LAO

60 YEARS OF SERVICE

January 5, 2007

Hon. Gloria Romero
Senator, 24th District
Room 313, State Capitol
Sacramento, California 95814

Dear ~~Senator Romero~~ Gloria:

In a recent letter, you asked us to assess the fiscal implications of the state's recently signed contracts to house inmates in prison facilities in other states (Indiana, Arizona, Oklahoma, and Tennessee). As you are aware, the California Department of Corrections and Rehabilitation (CDCR) has contracted with two private contractors—GEO Group, Inc. and Corrections Corporation of America—to house a total of 2,260 inmates in five out-of-state facilities in these four states. Specifically, you asked whether CDCR costs would be reduced as a result of these contracts, particularly in light of the selection criteria for determining which inmates will be eligible for transfer to other states, as well as the transportation and administration costs incurred as a result of their out-of-state placement.

We have reviewed the contracts and discussed them with representatives of CDCR and the Department of Finance (DOF). Based on this information, we address each of your questions below.

Out-Of-State Contracts Will Increase State Costs

Contract Daily Rate Higher. Based on CDCR estimates, the state now budgets on average about $56 per inmate per day for each *additional* prison inmate—often referred to as overcrowding costs per inmate. By comparison, the contracted rate for these new out-of-state prison beds is higher, about $63 per inmate per day. In addition to this daily bed contract rate, the department will incur other costs, as detailed below.

Transportation Costs. Under the terms of the contract, the state, not the private vendors, pays for the transportation of inmates between California and the out-of-state facilities. At this time, we are unable to estimate the total cost of transporting inmates as part of this arrangement. That is because these transportation costs could vary significantly depending upon such factors as the number of inmates who must be transported in order to fill the contract beds and the means of their transfer, such as ground or air transportation. The CDCR estimates that the state would incur average airfare and guarding costs of about $900 each way through contractors for each inmate who is flown out of state. (We have not evaluated this cost estimate.) We are advised by

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CDCR that it intends to drive, rather than fly, inmates whenever possible to the Arizona facility. In these instances, transportation costs would likely be lower than for airfare.

We would note that, under each contract, the contractor providing the out-of-state beds has a right to submit a bid to provide transportation services whenever transfers are scheduled. However, the state may reject that bid and use another transportation provider that provides a "better quote."

Administrative Costs. We are advised by DOF that CDCR is likely to request additional staff positions to administer the contracts as well as facilitate inmate transportation. The number and cost of the positions that will be requested is unknown at this time. In addition, the receiver appointed by a federal court to improve the inmate medical system reported that, as of the end of November, it had incurred $66,000 in costs to conduct medical screening of the offenders selected to be sent to other states and to inspect the out-of-state facilities.

Medical Costs. Under the terms of the contracts for these out-of-state beds, the state is responsible for reimbursing the contractor for the costs of any necessary medical costs in excess of $2,500 annually per inmate for hospital or emergency services provided off-site, such as at a hospital emergency room. Depending on the nature of their injury or illness, state expenditures could be more or less costly than if the inmate had been provided medical services while housed at a CDCR facility.

Selection Criteria for Inmates Will Have Mixed Effect on State Costs

The contracts discussed above specifically exclude the following offenders from out-of-state transfers: (1) those with serious mental health or physical problems, (2) females, (3) juveniles, and (4) (in the GEO Group, Inc. contract only) sex offenders. We are advised by CDCR that it will also exclude Level IV (high-security) inmates, as well as those eligible for placement in a minimum support facility or conservation camp.

You raised several questions regarding which inmates will be selected for out-of-state transfers, and how that selection process will affect state costs. Our analysis indicates that the impact on costs of these selection criteria is likely to vary. On the one hand, the selection process excludes inmates who are comparatively more expensive, such as those with serious medical and mental health problems, so that those higher-cost inmates would be retained in California prisons. On the other hand, the state is also retaining some of the least expensive inmates, such as low-level offenders eligible for minimum support facilities and conservation camps.

As a result, the net fiscal effects of the selection criteria for out-of-state transfers cannot be determined until the actual characteristics of the particular offenders who have been transferred are known and can be compared to those of the inmate population remaining in CDCR facilities. Currently, CDCR reports that only about 240 such out-of-state transfers have occurred, making such a comparison premature at this time.

Other Factors Could Reduce or Delay State Costs

As noted earlier, our fiscal analysis indicates that the cost per inmate for these out-of-state contracts would be greater than the average amount of funding budgeted for inmates held in CDCR facilities. However, these contracts could result in some off-setting fiscal benefits to the state over time, due to several factors we discuss below.

New Prison Beds Could Be Avoided or Delayed. As you know, the use of a significant number of out-of-state prison beds could allow the state to avoid, or to at least delay, the construction of an equivalent number of in-state beds as state facilities approach their maximum capacity. That means that, for at least some period of time, the state could avoid or delay capital outlay costs which can be as much as $130,000 per prison bed. It could also allow the state to avoid or delay the additional staffing costs that would be incurred in activating and filling a new facility, which are generally about $97 per day, well above the $63 per day contract rate now being incurred for the out-of-state beds.

Fiscal Benefits From Reducing Overcrowded Conditions. To the extent that the transfer of inmates to out-of-state facilities succeeds in relieving overcrowding in CDCR facilities, the state could eventually experience a reduction in some prison operating costs. For example, a reduction in overcrowding could improve prison safety, which in turn could reduce state costs associated with staff and inmate injuries, such as medical costs and workers' compensation claims.

Program Opportunities Could Reduce Costs From Recidivism. In addition, the contracts require that out-of-state facilities provide all eligible offenders with the opportunity to participate in programs, occupational training, and work. This also could have fiscal (and programmatic) benefits for the state in the long term. These programs—including academic education, vocational training, and substance abuse treatment—could reduce the recidivism rate of those inmates after they are paroled and released to California communities. A reduction in the recidivism rate would result in an avoidance of some state (and local) government criminal justice system costs, including the costs of reincarceration. The magnitude of these fiscal benefits is unknown and would depend, in part, on the quality of the rehabilitation programs offered in the out-of-state facilities.

We hope this information is helpful. If you have any further questions, please contact Brian Brown of my staff at (916) 319-8351.

Sincerely,

Elizabeth G. Hill
Legislative Analyst