
OFFICE OF GOVERNOR RONNIE MUSGROVE
INTEROFFICE MEMORANDUM

TO: GOVERNOR
FROM: RILEY
SUBJECT: REVIEW OF DRAFT REPORT ON MDOC INCARCERATION COSTS
DATE: 7/11/2000
CC: BOYD
MADER
SIMMONS
FILE

I have reviewed Smith, Turner & Reeves' draft report of their study of MDOC incarceration costs. The PEER Committee hired Smith, Turner & Reeves for this study after several years' of annual cost per day reports reflected increased MDOC operating costs. Legislators questioned the efficiency of MDOC operations and, thus, costs. This draft report sought to determine if MDOC is using effective cost-containment strategies to reduce or limit growth of its expenditures. The report specifically answered the questions of 1) Does the present method of determining daily incarceration costs provide suitable information to attain real cost savings from private firms? And, 2) What significant cost-containment strategies could be initiated by MDOC, specifically at Parchman? This memo presents the report's findings, as well as comments on potential savings.

Summary

Smith, Turner & Reeves found that the present method of determining daily incarceration costs does not provide suitable information to attain real cost savings from private firms. Current cost-finding and contracting procedures do not assist MDOC in negotiating with private firms for the lowest and best contract price. Cost differences between individual MDOC units are attributable to directly facility expenditures, salary level and staff tenure. MDOC's per inmate day cost is greater than that of county- and privately-operated prisons in the state due to MDOC salaries and the tenure of personnel at MDOC facilities. These factors also contribute to higher costs of MDOC's adult basic education and vocational education programs than those of similar programs in private institutions because MDOC employs certified teachers to staff these programs.

Findings

The State has not attained a 10% cost savings, as required by law, from all private prison contracts due to insufficient cost data. MDOC has no special-needs prisons that compare to those run by private prisons. In the absence of cost data, MDOC provided operating assumptions to PEER that could not be supported or refuted. Further, MDOC does not monitor the types of prisoners admitted to the private prisons to ensure that assumptions used to establish per diem payments continue to be valid. For example, MDOC does not monitor to ensure that East MS maintains a medium to maximum security inmate ratio of 50:50. Smith, Turner & Reeves does not

support their validity and estimates that overpayments due to these assumptions have totaled \$2.3 annually, \$11.5 million over a five-year period and \$46 million over a twenty-year period.

MDOC has not adjusted PEER's inmate costs for dissimilar level and quality of service which overstated the price that MDOC could contract. PEER provides costs categorized by housing, education, food, farming, medical parole board, administration and debt service. These services are not all provided at private prisons or are offered at a reduced level. With one exception, MDOC did not adjust PEER's costs to reflect the State's cost for comparable services and entered into contracts for the 3 private special-needs facilities for payments that did not recognize the 10% cost savings. Estimated resulting overpayments resulting from dissimilar service total \$760,000 annually, \$3.8 million over a five-year period and \$15.2 million over a twenty-year period.

Cost Containment Strategies

Cost containment strategies could save about \$6.1 million annually. Revision of the State's multi-job classification pay scales to make correctional officers salaries more competitive with private prisons could save an estimated \$4.5 annually. Parchman average correctional officers are paid \$2.22 more than the average correctional officers at three private prisons surveyed.

Filling 175 empty MDOC beds with inmates that are presently housed in the private prisons would save about \$1.6 million each year. One reason for the low utilization of beds at Parchman is the numerous small housing units that are dedicated to special-needs inmates.

MDOC's outputs and efficiency measures of its inmate education and training programs do not appear to support better performance than the private prisons. The number of certificates issued by MDOC, which employs certified instructors, compared to those issued by private prisons, which employ non-certified instructors, does not support better performance. MDOC's employing certified instructors and higher teacher-student ratios results in a higher average cost per certificate.

MDOC's salary, direct job classes and tenure add about \$1.41 to the overall inmate cost for all security levels. Direct personnel costs (i.e., salaries) constitute approximately 56% of direct housing costs. Parchman (MSP) has greater direct personnel costs than those of Central MS (CMCF) and South MS (SMCI) because MSP officers have twice as much tenure as CMCF and SMCI officers. Average salaries for non-supervisory correctional officers at MSP, CMCF and SMCI were \$23,060, \$20,965, and \$21,002 respectively. Comparative salaries were \$17,137 for private prisons and \$17,700 for county-operated prisons. Private prisons and Mississippi regional prisons do not use a multi-job classification system for non-supervisory officers.

Farm row crop yields were substantially less than statewide averages for 1998 and 1999 resulting in operating losses. Had row crop yields equaled statewide averages, operating losses of \$500,000 in these 2 years would have been turned into profits of \$20,000 in 1998 and \$50,000 in 1999.

Individual prison costs vary widely. Care must be exercised when making comparisons. The report asked how MDOC's per day costs compare to other states, Mississippi's county-operated and private prisons. The report pointed out that individual costs vary widely and that variances are so great that care must be exercised. Cost comparisons among facilities, if used alone without consideration of factors such as the 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. Since Mississippi entered the private prison arena

in 1994, this variance has been referred to as the “apples to oranges” problem. Each facility is unique and care must be given in comparing public to private costs, especially when a comparable state facility does not exist (such as with the special needs facilities discussed above) or when the level of services between private and public facilities differs (as discussed above).

Potential Savings

Smith, Turner and Reeves proposed the following potential savings (all discussed above):

Renegotiate contracts for special use 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
Revision of the State’s multi-job classification pay scales for correctional officers	4,500,000
Utilize empty beds at MDOC	1,600,000
Eliminate farming losses	<u>500,000</u>
Total estimated savings	\$9,660,000

Of course, contracts with private prisons were negotiated under the prior administration. We certainly have the opportunity to improve the efficiency and effectiveness of MDOC operations. As stated above, care must be given in comparing public to private costs. These proposed savings would have some costs associated with them. Renegotiating contracts on the basis of actual cost data and adjusting private prison contracts would certainly strive to be effective and efficient management. However, these would both involve MDOC having a planning and research department that can perform detailed cost analysis, which would require the hiring of qualified personnel.

Any revision of MDOC’s job classification pay scales would likely result in greater turnover of correctional officers and could result in increased training costs associated with training more new officers. The state’s contracts with private prisons require that the private prisons provide a level of service comparable to that of MDOC. I do not know that the State should revise its pay scales to match that of the private sector. The report itself (p. 27) states that any revisions to pay scales would not result in immediate annual savings.

MDOC’s purchasing of software for comprehensive offender tracking system will improve the department’s classification/housing of inmates and should ensure that all available MDOC beds are filled before housing inmates in private facilities. One reason for the low utilization of beds at Parchman is the numerous small housing units that are dedicated to special-needs inmates who are housed in private facilities.

The farm program was not created for profit, but rather to provide exercise and activity for inmates. Smith, Turner & Reeves compared MSP farm results with those of similar non-prison farming operations in Mississippi. Operations have expanded over the last two years so as to enable larger quantities of crops to be integrated into MDOC’s food supply. Other crops are sold to offset farm operation expenses.