

BRIEF ANALYSIS

No. 191

For immediate release:

Tuesday, November 21, 1995

Private Prisons Succeed

Clear and convincing evidence from the United States and elsewhere shows that privatizing criminal correctional facilities results in better public service at a lower cost than government operation.

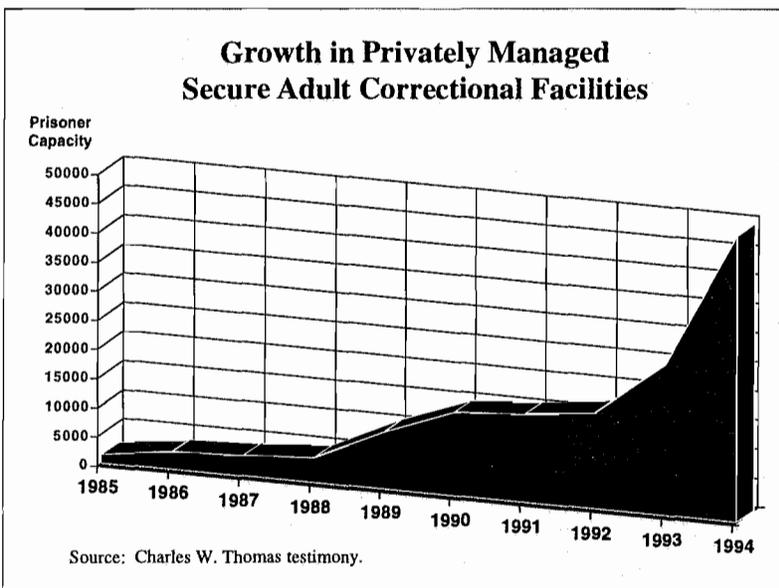
How Private Operation Has Evolved. Because of the mixed historical record of private jailkeepers and contemporary opposition by the American Civil Liberties Union, public employee unions and others, today's private prisons have been developed in cautious steps.

- The Immigration and Naturalization Service and the U.S. Marshals Service negotiated small contracts in the early 1980s with pioneering firms like Behavioral Systems Southwest and Eclectic Communications, Inc.
- The first county-level contract was in 1984 between Hamilton County (city of Chattanooga), Tenn., and Bay County, Fla., and the Corrections Corporation of America (CCA).
- The first state-level contract was in 1985 between the Commonwealth of Kentucky and U. S. Corrections Corporation.
- The first major federal award was in 1984 between the Immigration and Naturalization Service and CCA for operation of the Houston, Texas, Processing Center.
- The first international contracts are of more recent vintage: in 1989 between the State of Queensland, Australia, and Corrections Corporation of Australia, and in 1991 between the United Kingdom and Group 4 Prison and Court Services, Ltd.

Today 32 states, Puerto Rico and the District of Columbia have the statutory authority to contract for private corrections at the state or local level. Each of the three federal agencies with prisoner custody responsibilities has similar legal authority. At the end of 1994, 19

private companies held contracts to operate 88 secure adult facilities (including those under construction) with a rated capacity of 49,154 prisoners. They save taxpayers at least \$150 million per year.

The Benefits of Private Operation. When the modern correctional privatization movement started, it was widely believed that any private role would be limited to small facilities housing low-security prisoners. Today, however, it is common to see contract awards for facilities with rated capacities of between 1,000 and 2,000 prisoners and for prisoners requiring medium or high security.



A growing body of research finds that contracting out corrections reduces costs, improves service quality and yields other benefits as well. Critics who initially argued that contracting with private companies could not save money have been proved wrong. First, the fact that contracts exist implies that the contracting agencies are confident that cost savings are being realized. Many statutes even require tangible evidence of savings before con-

tracts can be awarded. Second, private sector fringe benefits, especially retirement contributions, are less generous for private employees than for government employees. Third, the private sector does not have the costly bureaucratic requirements that government imposes on itself in employee hiring, firing, promotion and procurement of goods and services. Fourth, private prisons are designed to operate efficiently with fewer personnel in a way public prisons are not.

The precise magnitude of cost savings is difficult to determine because governmental accounting systems generally do not show the total cost of public operations. Government agencies depend in varying degree on services provided by other government agencies (accounting, data processing, legal, etc.) free of charge. For-profit firms must account for all costs.

Nevertheless, a good deal of evidence on efficiency improvements has been accumulated. For example:

- A 1989 study by Charles H. Logan and Bill W. McGriff found that annual operating costs of a Hamilton County (Chattanooga), Tenn., penal farm were reduced by 5.4 percent under a CCA contract.
- A 1991 study by the Texas Sunset Advisory Commission found an estimated cost reduction of 14.4 percent for four prisons operated by CCA and Wackenhut.
- In a 1994 study, Australian economist Allan Brown found that a privately operated prison in Queensland saved 20 percent compared to a similar facility operated by government.

The Quality of Private Operations. Faced with evidence of cost savings, critics then argued that “you get what you pay for,” alleging that services were substandard. Wrong again.

First, government agencies overwhelmingly renew contracts with the private operators. Since the mid-1980s, only one facility — in Zavala County, Texas — has been closed for inadequate performance. The best data fail to reveal a single contract awarded to any firm currently in the industry that has been terminated or not renewed for inadequate contract performance.

Second, not a single private facility is operating under a consent decree or court order as a consequence of suits brought by prisoner plaintiffs. Yet about 75 percent of American jurisdictions now have major facilities or entire systems operating under judicial interventions.

Third, private prisons comply with the standards of the Commission on Accreditation for Corrections and have a much higher accreditation rate than government prisons.

Fourth, in a careful comparison of New Mexico and West Virginia prisons using 333 empirical indicators of quality, University of Connecticut sociologist Logan found “the private prison outperformed the state and federal prisons, often by quite substantial margins, across nearly all dimensions.”

Fifth, in 1995 the Tennessee Select Oversight Committee on Corrections found that a CCA-operated facility had a higher overall rating and cost less to operate than two similar state facilities.

Contracting out corrections speeds up new construction, decreases construction costs by 15-25 percent,

generates designs that are substantially more efficient than those chosen by bureaucrats, enhances governmental flexibility to add or modify services, increases the accountability of bureaucrats for their programs and expenditures and decreases the growth rate of bureaucracy.

Obstacles to Privatization. Three federal agencies — the Bureau of Prisons, the Immigration and Naturalization Service and the U.S. Marshals Service — have prisoner custody responsibilities. All have significant experience in contracting out. Of 80 secure private facilities in the United States, 16 serve one or more federal agencies. Unfortunately, federal contracting efforts have failed to maximize the benefits and minimize the risks of contracting out.

First, the Department of Justice has provided weak leadership on contracting out in the past, especially at the Bureau of Prisons. Second, federal agencies have been too narrow in their definitions of what services the private operators can provide. Third, federal agencies too often shun competitive procurement. Fourth, federal procurement documents overspecify (“do it the way we do it”), thereby undermining innovation. Fifth, federal decision makers pay too much attention to cost and too little to quality of services. Sixth, federal procurement moves at a snail’s pace compared to state government procurement. Seventh, federal statutes and regulations hamper private initiatives, impeding access to the financial markets that private firms need to construct new facilities. Obstacles include the short-term nature of contracts, absence of assurances on prisoner populations and uncertainty about future increases in per diem operating costs.

Policy Implications. Congress has almost limitless opportunities to encourage private operation of corrections facilities. These include inducements to privatize at the state and local levels. Given the overall experience thus far, privatization is worth pursuing for both financial and other benefits.

This Brief Analysis is based on testimony by Charles W. Thomas, Director of the Private Corrections Project at the University of Florida in Gainesville, before the subcommittee on crime of the U. S. House Committee on the Judiciary, June 8, 1995.