

Private Corrections Institute, Inc.

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POLICY BRIEF

DO PRIVATE PRISONS SAVE MONEY?

Summary:

The research on cost savings through prison privatization, dating back to a 1996 report by the U.S. Government Accountability Office, is equivocal. Some studies have shown savings while others indicate that private prisons are actually more expensive when all relevant cost factors are considered. Many of the studies that have found savings through privatization were funded by the private prison industry or organizations that receive funding from private prison companies. Most independent studies have determined that cost savings are inconclusive at best and illusory at worst. Even assuming that private prisons save money for taxpayers (e.g., that such savings do not go toward corporate profits), we get what we pay. Do we really want to be outsourcing the incarceration and supervision of dangerous prisoners to the *lowest bidder*?

Best Studies:

A Sept. 2010 report by Arizona's Office of the Auditor General found that privately-operated prisons housing minimum-security state prisoners actually cost \$.33 per diem *more* than state prisons (\$46.81 per diem in state prisons vs. \$47.14 in private prisons), while private prisons that house medium-security state prisoners cost \$7.76 per diem *more* than state facilities (\$48.13 per diem in state prisons vs. \$55.89 in private prisons), after adjusting for comparable costs. See: http://www.azauditor.gov/Reports/State_Agencies/Agencies/Corrections_Department_of/Performance/10-08/10-08.pdf

An April 2010 policy brief by the Florida Center for Fiscal and Economic Policy found "the process implemented to gauge compliance with these policy objectives in Florida is flawed and as a result the evidence to show that private prisons cost less to operate or are more effective at reducing recidivism than public prisons is questionable." Further, the policy brief noted there were a number of factors that made cost comparisons between public and privately-run prisons difficult, and that apparent cost savings were the result of an "inappropriate comparison." For example, "There are differences between inmates in private and public prisons: those who are more costly to handle are usually incarcerated in public prisons, such as those who are the highest security risks and those with extensive medical issues." See: www.fcfe.org/attachments/20100409--Private%20Prisons

A 2007 meta-analysis study by the University of Utah, Utah Criminal Justice Center, College of Social Work found that private prisons provide no particular benefit as opposed to publicly-operated prisons, and that cost savings are not guaranteed and “appear minimal.” See: <http://ucjc.law.utah.edu/wp-content/uploads/86.pdf>

Questionable Studies:

Any research conducted by the Reason Foundation, a libertarian think-tank that is strongly in favor of privatization of government services, including prison privatization. The Reason Foundation has received funding from private prison companies since at least the mid-1990s. More recently, according to the Reason Foundation’s “Carrying the Torch of Freedom” list of donors, private prison firm GEO Group was listed as a Platinum Level supporter while CCA was listed as a Gold Level supporter. Reason Foundation studies are not peer-reviewed, and Reason does not disclose in its research that it accepts money from private prison companies. See: http://privateci.org/private_pics/Reason2009.pdf

Any studies that rely on research by disgraced former University of Florida professor Charles Thomas, who was fined \$20,000 by the Florida Commission on Ethics in 1999 because he was conducting private prison research at the same time he owned stock in private prison companies, sat on the board of Prison Realty Trust (a CCA spin-off), and was paid \$3 million by Prison Realty Trust/CCA. *Private Capitol Punishment: The Florida Model*, by Ken Kopczynski (2004). See: <http://privateci.org/book.htm>

A December 2007 Vanderbilt University study titled “Do Government Agencies Respond to Market Pressures? Evidence from Private Prisons,” which was funded by both CCA and the Association for Private Correctional and Treatment Organizations (APTCTO), a trade group for private companies that provide prison services.

Cost Comparison Issues:

It is often difficult to ensure an apples-to-apples comparison of public vs. private prisons due to a number of factors. These factors include the number of prisoners housed at each type of facility who have comparable security levels, sentence lengths, medical and mental health conditions, institutional disciplinary records and other relevant characteristics.

In general, private prisons do not house maximum-security prisoners, death row prisoners, juveniles sentenced to adult prisons, or prisoners who have serious mental health or medical conditions, all of whom are more expensive to incarcerate. As the state prison system must incarcerate all such offenders, the per-diem cost for public prisons is skewed upwards while the per diem rate for private prisons is kept artificially low.

For example, according to a December 2008 report by Florida's Office of Program Policy Analysis and Government Accountability (OPPAGA), the state's private prison contracts do not "assure that private prisons serve inmates with comparable medical and mental health conditions as those housed in public prisons." The OPPAGA report found that "As special needs inmates are more expensive to serve than other inmates, the difference in the populations of public and private prisons results in the state shouldering a greater proportion of the cost of housing these inmates. As a result, the requirement that the private prisons operate at 7% lower cost than state facilities is undermined." According to the OPPAGA report, private prisons in Florida house a much lower percentage of special needs prisoners with medical or mental health conditions than state prisons, except at just one privately-operated facility. See: <http://www.oppaga.state.fl.us/reports/pdf/0871rpt.pdf>

Female prisoners are also more expensive to incarcerate, usually due to increased medical costs, and few women's prisons are privately operated (in Florida, only one of five main correctional institutions housing women is run by a private company – Gadsden CI).

Further, the Department of Correction's central office has overhead expenses that often are not factored in to public vs. private prison cost comparisons. For example, the central office must still provide certain services for prisoners at private prisons, such as sentence calculation and review of grievances and disciplinary decisions, with these overhead costs being part of the per diem rate calculated for state prisons but usually not for private prisons.

These factors, as well as other costs such as monitoring and oversight of private prisons by state corrections officials, and prisoner transportation expenses, make it hard to determine what cost savings, if any, are achieved through prison privatization.

Although a 2010 OPPAGA cost comparison study found that prison privatization in Florida had resulted in savings to the state, OPPAGA had previously said in an April 2009 research memorandum that, "While significant, these cost savings estimates are subject to caveats and should be evaluated cautiously. Cost comparisons between public and private prisons require a number of adjustments because prisons differ on several factors, including size and location; facility design and age; the physical and mental health of the inmates served; inmate custody level; and the educational, vocational, behavioral, and substance abuse programs provided. Adjustments used to 'equalize' Florida's public and private prisons historically have been controversial." Further, in a 2011 report to the Senate Criminal Justice Committee, OPPAGA noted that although the state had "achieved reductions in some costs" through private prisons, "comparability issues limit the conclusiveness of cost savings analyses." See: www.oppaga.state.fl.us/monitordocs/reports/pdf/2-8-11_FLCorrectional_Privatization.pdf

Quotes and Findings:

“There is a mixed bag of research out there. ... It’s not as black and white and cut and dried as we would like.” – *CCA spokesman Steve Owen, on cost savings, quoted in a New York Times article, May 18, 2011.*

www.nytimes.com/2011/05/19/us/19prisons.html?pagewanted=all

“There is no compelling evidence that the privatization of prisons has actually resulted in savings ... there is no definitive conclusion regarding the actual cost differences between prisons operated by [the Florida] DOC and those that are privately operated.” – *Florida Center for Fiscal and Economic Policy, “Are Florida’s Private Prisons Keeping Their Promise?” April 2010.*

www.fcfe.org/attachments/20100409--Private%20Prisons

“[A]ccording to the Department’s Fiscal Year 2009 Operating Per Capita Cost Report, the State paid private prisons a higher per inmate rate than it spent on equivalent services at state-operated facilities in fiscal year 2009. After adjusting state and private rates to make them more comparable, the Department’s study found that rates paid to private facilities were higher for both minimum- and medium-custody beds—the two categories of beds for which the Department contracts.” – *Arizona Office of the Auditor General, “Department of Corrections - Prison Population Growth,” September 2010, Report No. 10-08.*

http://www.azauditor.gov/Reports/State_Agencies/Agencies/Corrections_Department_of/Performance/10-08/10-08.pdf

“Results suggest privately managed prisons provide no clear benefit or detriment. Cost savings from privatizing prisons are not guaranteed and appear minimal. Quality of confinement is similar across privately and publicly managed systems, with publicly managed prisons delivering slightly better skills training and having slightly fewer inmate grievances.” – *University of Utah, Utah Criminal Justice Center, College of Social Work, “Prison Privatization: A Meta-Analysis of Cost Effectiveness and Quality of Confinement Indicators,” April 26, 2007.*

<http://ucjc.law.utah.edu/wp-content/uploads/86.pdf>

“Results vary somewhat, but when inconsistencies and research errors are adjusted the savings associated with investing in private prisons appear dubious. Even minimal savings are far from guaranteed, and many studies claiming otherwise have been criticized for their methodology. The available data belies the oft-claimed economic benefits of private contracting, and points to the practice being an unreliable approach toward financial stability.” – *The Sentencing Project, “Too Good to be True: Private Prisons in America,” January 2012.*

http://sentencingproject.org/doc/publications/inc_Too_Good_to_be_True.pdf

“[T]he 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 ... new out of state [private] prison beds is higher, about \$63 per inmate per day.”

– *California Legislative Analyst’s Office (LAO), in a 2007 letter to state Senator Gloria Romero. Cited in a Private Corrections Institute press release, May 21, 2010.*

<https://www.prisonlegalnews.org/%28S%28ou4tagii3nnjzx550fyx0p45%29%29/displayListServ.aspx?listid=5320&AspxAutoDetectCookieSupport=1>

“Contrasting the inaccurate per diem rate in [a 2010 report by the Reason Foundation] with the cost of housing inmates in out-of-state private prisons cannot even be considered an apples-to-oranges comparison. It’s more like an apples-to-fish comparison.” – *Ken Kopczynski, Private Corrections Institute Director, in the same May 21, 2010 press release.*

<https://www.prisonlegalnews.org/%28S%28ou4tagii3nnjzx550fyx0p45%29%29/displayListServ.aspx?listid=5320&AspxAutoDetectCookieSupport=1>

“We’ve tried it and it did not work. In my opinion, they can’t do it better for less.”

– *Arkansas Dept. of Correction Director Larry Norris, on cost savings through prison privatization, quoted in Arkansas News, January 13, 2006.*

<http://www.privateci.org/quotes.html>

“I’ve seen so many different attempts to compare the two that I don’t know if there is a simple way to evaluate one versus the other.” – *ACA president and Davidson County (TN) Sheriff Daron Hall, who worked for CCA in the 1990s, on comparing private vs. public prison costs.*

<http://www.concordmonitor.com/article/322211/nh-officials-mull-private-prison-bids?page=0,2>



The Private Corrections Institute (PCI) is a non-profit citizen watchdog organization that works to educate the public about the significant dangers and pitfalls associated with the privatization of correctional services. PCI maintains an online collection of news reports and other resources related to the private prison industry, and holds the position that for-profit prisons have no place in a free and democratic society. For more information: www.privateci.org.