14.9 % | 15.4 % | 13.2 % | 13.4 % | 21.4 % | 14.5 % | 12.1 % | 39.2 % | 9.6 % |
| No. instructors | 13 | 5 | 3 | 4 | 4 | 3 | N/A | 58 | N/A |
| Avg. inst. salary | \$ 42,188 | \$ 37,937 | \$ 42,379 | \$ 22,557 | \$ 24,750 | \$ 23,083 | N/A | N/A | N/A |
| Students served per instructor | 50 | 109 | 86 | 80 | 36 | 149 | N/A | 26 | N/A |
| Cost per GED earned | \$ 7,042 | \$ 2,433 | \$ 4,068 | \$ 3,189 | \$3,740 | \$ 1,291 | N/A | \$ 5,633 | N/A |
| No. GEDs earned per instructor | 8.5 | 16.8 | 11.3 | 11.0 | 7.7 | 22.0 | N/A | 10.1 | N/A |
| Total salaries | \$ 781,664 | \$ 204,416 | \$ 141,708 | \$ 137,132 | \$115,931 | \$ 83,949 | N/A | N/A | N/A |
| VOC ED | | | | | | | | | |
| No. inmates served | 592 | 164 | 174 | 320 | 353 | 154 | 7,553 | 1,158 | 15,487 |
| No. certificates earned | 86 | 39 | 56 | 129 | 149 | 42 | 2,702 | 130 | 8,201 |
| % certificates earned | 14.5 % | 23.8 % | 32.2 % | 40.3 % | 42.2 % | 27.3 % | 36.8 % | 11.2 % | 52.9 % |
| No. instructors | 19 | 6 | 6 | 5 | 5 | 2 | N/A | 66 | N/A |
| Avg. inst. Salary | \$ 36,927 | \$ 37,867 | \$ 33,992 | \$ 22,557 | \$23,438 | \$ 23,881 | N/A | N/A | N/A |
| Students served per instructor | 31 | 27 | 29 | 64 | 70 | 21 | N/A | N/A | N/A |
| Cost per certificate earned | \$ 10,489 | \$ 8,600 | \$ 6,229 | \$ 1,264 | \$929 | \$ 1,354 | N/A | \$ 19,118 | N/A |
| No. certificates per instructor | 4.5 | 6.5 | 9.3 | 25.8 | 29.8 | 21.0 | N/A | 2.0 | N/A |
| Total salaries | \$ 902,019 | \$ 335,382 | \$ 348,850 | \$ 163,049 | \$138,354 | \$ 56,860 | N/A | N/A | N/A |
| Total ABE & VOC ED salaries | \$ 1,683,683 | \$ 539,798 | \$ 490,558 | \$ 300,181 | \$ 254,285 | \$ 140,809 | N/A | N/A | N/A |

Source: Compiled by Smith Turner & Reeves from MDOC data, surveyed private facilities and responding surveyed state DOC's.

Program Outcomes

Program outcomes are accomplishments or results that occur because of the goods or services provided. Program outcomes may come immediately or take a long time period to occur.

There are two significant inmate education and training program outcomes for which policymakers should have information.

- The extent to which program completion helps an inmate attain a better job on his or her release from prison and
- The extent to which completion of education and training programs helps to reduce recidivism.

Job Information

Although the mission of the Department's VOC ED program is to train inmates to obtain a marketable job skill before their release from prison, there is not an effective tracking system to document how well students who successfully complete education and training courses fair when they enter the marketplace. This information would be helpful to monitor allocation of resources among the VOC ED programs that are offered at the three facilities.

Recidivism

Recidivism is a relapse back to criminal behavior and return to incarceration. Recidivism is important to policymakers because of the cost savings that occur when former inmates do not return to prison.

Providing vocational education programs to reduce former inmates' return to prison is a major goal of MDOC.

MDOC does not have a system in place to periodically assess how successfully it is meeting its recidivism goal through inmate education and training programs. A five year recidivism study was made in 1987 for the MSP VOC ED program. A second study covering the period 1989 through 2000 was completed and released in April 2000 for the VOC ED program at SMCI. Both of these studies documented lower recidivism rates for former inmates who had completed VOC ED programs compared with former inmates who did not complete the programs. There is not enough historical data to determine any significant trends in

recidivism rates due to the education and training programs of the Department.

Program Efficiencies

Program efficiencies are ratios of outputs and outcomes relative to costs.

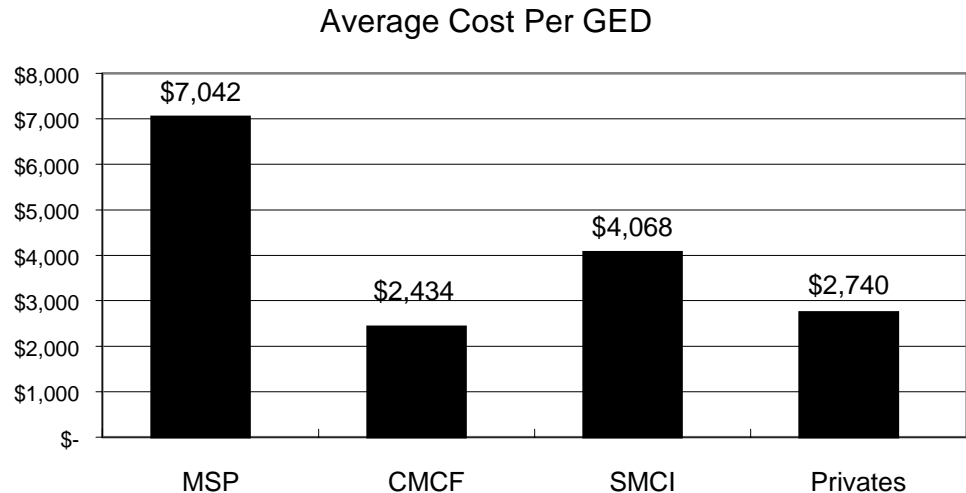
MDOC collects and monitors very little program efficiency information. Useful statistics should include

- Average cost per student
- Average cost per student attaining a certificate
- Average length of time in program
- Average daily attendance
- Student-teacher ratios
- Ratio of facility teachers to potential students
- Average number of certificates earned per instructor

MSP's average cost to provide services is significantly higher than similar cost for CMCF and SMCI. The average costs for MDOC's three facilities are also significantly higher than similar costs for Mississippi's private prisons.

ABE

MSP's cost per GED earned (\$7,042) is approximately 73% higher than SMCI's cost (\$4,068) and 189% more than CMCF's cost (\$2,434). The costs at the three private prisons that we surveyed averaged \$2,740 per GED earned.



While 13 ABE instructors produced 111 GED's at MSP, 5 instructors at CMCF produced 84 GED's. Partly explaining the substantially higher cost per GED at MSP is the fact that at April 30, 2000, 14 instructors taught reading, English and math. Using fiscal year 1999 participants, each instructor averaged contact with only 50 students for the full year. (See Exhibit 18.)

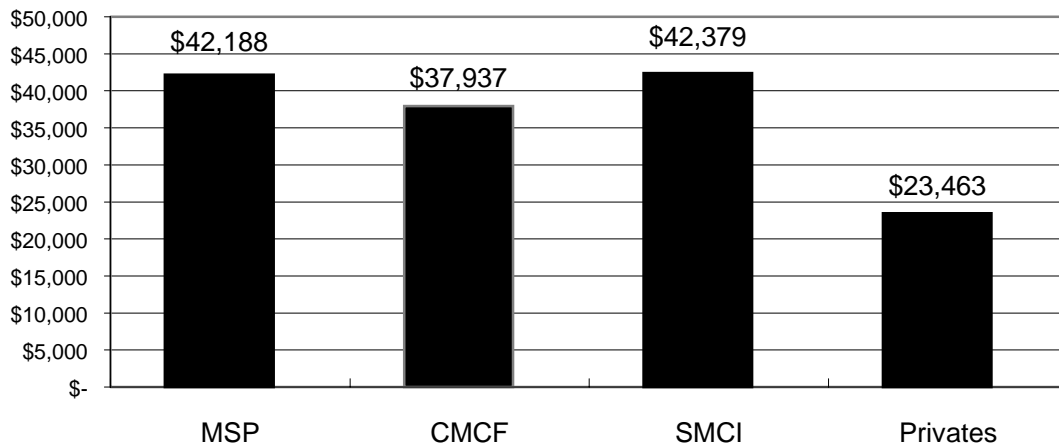
For the same period, CMCF employed 5 ABE instructors for the same academic programs. The results were that 64% fewer teachers at CMCF contacted 73% as many participants as MSP instructors.

Considering the relatively small number of ABE participants at MSP and the relatively large number of instructors, the average number of students per class was inefficiently small, while the per student cost was high.

MDOC employs certified teachers for its ABE program

MDOC instructors hold valid teaching certificates issued by the Department of Education's Commission on Teacher and Administrator Education, Certification and Development. Because of certification and tenure, MDOC's ABE instructors are paid 74% more than their non-certified counterparts at the three surveyed private facilities.

Average ABE Instructor Salaries

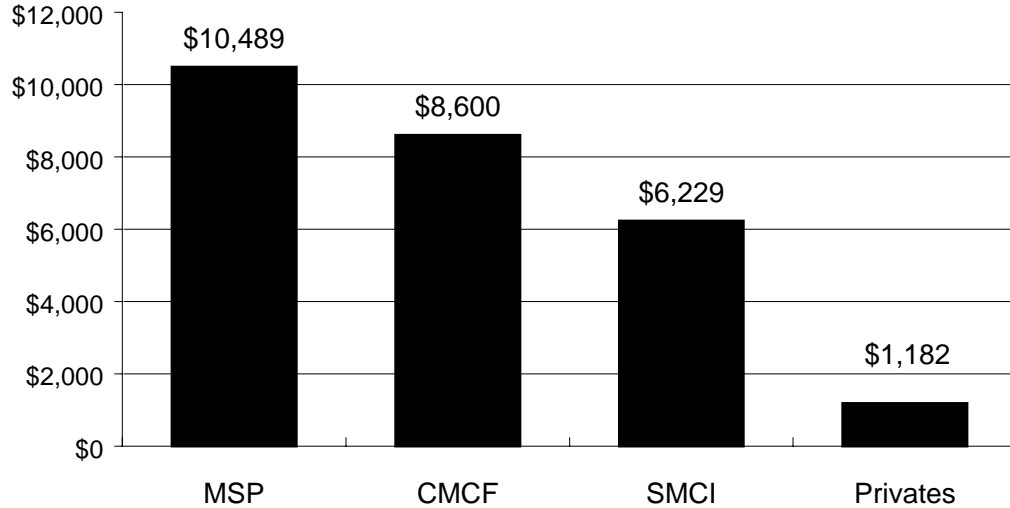


The Department's certified instructors did not appear to perform any better than the non-certified private prison instructors based on the number of certificates earned by students.

VOC ED

MSP's cost per VOC ED certificate earned (\$10,489) was significantly higher than either CMCF (\$8,600) or SMCI (\$6,229). The three private prisons that we surveyed had an average cost of \$1,182 per VOC ED certificate earned.

Average Cost Per VOC ED Certificate



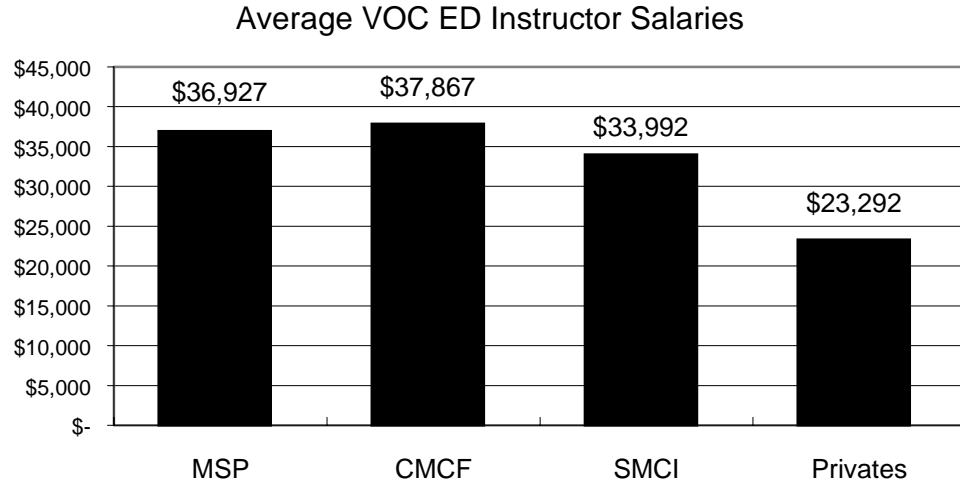
Two reasons for MSP's higher cost per certificate follow.

- MSP offers 15 VOC ED courses of study, while the other two MDOC facilities offer five each. (See Exhibit 16.) The three private prisons also offer fewer courses of study. (See Exhibits 16 and 17.) The large offering of courses to a small number of inmate participants results in small classes of students on the average. The number of certificates earned per instructor demonstrates this fact.

| | |
|------------|------|
| ▪ MSP | 4.5 |
| ▪ CMCF | 6.5 |
| ▪ SMCI | 9.3 |
| ▪ Privates | 28.5 |
- With a combined 38% fewer instructors, CMCF and SMCI produced 10% more VOC ED certificate earners than MSP.

MDOC employs certified teachers for its VOC ED program.

MDOC's VOC ED instructors also hold valid teaching certificates. Because of certification and tenure, MDOC's VOC ED instructors are paid 56% more than their uncertified counterparts at the three private facilities. MDOC's certified instructors did not appear to perform any better than the non-certified private prison instructors based on number of certificates earned by students.



The quality of the VOC ED programs offered by the private prisons does not appear to be as good as the MDOC programs based on their content. Benefits of teaching certain skills to the inmates are questionable.

Conclusion

MDOC has not defined its inmate education and training goals in measurable terms and tailored its management information system to provide enough data to assess the effectiveness and efficiency of its operations.

MDOC's performance regarding outputs is mixed, when compared with the surveyed private prisons and other responding states' correctional departments. While the percent of students earning ABE certificates at the MDOC facilities does not differ significantly from the results attained by the private prisons, the private prisons were far more successful when the measure is VOC ED certificates of completion.

MDOC cannot routinely demonstrate by current captured data that it is meeting its goals of better jobs and reduced recidivism

for former inmates who have completed their education and training programs.

MSP's average cost to provide its services is significantly higher than similar cost for CMCF and SMCI. The average costs for MDOC's three facilities are also significantly higher than similar costs for Mississippi's private prisons.

MDOC employs certified teachers to instruct its ABE and VOC ED courses. These salaries of these instructors average 74% and 56% more than the non-certified instructors employed by the private prisons. No additional benefits to the MDOC programs can be attributed to use of the certified personnel.

Recommendations

MDOC management should establish measurable objectives to access the efficiency and effectiveness of the inmate education and training function as they relate to the specific program goals.

The Department should design its information system to produce data for policymakers to assess whether objectives are met.

A study should be made to determine if eliminating a number of positions that lead to inefficient class size could make more efficient use of ABE instructors.

A study should be made to determine if instructor positions should be reallocated from MSP to CMCF and SMCI based on a larger population of inmates who appear to have a need and likely use of the ABE and VOC ED programs.

Management should review the different VOC ED courses offered at the private prisons for quality and effectiveness. The courses should be similar to those offered by MDOC.

Management should review its policy of employing only certified instructors to lead the ABE and VOC ED courses. If management determines to continue employing certified teachers, an assessment should be made of the benefits of requiring certified instructors at the private prisons.

What effects do staffing patterns and employee classification have on MDOC costs compared to private prisons?

MDOC's salary ranges, job classification system and tenure add approximately \$1.41 to the inmate cost per day of \$28.73 for all security levels combined for fiscal year 1999. The impact of this differential salary cost is summarized in Exhibit 12, showing approximately \$4.5 million in added cost per year.

Overview

The average daily per inmate cost to incarcerate an individual is determined by direct personnel costs of correctional officers more than any other single factor. These direct personnel costs, salaries and benefits accounted for \$51,054,003 of total housing costs of \$91,718,792 for the year ended June 30, 1999, which is 55.7%.

Factors that affect the amount of expenditures for personnel costs of correctional officers include staffing patterns, job classification, salary ranges, employee benefits, tenure and personnel management.

For this study, we gathered and analyzed data related to each of these factors to measure how each impacted inmate cost per day for MDOC compared with inmate cost per day of surveyed private and Mississippi regional prisons.

Analysis

**Job Classifications,
Salary Ranges and
Tenure**

Tenure plays a major role in per day cost for the much older prison, MSP, than for the newer prisons, CMCF and SMCI.

MDOC correctional officers are under the umbrella of the State's Variable Compensation Plan. The plan, adopted in 1982, is a method of paying employees on the basis of their job worth and performance. Classification designs job classes on the basis of job tasks and determines what jobs are worth by setting minimum and maximum ranges of compensation. (See Exhibit 19.)

Correctional officers may be characterized as being either supervisory or non-supervisory.

For the non-supervisory officers, there are five job classifications through which they progress usually based on job tenure. The beginner is employed as an officer cadet. He or she then advances to officer trainee. From there, the officer may progress through the classifications of Officer I, Officer II and Officer III. An officer's next promotion would take him or her to a supervisory position. Within these five job classifications, the officers perform virtually the same function, which is to guard the inmates.

The supervisory officers are classified as Officer IV and Correctional Supervisor. An Officer IV holds the rank of sergeant, while a correctional supervisor holds the rank of lieutenant. The primary function of employees within these two classifications is to supervise the non-supervisory correctional officers.

Exhibit 19 presents the salary ranges for the seven job classifications for correctional officers.

Exhibit 19
Salary Ranges by Job Classifications for
MDOC Correctional Officers

| Job Classification | Salary Ranges |
|--------------------------|----------------------|
| Non-supervisory officers | |
| Officer Cadet | \$17,073 to \$25,568 |
| Officer Trainee | \$19,000 to \$27,411 |
| Officer I | \$18,278 to \$27,086 |
| Officer II | \$19,176 to \$28,443 |
| Officer III | \$21,033 to \$31,197 |
| Supervisory Officers | |
| Officer IV | \$22,390 to \$33,243 |
| Correctional Supervisor | \$24,686 to \$36,687 |

Source: State Personnel Board

Because of its age, MSP correctional officers have approximately twice as much tenure as the officers at CMCF and SMCI.

MSP is the original state prison, dating back for decades, while CMCF and SMCI were opened in 1987 and 1989, respectively. MSP is staffed with many long-time employees, whereas the other facilities have not had the opportunity to experience the longer tenures. Exhibit 20 displays the effects of tenure on inmate cost per day at MDOC's three prisons.

Exhibit 20
Comparison of Personnel Data of Correctional Officers for MSP, CMCF and SMCI

| Job Class. | MSP | | | | CMCF | | | | SMCI | | | |
|-----------------------|--------------|-------------|-----------------|---------------------|------------|-------------|------------------|---------------------|------------|-------------|------------------|--------------------|
| | No. Emp. | Avg. Tenure | Avg. Salary | Total Salary | No. Emp. | Avg. Tenure | Avg. Salary | Total Salary | No. Emp. | Avg. Tenure | Avg. Salary | Total Salary |
| Cadet | 105 | 0.2 yr. | \$17,140 | \$1,799,700 | 18 | 0.4 yr. | \$17,073 | \$307,312 | 22 | 0.1 yr. | \$17,073 | \$375,603 |
| Trainee | 69 | 0.8 | \$19,148 | \$1,321,213 | 50 | 0.8 | \$19,061 | \$953,044 | 48 | 0.4 | \$19,000 | \$912,000 |
| Officer I | 175 | 2.3 | \$20,700 | \$3,622,415 | 178 | 2.0 | \$20,527 | \$3,653,718 | 120 | 1.8 | \$20,595 | \$2,471,400 |
| Officer II | 208 | 5.2 | \$22,476 | \$4,675,062 | 160 | 4.5 | \$22,254 | \$3,560,611 | 93 | 3.8 | \$22,153 | \$2,060,208 |
| Officer III | 610 | 10.6 | \$25,403 | \$15,495,569 | 13 | 5.2 | \$23,807 | \$309,489 | 40 | 5.6 | \$24,112 | \$964,466 |
| Officer IV | 65 | 18.0 | \$27,054 | \$1,758,502 | 69 | 6.3 | \$24,968 | \$1,722,789 | 26 | 8.6 | \$25,637 | \$666,564 |
| Supervisor | 77 | 18.1 | \$30,734 | \$2,366,550 | 44 | 10.2 | \$28,980 | \$1,275,140 | 27 | 10.6 | \$28,987 | \$782,648 |
| Totals | 1,309 | 8.1 | \$23,712 | \$31,039,011 | 532 | 3.9 | \$22,147 | \$11,782,103 | 376 | 3.5 | \$21,896 | \$8,232,889 |
| Tenure cost/(savings) | | | \$1,669 | \$2,184,721 | | | (\$1,565) | (\$832,580) | | | (\$1,816) | (\$682,816) |
| No. inmate days | | | | 1,597,666 | | | | 886,768 | | | | 708,039 |
| Salary per inmate day | | | | \$19.43 | | | | \$13.27 | | | | \$11.63 |

Source: Compiled by Smith Turner & Reeves from data provided by MDOC

The private prisons and the Mississippi regional prisons surveyed do not use a multi-job classification system for non-supervisory correctional officers.

We surveyed three private prisons and three regional prisons in the State. We found that the regional prisons use two job classifications - corrections officer and supervisor. The private prisons also use one classification for its non-supervisory correctional officers. They do, however, have two levels of supervisory officers - sergeant and lieutenant. (See Exhibit 21.)

**Exhibit 21
Summary of Average Salaries of Correctional Officers**

| | Non-supervisory | | Supervisory | |
|------------------|-----------------|----------|-------------|--|
| | All | Sergeant | Lieutenant | |
| MDOC | | | | |
| MSP | \$23,060 | \$27,054 | \$30,734 | |
| CMCF | \$20,965 | \$24,968 | \$28,980 | |
| SMCI | \$21,002 | \$25,637 | \$28,987 | |
| Private Prisons | | | | |
| Delta | \$17,137 | \$20,600 | \$24,812 | |
| Marshall | \$16,000 | \$17,500 | \$24,000 | |
| Wilkinson | \$16,968 | \$21,210 | \$25,250 | |
| Regional Prisons | | | | |
| Carroll | \$16,400 | \$19,850 | | |
| Issaquena | \$17,700 | \$19,985 | | |
| Jefferson | \$17,675 | \$19,442 | | |

Source: Compiled by Smith Turner & Reeves from data provided by MDOC, private and regional prisons.

On the average, MDOC correctional officer salaries range from 31% higher than comparable salaries at the low end of the scale to 28% higher at the high (supervisory) end.

The lowest average salary for a non-supervisory correctional officer at MDOC was \$20,965, compared with \$16,000 for a private prison and \$16,400 for a regional facility. The highest average salary for the same type officer at MDOC was \$23,060, compared with \$17,137 for a private prison and \$17,700 for a regional prison.

The lowest average salary for a supervisory correctional officer at MDOC was \$24,968, compared with \$17,500 for a private prison and \$19,442 for a regional facility. The highest average salary for the same officer was \$30,734 for MDOC and \$25,250 for a private supervisory correctional officer.

MSP non-supervisory salaries average approximately 41% more than comparable private prison salaries and 34% of regional salaries. CMCF and SMCI non-supervisory salaries average

approximately 29% and 22%, compared to private and regional prisons, respectively.

Exhibit 22 shows the pro forma average cost per inmate day at MSP, CMCF and SMCI using \$21,000 as the combined average salaries of correctional officers for private and regional prisons.

Exhibit 22
Pro Forma Analysis of Correctional Officer Salary Cost
Per Inmate Day for FY 1999

| MDOC Prison | Actual | Pro forma | Difference |
|----------------------------------|----------------|------------------|-------------------|
| MSP | | | |
| Average salaries | \$23,712 | \$21,000 | \$2,712 |
| Total salaries | \$31,039,011 | \$27,489,000 | \$3,550,011 |
| Cost per inmate day | \$19.43 | \$17.21 | \$2.22 |
| CMCF | | | |
| Average salaries | \$22,147 | \$21,000 | \$1,147 |
| Total salaries | \$11,782,103 | \$11,172,000 | \$610,103 |
| Cost per inmate day | \$13.27 | \$12.60 | \$0.62 |
| SMCI | | | |
| Average salaries | \$21,896 | \$21,000 | \$896 |
| Total salaries | \$8,232,889 | \$7,896,000 | \$336,889 |
| Cost per inmate day | \$11.63 | \$11.15 | \$0.48 |
| Total cost per inmate day | \$15.99 | \$14.58 | \$1.41 |

Source: Computed by Smith Turner & Reeves from data provided by MDOC.

Staffing Patterns and Employee Benefits

Staffing Patterns

MDOC uses a correctional officer relief factor of 1.8 for each 8 hour shift. This factor equals 5.2 employees for each guard post that is staffed 24 hours per day, 7 days per week. This number compares favorably with the factors used by the private and regional prisons that we surveyed. There are no industry standards for staffing by custody level. (See Appendix A.) The difficulty comparing a relief factor is that it does not take into consideration the number of posts in a given prison. To be meaningful, the common comparative element should include the effect of both relief factor and number of posts. The ratio of number of prisoners to number of correctional guards meets that criterion. The ratio must be calculated of similar custody levels such as minimum to minimum or medium to medium. Exhibit 23 presents a comparison.

Exhibit 23
Guard to Prisoner Ratios by Facility

| Facility/Unit | Security Level | Unit Mission | Average No. Prisoners ³³ | Number Security Guards | Number Prisoners per Guard |
|-------------------------|----------------|--------------------------------|--|------------------------------|----------------------------------|
| MDOC | | | | | |
| 22 MSP | A | Ag. & farm shop workers | 159 | 13 | 12.2 |
| 25 MSP | A | Therapeutic pre-release | 173 | 21 | 8.2 |
| 24 MSP | A, B, C | Special needs, psychiatry | 289 | 73 | 4.0 |
| 29 MSP | A,B,C | Prison industries, field oper. | 820 | 329 | 5.2 |
| 2 CMCF | A,B,C,D | Initial classification | 773 | 141 | 5.5 |
| 2 SMCI | A,B,C,D | General purpose | 1224 | 177 | 6.9 |
| Private Prisons | | | | | |
| Delta | B | Pod bed style | 994 | 150 | 6.6 |
| Marshall | B | Dormitory style | 995 | 158 | 6.3 |
| Wilkinson | B, C | Cell block, double bunked | 858 | 183 | 4.7 |
| Regional Prisons | | | | | |
| Carroll | A, B | Dormitory style | 380 | 40 | 9.5 |
| Issaquena | A,B | Dormitory style | 310 | 36 | 8.6 |
| Jefferson | A,B | Dormitory style | 306 | 35 | 8.7 |
| MDOC | | | | | |
| 32 MSP | C,D,DR | Level IV, cell block | 994 | 373 | 2.7 |

Source: Compiled by Smith Turner & Reeves from data from MDOC and surveyed prisons.

Employee Benefits

The cost of employee benefits typically adds about 27.5%³⁴ to an employer's total payroll costs. As most employee benefits are discretionary, the ultimate costs will vary widely from organization to organization, depending on the number and types of such benefits offered to employees.

Usually, the two most costly benefits are discretionary pension costs and non-discretionary Federal Insurance Contributions Act (FICA) costs. Other benefits may include medical and life insurance, employee training, workers' compensation and unemployment insurance, personal leave (vacation and sick leave) and paid holidays. Exhibit 24 is a summary of employee benefits of MDOC, private and regional prisons in the State.

³³ Prisoner counts are based on April 2000 census reports.

³⁴ U.S. Department of Labor, May 2000.

Exhibit 24
Discretionary Prison Employee Benefits

| | MDOC | Private Prisons | Regional Prisons |
|-------------------|--------------|-----------------|------------------|
| Retirement plan | √ | √ | √ |
| Medical insurance | √ | √ | √ |
| Personal leave | 18 - 27 days | 10 - 20 days | 10 - 15 days |
| Paid holidays | 10 days | 10 days | 10 days |
| Training | √ | √ | √ |

Source: MDOC and surveyed private and regional prisons.

With the exception of personal leave days, employee benefits among the three groups are very similar. The average of 7 additional personal leave days for MDOC employees per year adds approximately \$800 per year in additional payroll costs.

Conclusion

MDOC's salary ranges, job classification system and tenure add approximately \$1.41 to the inmate cost per day of \$28.73 for all security levels combined for fiscal year 1999.

Tenure plays a major role in per day cost for the much older prison, MSP, than for the newer prisons, CMCF and SMCI. Because of its age, 52% of MSP's non-supervisory correctional officers average twice the tenure as the officers at CMCF and SMCI.

On the average, MDOC correctional officer salaries range from 31% higher than comparable salaries at the low end of the scale to 28% higher at the high (supervisory) end.

MDOC uses a correctional officer relief factor of 1.8 for each 8 hour shift. This factor equals 5.2 employees for each guard post that is staffed 24 hours per day, 7 days per week. This number compares favorably with the factors used by the private and regional prisons that we surveyed. There are no industry standards for staffing by custody level.

With the exception of personal leave days, employee benefits among the three groups are very similar. The average of 7 additional personal leave days for MDOC employees per year adds approximately \$800 per year in additional payroll costs.

How does MDOC's cost of farm operations compare to similar prison farms?

Southern United States prison farming operations are limited in number and are dissimilar to MSP. Accordingly, comparisons do not produce meaningful data on which to base conclusions. However, comparing the results of operations of the MSP farm with average similar non-prison farming operations in Mississippi shows that MDOC's row crop yields are significantly lower than non-prison farm yields in the State. The low yields caused the enterprise to lose in excess of \$500,000 in 1998 and 1999.

Background

The farm program was created to provide exercise and activity for minimum and medium security inmates on a voluntary basis.

Initially, the program began as a traditional row crop operation that has varied in size through the years. As recently as 1993, the program farmed just 150 acres. Since then, the program has been expanded and has added edible crops such as vegetables and livestock.

During 1999, crops planted included 30 varieties of vegetables and four primary row crops. Over the last two years, the operation has added processing facilities for vegetables and eggs, enabling larger quantities of crops produced to be integrated into the food supply of all prison inmates at

| | <u>No. Acres</u> |
|------------|------------------|
| Soybeans | 3,141 |
| Vegetables | 1,932 |
| Cotton | 1,532 |
| Wheat | 1,157 |
| Rice | 807 |

Source: MDOC

MDOC's three facilities. In the last fiscal year, 4.2 million pounds of vegetables and 350,000 pounds of rice with a market value of \$1.3 million were delivered to MDOC food service. Additionally, the poultry facility produced 500,040 dozen eggs with a market value of \$384,000 for inmate consumption.

The crops not being produced for MDOC inmate consumption are marketed to outside sources and help offset farm operating expenses. Sales of its row crops, such as cotton and corn combined with swine production, produced slightly over \$1 million in revenues.

The farming program employs 21 full-time employees and, in 1999, MDOC records show that 446 inmates provided an estimated 731,584 hours of labor to the farming operations.

Management maintains detailed financial records to determine the revenue and expenses by crop.

Analysis

MDOC's farm row crop yields were substantially less than state-wide averages, although reportedly using in excess of 700,000 no-cost hours of inmate labor.

MDOC has not defined its mission of providing inmate exercise and activity in measurable terms to assess its effectiveness in fulfilling its goal.

To assess the efficiency of the farming operations (cost of farm operations), we compared row crop yields attained by the enterprise with average crop yields for the State of Mississippi.

To assess the efficiency of the farming operations, we compared the farm's row crop yields to the state-wide averages for 1998 and 1999.

For each of the farm's row crops, the yields per acre for 1998 and 1999 were significantly lower than the state-wide average per acre yields. (See Exhibit 25.) The 1999 state-wide yields were also significantly lower than the crop yield estimates for Sunflower County, Mississippi, location of the farming program.

**Exhibit 25
Comparison of Row Crop Yields**

| Crop | 1998 | | | 1999 | | |
|---------------|------------|------------------|--------------------|------------|------------------|--------------------|
| | MDOC Yield | State Avg. Yield | Percent Difference | MDOC Yield | State Avg. Yield | Percent Difference |
| Corn (bu) | 23 | 86 | (73%) | | | |
| Cotton (lbs) | 377 | 737 | (49%) | 451 | 708 | (36%) |
| Rice (lbs) | 5,344 | 5,800 | (8%) | 4,177 | 5,650 | (26%) |
| Soybeans (bu) | 9 | 24 | (64%) | 11 | 24 | (52%) |
| Wheat (bu) | | | | 42 | 50 | (17%) |

Source: Computed by Smith Turner & Reeves from MDOC data and USDA data for state-wide average yields.

If the agricultural enterprise had met the state average yields in each of its five primary row crops, its operating results for 1998 and 1999 would have been materially different. (See Exhibit 26.)

Exhibit 26
Agriculture Enterprises Pro Forma Operating Statement
Fiscal Years Ended June 30, 1999 and 1998

| | 1999 | | 1998 | |
|--------------------------------|---------------------|------------------|---------------------|------------------|
| | Actual | Pro forma | Actual | Pro forma |
| Revenue | | | | |
| Value of food consumed | \$ 1,663,785 | \$1,663,785 | \$1,364,863 | \$1,364,863 |
| Sales of commodities | 1,059,225 | 1,629,000 | 1,411,145 | 2,004,000 |
| Other revenue | 205,408 | 205,408 | 98,413 | 98,413 |
| Total revenue | 2,928,418 | 3,498,193 | 2,874,421 | 3,467,276 |
| Operating Expenses | | | | |
| Salaries | 664,627 | 664,627 | 625,231 | 625,231 |
| Contractual services | 602,491 | 602,491 | 284,627 | 284,627 |
| Commodities | 1,827,236 | 1,827,236 | 2,107,571 | 2,107,571 |
| Depreciation | 270,000 | 270,000 | 210,000 | 210,000 |
| Other expenses | 114,066 | 114,066 | 184,356 | 184,356 |
| Total operating expenses | 3,478,420 | 3,478,420 | 3,411,785 | 3,411,785 |
| Operating income (loss) | (\$ 550,002) | \$ 19,773 | (\$ 537,364) | \$ 55,491 |

Source: Prepared by Smith Turner & Reeves from MDOC and USDA data.

It should be noted that the above data is prepared on a fiscal year basis. Therefore, sales of farm commodities generally relate to costs incurred in the prior fiscal year. However, these amounts are comparable to MDOC's internal records which show losses of \$445,000 for row crop operations for calendar year 1999. Although our study did not include an assessment of savings of discontinuing row crop operations, the available data suggests that discontinuing row crop operations would save approximately \$500,000 per year before consideration of the rental income which could be derived from renting the unused acreage.

MDOC's internal control over food produced by the agriculture enterprise is adequate.

As a part of our analysis of cost of farm operations, we reviewed the organization's internal controls over food produced.

MDOC's management is responsible for establishing and maintaining internal control that supports its efforts to achieve management's specific objectives. MDOC's internal control includes all of the policies and procedures it adopts to provide reasonable assurance that both financial and non-financial objectives will be attained. Our review of controls was directed to financial controls.

The system for the production of food encompasses the elements of inventory and cost of food used.

Management's control objectives for the production and conversion of food include:

- There is authorization for commodities and services purchased or requisitioned.
- Physical security exists at both the field and warehouse levels.
- Transfer of harvested food to and from the warehouse is recorded properly.
- Inventory of produced food at fiscal year end is properly stated.

Based on our review of internal controls over produced food, the controls appear adequate in the circumstances. Since internal controls are subject to constant change, management should continually evaluate the adequacy of the control structure.

Conclusion

The farm program was created to provide exercise and activity for minimum and medium security inmates on a voluntary basis. Management has not established measurable objectives to assess performance of the farm program.

We did not attempt to assess the effectiveness of the farm program for providing exercise and activity for inmates. We did however assess the efficiency of the agriculture enterprise by comparing farm row crop yields for 1998 and 1999 with average yields for the State of Mississippi. The agriculture enterprise yields for 1998 and 1999, respectively, were from 8% to 73% and 17% to 52% less than state averages for those two years.

The agriculture enterprise internal controls over produced food appear adequate in the circumstances.

Recommendations

Management should establish measurable objectives to assess performance of the agriculture enterprise.

Management should develop a short-term plan to at least reach a financial break-even point in the farming operations. If row crop operations cannot break-even or produce an operating profit, management should consider terminating row crop operations and reallocate resources to the less costly food crops. Whatever strategy MDOC chooses could produce an approximate \$500,000 per year cash loss savings.

How do MDOC's per day prisoner costs compare to other states, Mississippi county-operated regional prisons and private-operated prisons?

Individual prison facility costs vary widely. The variances are so great that care must be exercised. Cost comparisons among facilities, if used alone without consideration of factors such as type and age of facility, type, sex and special needs of prisoners and mission of prison, do not provide policymakers, the media or the public with an adequate understanding of daily inmate incarceration costs.

Overview and Analysis

Refer to Exhibit 4 for a summary of factors that impede cost comparisons between and among different prison facilities. Within MDOC's three prisons are approximately 45 inmate housing areas, each with its own specific mission. Exhibit 27 shows how varied the missions may be within an individual facility.

**Exhibit 27
Sample of Unit Missions Within MDOC Prisons**

| Facility/Unit | Mission/Use/Type Prisoner | Number of Beds |
|----------------------|---|-----------------------|
| MSP | | |
| Unit 4 | Medium custody, Regimented Discipline program | 157 |
| Unit 17 | D custody for maximum, close and protective | 60 |
| Unit 24, A, B, C | Medium custody, special needs, mental health and disability | 192 |
| Unit 28 | Medium custody, HIV positive | 192 |
| Unit 31 | Medium custody for geriatric inmates, physically, mentally or chronically disabled or convalescing from acute illness | 85 |
| CMCF | | |
| Unit I | Reception and classification center for all security classes for MDOC's three prisons | 250 |
| Unit IA | The women's unit | 959 |
| Unit III | Special needs, disability and medical transient inmates | 730 |
| SMCI | | |
| STU-7 | Special treatment, all types, D custody to close and protective | 52 |
| MSU | Special treatment unit, A to D custody | 36 |
| Unit D-1 | A and B custody institutional support inmates | 120 |

Source: MDOC.

The Tennessee Department of Corrections (TDOC) calculates and publishes daily inmate incarceration costs. The calculation is based primarily on facility direct operating expenses, such as employee salaries and benefits, administrative costs, prisoner food and clothing and utilities. Through cost allocation procedures, TDOC determines additional costs that are added to the daily incarceration costs. For fiscal year 1996-1997, facility

direct cost ranged from \$2 million to \$32 million. The average per day cost was \$55.95. However on closer review, the actual facility daily rates varied widely from \$34.02 to \$160.53. Because individual facility costs vary so much, the average cost of \$55.95 does not accurately reflect incarceration costs at any specific facility.³⁵

Although the facilities are not comparable because of the reason cited above, Exhibit 28 is a compilation of data collected through survey for this study. Note that no specific inferences should be made using the amounts alone.

Exhibit 28
Compiled Facility Costs Per Inmate Day

| | MDOC | Miss. Regional Prisons | | | Miss. Private Prisons ³⁶ | | | Tenn ³⁶ | Florida ³⁶ |
|------------------------|----------------|------------------------|----------------|----------------|-------------------------------------|----------------|----------------|--------------------|-----------------------|
| | | 1 | 2 | 3 | 1 | 2 | 3 | | |
| Housing | \$28.73 | \$11.79 | \$11.96 | \$15.61 | | | | | |
| Education | 1.70 | 0.00 | 0.00 | 0.00 | | | | | |
| Food | 1.43 | 1.89 | 3.38 | 2.13 | | | | | |
| Farming | .66 | 0.00 | 0.00 | 0.00 | | | | | |
| Medical | 5.07 | .67 | .59 | .49 | | | | | |
| Parole Board | .15 | 0.00 | 0.00 | 0.00 | | | | | |
| Allocated Admin. | 2.14 | 3.81 | 3.27 | 3.67 | | | | | |
| Total operating | \$39.88 | \$18.16 | \$19.20 | \$21.90 | \$23.35 | \$26.70 | \$28.05 | \$55.95 | \$41.86 |

Source: Data compiled by Smith Turner & Reeves.

Conclusion

Individual prison facility costs vary widely. The variances are so great that cost comparisons among facilities, if used alone without consideration of factors such as type and age of facility, type, sex and special needs of prisoners and mission of prison do not provide policymakers, the media or the public with an adequate understanding of daily inmate incarceration costs.

MDOC's overall average per inmate cost was \$39.88, compared to \$19.75 and \$26.03 for the surveyed county-operated and private-operated prisons for 1999.

³⁵ State of Tennessee, Comptroller of the Treasury, Department of Audit, *Inmate Incarceration Costs and Security Staff Morale*, December 1999.

³⁶ Surveyed entity did not provide detailed costs by category.

Appendix A

American Correctional Association Staffing Requirements (Adult Correctional Institutions, Third Edition)

3-4050 **The staffing requirements for all categories of personnel are determined on an ongoing basis to ensure that inmates have access to staff, programs and services.**

Comment

Staffing requirements should be determined on more than inmate population figures and should include review of staffing needs for healthcare, academic, vocational, library, recreation and religious programs and services. Workload ratios should reflect such factors as goals, legal requirements, character and needs of the inmates supervised and other duties required of staff. Workloads should be sufficiently low to provide access to staff and effective services.

3-4051 **The institution uses a formula to determine the number of staff needed for essential positions. The formula considers at a minimum holidays, regular days off, annual leave and average sick leave.**

Comment

Additional factors that can be included in the formula are time off duty for training, military leave time and factors specific to the institution and jurisdiction. Positions requiring staffing for more than one shift and/or more than five days per week should be budgeted for the full staffing needed.

3-4052 **The warden/superintendent can document that the overall vacancy rate among the staff positions authorized for working directly with inmates does not exceed 10% for any 18 month period.**

Comment

Wardens/superintendents should ensure that a pool or register of eligible candidates is available to fill or keep to a minimum any vacancies among staff who work directly with inmates (correctional officers, counselors, teachers, chaplains, libraries, etc.).

Position vacancies that are frozen by legislative or fiscal controls should not be considered in the 10% vacancy rate specified in the standard. When unusual conditions cause an excessive number of vacancies, the warden/superintendent should notify the central agency, in writing, about the disparity between positions authorized and filled, documenting the reasons and alerting the agency to the potential problems.

Appendix B

Maximum Allowable Costs Established by PEER Delta and Marshall County Correctional Facilities

| 1 | 2 | 3 | 4 |
|----------------------|--|---|---------------------------------|
| | Cost Per Inmate Day Medium Custody ¹ | Adjust Column 2 for Inflation ² | 90% of Column 3 ³ |
| Basic Housing | \$18.67 | \$19.23 | \$17.31 |
| Education | 1.63 | 1.68 | 1.51 |
| Food | 1.01 | 1.04 | .94 |
| Farming | .23 | .24 | .21 |
| Medical | 3.40 | 3.50 | 3.15 |
| Parole Board | .19 | .20 | .18 |
| Administration | <u>2.28</u> | <u>2.35</u> | <u>2.11</u> |
| Total operating cost | 27.41 | 28.24 | 25.41 |
| Debt Service | <u>7.57</u> | <u>7.80</u> | <u>7.02</u> |
| Total cost | <u>\$34.98</u> | <u>\$36.04</u> | <u>\$32.43</u> |

¹ These costs are from the PEER report for fiscal year 1995, dated November 17, 1995. The SMCI is the medium custody facility used in the report.

² PEER adjusted its FY 1995 costs for 3% inflation for FY 1996, the estimated year that the two private prisons would begin operating.

³ PEER adjusted the FY 1996 costs in column 3 to capture the minimum 10% saving established by statute.

Appendix C

Maximum Allowable Costs Established by PEER East Mississippi Correctional Facility

| 1 | 2 | 3 | 4 | 5 |
|----------------------|--|---|-------------------------------------|---------------------------------|
| | Cost Per Inmate Day Medium Custody ¹ | Cost Per Inmate Day Maximum Custody ² | Average Of Columns 2 and 3 | 90% of Column 4 ³ |
| Basic Housing | \$27.35 | \$40.22 | \$33.79 | \$30.41 |
| Education | 2.68 | 0.00 | 1.34 | 1.21 |
| Food | 1.51 | 1.51 | 1.51 | 1.36 |
| Farming | 1.13 | 1.13 | 1.13 | 1.01 |
| Medical - Physical | 4.65 | 4.65 | 4.65 | 4.19 |
| Medical - Mental | 1.51 | 1.51 | 1.51 | 1.36 |
| Parole Board | .11 | .11 | .11 | .10 |
| Administration | 2.26 | 2.26 | 2.26 | 2.03 |
| Total operating cost | 41.20 | 51.39 | 46.30 | 41.67 |
| Debt Service | 13.27 | 13.27 | 13.27 | 11.94 |
| Total cost | <u>\$54.47</u> | <u>\$64.66</u> | <u>\$59.57</u> | <u>\$53.61</u> |

¹ These costs are from the PEER report for fiscal year 1997, dated November 14, 1997. The medium custody facility used in the report was Unit 24 at MSP.

² These costs are also from the November 14, 1997 report. Unit 32 at MSP was used for maximum custody.

³ PEER adjusted the FY 1997 costs in column 4 to capture the minimum 10% saving established by statute.

Appendix D

Maximum Allowable Costs Established by PEER Walnut Grove Correctional Facility

| 1 | 2 | 3 | 4 | 5 | 6 |
|---------------------------|---|--|--|---|---------------------------------|
| | Cost Per Inmate Day Medium Custody ¹ | Weighting And Other Adjustments ² | Adjusted Cost (Column 2 plus Column 3) | Adjust Column 4 for Inflation ³ | 90% of Column 5 ⁴ |
| Basic Housing | \$21.68 | \$8.67 | \$30.35 | \$32.20 | \$28.98 |
| Education | .76 | 4.15 | 4.91 | 5.21 | 4.69 |
| Food | 1.48 | 0.00 | 1.48 | 1.57 | 1.41 |
| Farming | .39 | 0.00 | .39 | .41 | .37 |
| Medical | 4.69 | 0.00 | 4.69 | 4.98 | 4.48 |
| Parole Board | .14 | (.14) | 0.00 | 0.00 | 0.00 |
| Administration | 2.28 | 0.00 | 2.28 | 2.42 | 2.18 |
| Total operating cost | <u>\$31.42</u> | <u>\$12.68</u> | <u>\$44.10</u> | 46.79 | 42.11 |
| Debt Service ⁵ | | | | <u>16.16</u> | 14.54 |
| Total cost | | | | <u>\$62.95</u> | \$56.65 |

¹ These costs are from the PEER report for fiscal year 1998, dated December 30, 1998. The SMCI is the medium custody facility used in the report.

² 40% of housing cost was added for additional staffing. Education costs were increased for ABE VOC ED drug and alcohol education and a regimented inmate discipline program. Parole board costs were eliminated since the private facility will not incur parole board expenditures.

³ PEER adjusted its FY 1998 costs for 3% inflation for FY 1999 and 3% for FY 2000, the estimated year that the private prison would begin operating.

⁴ PEER adjusted the FY 1998 costs in column 5 to capture the minimum 10% saving established by statute.

⁵ PEER did not use the debt service cost from the FY 1998 report, as the proposed Walnut Grove facility would not be comparable to the facility whose cost appeared in that report. PEER determined a debt service cost using the plans for the proposed prison.

Appendix E

Maximum Allowable Costs Established by PEER Wilkinson County Correctional Facility

| 1 | 2 | 3 | 4 | 5 | 6 |
|---------------------------|--|---|-------------------------------------|--|---|
| | Cost Per Inmate Day Medium Custody ¹ | Cost Per Inmate Day Maximum Custody ² | Average Of Columns 2 and 3 | Adjust Column 4 for Inflation ³ | 90 Percent of Column 5 ⁴ |
| Basic Housing | \$18.67 | \$33.98 | \$26.33 | \$27.93 | \$25.14 |
| Education | 1.63 | 0.00 | .82 | .86 | .77 |
| Food | 1.01 | 1.22 | 1.12 | 1.18 | 1.06 |
| Farming | .23 | .81 | .52 | .55 | .50 |
| Medical | 3.40 | 3.40 | 3.40 | 3.62 | 3.25 |
| Parole Board | .19 | .12 | .16 | .16 | .15 |
| Administration | 2.28 | 2.28 | 2.28 | 2.42 | 2.18 |
| Total operating cost | <u>\$27.41</u> | <u>\$41.81</u> | <u>\$34.61</u> | 36.72 | 33.05 |
| Debt Service ⁵ | | | | <u>13.74</u> | 12.37 |
| Total cost | | | | <u>\$50.46</u> | \$45.41 |

¹ These costs are from the PEER report for fiscal year 1995, dated November 17, 1995. The SMCI is the medium custody facility used in the report.

² These costs are also from the November 17, 1995 report. Unit 32 at MSP was used for maximum custody.

³ PEER adjusted its FY 1995 costs for 3% inflation for FY 1996 and 3% for FY 1997, the estimated year that the private prisons would begin operating.

⁴ PEER adjusted the FY 1997 costs in column 5 to capture the minimum 10% saving established by statute.

⁵ PEER did not use the debt service cost from the FY 1995 report, as the proposed Wilkinson County facility would not be comparable to the facility whose cost appeared in that report. PEER determined a debt service cost using the proposed single-cell prison.

Appendix F

Mississippi Department of Corrections Custody Classes

A -- This is a trusty status that affords the offenders a more relaxed atmosphere and an extension of social privileges. This status requires a responsible attitude and display of a high degree of integrity. This inmate must also be able to work satisfactorily with minimum supervision or security control. The two types of "A" custody are:

Minimum Out -- This custody has the least security and supervision required of an incarcerated individual. Usually this type custody is housed in a community-based facility.

Minimum Out Restricted -- This custody has minimum security and supervision required of an incarcerated individual. Usually this type custody is housed under minimum secure circumstances and may participate in activities on institutional grounds without immediate staff supervision.

B -- This is a medium security status. The offender has displayed a desire to be considered responsible and has progressed to the point that he or she does not need constant supervision or security control in work assignments. The two types of "B" custody are:

Medium Out -- This custody level inmate is housed in medium security units and must be under direct/constant supervision when engaging in activities outside the perimeter.

Medium Out Restricted -- This custody level inmate is housed in medium security units and must be under armed supervision when engaging in activities outside the perimeter.

C -- This custody is also known as close custody or close confinement. This custody requires close supervision and observation under positive security control at all times. This inmate must be under armed supervision outside the perimeter.

D -- This custody level is a form of separation from the general population by an MDOC Classification Committee. An inmate may be classified as a "D" when his or her behavior and conduct pose a long-term, serious threat to life, property, self, staff, other prisoners or the secure and orderly running of the prison.

Protective Custody -- This is a form of separation from the general inmate population for an offender who has requested or requires protection from other offenders.

Appendix G

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Appendix H

Summary of Maximum Allowable Operating Costs Established by PEER Adjusted to Same Level and Quality of Service Offered by MDOC¹

| | Delta & Marshall | | East Mississippi | | Walnut Grove | | Wilkinson | |
|--|-------------------------------------|--|-------------------------------------|--|-------------------------------------|--|-------------------------------------|--|
| | Maximum Allowable Cost (Appendix B) | Excess Costs Due to Dissimilar Contracted Services | Maximum Allowable Cost (Appendix C) | Excess Costs Due to Dissimilar Contracted Services | Maximum Allowable Cost (Appendix D) | Excess Costs Due to Dissimilar Contracted Services | Maximum Allowable Cost (Appendix E) | Excess Costs Due to Dissimilar Contracted Services |
| Basic Housing | \$17.31 | \$0.00 | \$30.41 | \$0.00 | \$28.98 | \$0.00 | \$25.14 | \$0.00 |
| Education | 1.51 | .38 | 1.21 | .30 | 4.69 | 1.18 | .77 | .18 |
| Food | .94 | 0.00 | 1.36 | 0.00 | 1.41 | 0.00 | 1.06 | 0.00 |
| Farming | .21 | .21 | 1.01 | 1.01 | .37 | .37 | .50 | .50 |
| Medical | 3.15 | .78 | 5.55 | 1.05 | 4.48 | 4.48 ² | 3.25 | 1.00 |
| Parole Board | .18 | .18 | .10 | .10 | 0.00 | 0.00 | .15 | .15 |
| Admin. | 2.11 | 0.00 | 2.03 | 0.00 | 2.18 | 0.00 | 2.18 | 0.00 |
| Totals | 25.41 | <u>\$1.55</u> | 41.67 | <u>\$2.46</u> | 42.11 | <u>\$6.03</u> | 33.05 | <u>\$1.83</u> |
| Excess cost | (1.55) | | (2.46) | | (6.03) | | (1.83) | |
| Adjusted maximum operating cost (Exhibit 8) | <u>\$23.86</u> | | <u>\$39.21</u> | | <u>\$36.08</u> | | <u>\$31.22</u> | |

Source: Smith Turner & Reeves compilation.

¹The analysis on pages 19 through 22, including footnotes 17 through 25, should be referred to in conjunction with this appendix.

²This adjustment was actually made by MDOC in contract negotiations.

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