

## The Drain of Public Prison Systems and the Role of Privatization: An Analysis of State Correctional Systems

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### Part I

#### Introduction: Economic Recession

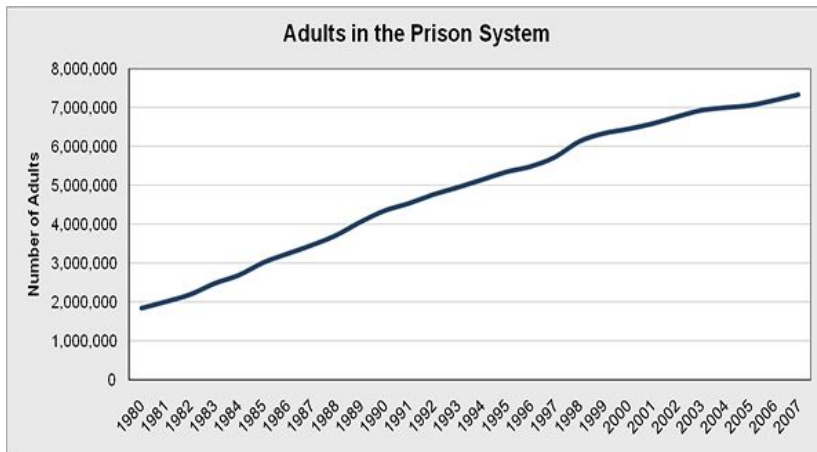
The most recent economic downturn has hurt employment opportunities, the housing market, and the value of the dollar (Baker, 2009, 2009b, 2009c; and Kotz, 2009). Prisons are one sector that had been addressing economic issues long before our current downturn. Prisons started to see the impact of decreased budgets in the mid 1990s, but now, due to increased fees for medical and psychiatric care, issues pertaining to overcrowding as a result of more punitive criminal justice policy, and high wages due to overtime, prisons are becoming an increased drain on state budgets. One way states have addressed rising costs is to approve the building of private prisons. Indeed, since the 1980s, privatized prisons can be called the new “hot commodity,” with several private companies, notably Wackenhut Corrections and Corrections Corporation of America (CCA), going public in the stock market (Shichor, 1995). A handful of private organizations contract with state entities to provide services, with Wackenhut and CCA representing the highest tier of these agencies, and Cornell Companies, which had been just under CCA until it began to focus on community rehabilitative services, representing the next level down. In short, Wackenhut and CCA control more than half of all private prisons in the United States, with some estimates going as high as 75%.



Visitors entrance to the Utah State Prison in Draper, Utah, United States.

[http://en.wikipedia.org/wiki/Utah\\_State\\_Prison](http://en.wikipedia.org/wiki/Utah_State_Prison)

Private prisons can be defined in one of the following manners: a transfer of public facilities to a private organization; a contract to design and operate new prisons; and a contract to provide other services to public prisons such as transportation, medical care, food, and maintenance. A misconception about private prisons is that they are not tied to the government. However, private prisons typically enter into a contract with a government agency to house inmates; in return, the government plays a major role in regulating private prisons. Thus, it is important to note that there is less of a difference than commonly believed between public and prisons-for-profit correctional systems (Dolovich, 2005). Indeed, the primary distinction of a private prison is that an organization rather than the government oversees its operation. Often the relationship is blurred, with the government outsourcing thousands of prisoners to private prisons per year, but also, through contracts, extending its power by placing limitations and regulations on these organizations (Mulone, 2008).



U.S. Department of Justice, Bureau of Justice Statistics, National Crime Victimization Survey  
<http://www.project.org/info.php?recordID=172>

tious in experimenting with privatization." However, in 1997 the Federal Bureau of Prisons (FBOP) contracted with Wackenhut to transfer its facility in Taft, California to a private prison. Since this first contract was established with the private prison industry, "federal interest in the privatization of prisons has boomed, due in part to mandatory minimums and harsh drug sentencing laws, and consequent overcrowding in prisons. By mid-2001, federal prisons were operating at 33% over capacity" (Cheung).

The 1996 Immigration Reform Act has specifically impacted the Federal Government's decision to contract with private firms. This legislation changed sentencing laws for undocumented immigrants, allowing prosecutors to plead former and current misdemeanor charges against undocumented immigrants as aggravated felony cases. Cheung (2002) notes this policy more than doubled the number of noncitizens serving time in Federal prisons in two years after its implementation. In short, overcrowding, a direct effect of harsher criminal justice policy (as will be detailed in a later section), has ensured the continued existence of the privatization movement in correctional prisons. "As the federal prison population swells, so has the momentum for private prisons and additional bed space," Cheung explains (2002). Thus, state level prisons and federal level prisons are facing similar factors that suggest the continued growth of the privatization movement as a result of a more punitive criminal justice policy, which in turn creates overcrowding.

One additional factor in the increased privatization is the argument that private prisons save money, leading to public and political support for their continued growth. Research, although mixed, has backed this claim. For instance, Wackenhut and CCA appear to provide significant cost-savings. Even in Texas, a state that has the lowest cost per inmate, these two private organizations seem to provide less expensive services than public prisons. On average, Wackenhut and CCA provide a 5-15% cost savings when measures focus on cost per inmate rates (Smith, 1993). However, in 2001, the Bureau of Justice Assistance stated that "rather than the projected 20-percent savings, the average saving from privatization was only 1 percent" (Austin & Coventry, 2001).

Private organizations also argue that they provide better quality services, as evidenced by accreditation, than public prisons. To become accredited, prisons must provide a number of quality services (e.g. food, education, health care) and rehabilitative programs. Further, to meet accreditation standards, prisons must have a low percentage of aggressive episodes between staff and prisoners, a low percentage of inmate disturbances, a comfortable and safe living environment for both inmates and staff, and clear policies and procedures to maintain order, safety, security and the implementation of prison justice (Urban Institute, 1989; Logan, 1991; Archambeault, 1996; Thomas, 1997; Culp, 1998; Lanza-Kaduce & Parker, 1998)

In 2005, 10% of public prisons had met quality standards to become accredited while 44% of private prisons had met accreditation standards (Segal, 2005). New policies require all private prisons, unlike public prisons, to be accredited or be in the process of meeting accreditation standards. As such, the percentage of accredited private prisons is expected to increase. In short, these standards establish accountability measures. Although a majority of Wackenhut and CCA operated prisons are accredited or moving toward accreditation and appear to provide services equal to or better than public prisons, Smith (1993) notes that other companies are not as well financed as these two top private organizations, and thus, are more likely to eventually fail and provide poorer services. Smith includes Cornell Companies in his analysis, which in 1993 had a significant role in the privatized market, but today has fallen down the tier. Smith (1993) writes:

The boom has created a shadier realm of speculators ready to turn a quick profit from the traffic in convicts. Compared to the big three (Wackenhut, CCA, and Cornell Companies), these smaller companies are undercapitalized, inexperienced, understaffed, and are more likely to fail eventually. Run by hucksters, fast-talking developers, and snake-oil salesmen, they sell for-profit prisons—disguised as economic development—to depressed rural communities desperate to bolster their budgets and local economies. (Smith, 1993)

Thus, privatized prisons represent a new growth industry (Pratt & Maahs, 1999), mainly due to the effect of more punitive criminal justice policy, and private prisons' potential to save money without jeopardizing quality of services in this new age of overcrowded prisons. This especially holds true for Wackenhut and CCA.

A history of the privatization movement highlights early examples of the system implemented in the 19<sup>th</sup> Century before courts, pressured by big businesses who argued that unpaid prison labor destroyed the free market and competition system, ruled in the early 20<sup>th</sup> Century that prison systems for profit were unconstitutional. The situation was reversed by the late 1980s, when punitive criminal justice policies (e.g. mandatory sentencing and a “three strikes” policy) had created a prison population boom that quickly led to overburdened and understaffed public prisons. The Prison Industry Enhancement Certification program (PIE-Program), established by Congress in 1979, is cited as leading to the re-emergence of privately operated prisons (Herriaz, 2004). As a result, private prisons quickly became an alternative means of housing offenders to ease prison populations and state budgets. After summarizing the historical chronology of privatized prisons

in part I, this Discovery Guide conducts a comparative analysis between public and private prisons in part II. This comparative analysis highlights differences in cost-savings, recidivism rates, and prison culture in relation to level and degree of violence in public versus private prisons. Concluding remarks will suggest what role the private correctional system can play in the future to assist states in decreasing costs.

## History of Private Prisons

### The Convict Lease System



Convict laborers at work on the granite columns for the Texas State Capitol construction, circa 1885. Prints and Photographs Collection, Texas State Library and Archives.  
<http://www.tsl.state.tx.us/exhibits/forever/repression/page5.html>

Private prisons have a long history. In the 1880s private correctional organizations created the Convict Lease System, perhaps the first privatized prison system in America. Implemented primarily in the Southern States during the reconstruction period, this system consisted of private organizations leasing out prisoners to work for other companies, such as the railroad and construction industries. Private correctional systems took full responsibility for housing and monitoring prison behavior. The system freed states from providing a budget for state run prisons. Indeed, states received a portion of the money income prisoners made, and thus, the system generated a profit (Reed, 1907).

Despite the plus to the state budget, a negative environment characterized these facilities. Hard labor, brutal living and hygiene conditions, expressed hopelessness by offenders, constant riots and physical confrontations between inmates and between inmates and guards, high mortality rates, poor diets and undernourishment, whippings, overcrowding, and discrimination and exploitation of offenders occurred frequently in these early private prison environments (Perkinson, 2009). Another negative aspect of the convict leasing system is that it appeared to replace the slavery system, particularly since the majority of labor force prisoners, over 80%, were African American (Ziot, 2003). Whites under this system were treated more humanly and faced less jail time than their ethnic counterparts. Typically, a jail sentence of 10 years or more, given consistently to African Americans, equated to a death sentence (Perkinson, 2009).

Louisiana was the first state, in the 1880s, to contract with private entrepreneurs to house inmates in for-profit correctional facilities and participate in the convict lease system. New York's Auburn and Sing Sing prisons were also among the first privatized prisons, along with several that emerged in the southern states. Smith writes, "These institutions became models for

entire sections of the nation where privatized prisons were the norm later in the century" (Smith, 1993). For 20 years convict leasing was the most popular correctional system in the United States; however, "By the turn of the century, concerted opposition from labor, business, and reformers forced the state to take direct responsibility for prisons, thus bringing the first era of private prisons to an end" (Smith, 1993). Thus, private prisons did not operate from the turn-of-the century until the 1980s, nearly a decade later.

### 1980s to the Present

Private prisons for profit remained unconstitutional for nearly a decade until Public Law 96-157, passed by Congress in 1979, implemented the Private Sector/Prison Industry Enhancement Program (PIE-Program). The PIE-Program allowed states to sell prison-made goods across state lines for a profit. The program required that inmates were paid a comparable wage, that portions of the profits were used to compensate victims, and that the program was used to teach inmates work skills. In short, the PIE-program was initially used by public prisons as a vocational treatment program and as a means to increase public prison revenue. Thus, the legislation itself did not legalize privately run prisons, but it did open the gateway for states to determine if private prisons could operate in their borders (Herraiz, 2004). Thus, the PIE-Program is known as the legislation that made it possible for private organizations to provide correctional services previously operated by public facilities.

For the first few years after the legislation's passage, private prisons did not emerge in the correctional field as actual physical sites. Texas was the first state, in 1983, to allow private organizations to run some of its correctional facilities, followed by Florida and Tennessee. In less than a decade, the popularity of prisons-for-profit had grown exponentially. In 1984 only three states had privatized some of their prisons; however, by 1994 thirty states contracted with private organizations to house some of their inmates, while the private prison population grew from 20,000 to over 140,000 within a decade. Lastly, the number of sites significantly increased. For instance, Cheung (2002) writes, "As of December 2000, there were 153 private correctional facilities (prisons, jails and detention centers) operating in the United States with a capacity of over 119,000." Additionally, California began with one private prison in the 1980s, and by 2005 had 22 sites, topped only by Texas, which during this same time-frame had increased from one site to 42 sites by 2005 (Price, 2005).



[http://www.correctionsproject.com/corrections/pris\\_priv.htm](http://www.correctionsproject.com/corrections/pris_priv.htm)

Currently CCA, the oldest private corrections company, runs 60 prisons and jails, housing close to 60,000 prisoners, making it the sixth largest operator of prisons after the states of Texas, California, New York, and Florida, and the Federal Bureau of Prisons. Wackenhut, the second largest privatized prison company, operates close to 50 facilities worldwide. Although it is a smaller corporation than CCA, it has a larger jurisdiction due to its



global nature. Cornell is one of the rare systems that focus on intense rehabilitation services for its inmates, providing individual and group counseling, life skills, vocational training, and substance abuse treatment. Due to shifting its focus to provide intense rehabilitation services, Cornell has lost its placement as a major provider of privately operated prisons. According to the Cornell Company website, this private organization operates a majority of community service adult programs, and youth (juvenile offenders) and family services. The company operates 68 facilities in 15 states, and is committed to "ensuring public safety and supporting sound public policy through the operation of safe and secure environments within both institutional and community settings" (Cornell Facilities). This claim is analyzed further in the following section on accreditation.

### A Further Examination of Accreditation

All three privately operated correctional corporations mentioned above are viewed as professionally operated, as evidenced by the fact that 85% of CCA's facilities are accredited. Further, although no data identifies how many of Wackenhut's or Cornell's private facilities are accredited, Wackenhut recently received an award for operating the first accredited prison system in Pennsylvania. Wackenhut meet 100% of compliance standards, leading the Wackenhut warden to state, "Achieving ACA [American Correctional Association] accreditation is a direct credit to the dedication and professionalism of our entire staff. This award signifies the level of excellence provided by WCC's management team and field staff" (Wackenhut Corrections Recognized) Further, as previously mentioned, state run facilities are not required to seek accreditation through ACA, while all privately run prisons enter into a contract agreeing to seek accreditation within a specified time-frame and to continue to meet those standards once accreditation guidelines have been met (Harding, 1997). Harding writes, "The accreditation clause now, quite literally, appears in every prison contract; the private operators have, unlike those in the public sector, no method of choice about compliance. Even if the abstract law does not mandate this, private prisons are subjected *de facto* to a greater degree of external regulation" (1997).



Wackenhut Security Officer  
<http://en.wikipedia.org/wiki/Wackenhut>

Thus, all private prisons are either accredited or must become accredited to remain open, unlike public prisons which only voluntarily seek accreditation, leading to a lower percentage meeting accreditation standards. Accreditation increases accountability, causing the public to voice positive support for privately operated prisons in comparison to public prisons. The following paragraph highlights the accreditation process:

The standards used for accreditation address services, programs and operations essential to good correctional management, including administrative, staff and fiscal controls, staff training and development, physical plant, safety and emergency procedures, sanitation, food service, rules and discipline, and a variety of addi-

tional subjects. These standards are under continual review to ensure they are reflective of changing practice, current case law, new knowledge and agency experience with the application of standards. (Washington, 2005)

Despite appearing to play an important role in establishing transparency and accountability, accreditation, some argue, offers false evidence of quality. Harding (1997) writes "accreditation is plagued with a number of problems. The process does not require extensive contact with prisoners or physical examination of the prison facilities. Audits are always scheduled well in advance. Last, the ACA's primary source of income is fees collected from the prisons it audits. Therefore, the ACA has some interest not to fail too many prisons, since it is dependent on them for funding." Hambourger concludes, "it seems naïve to look to accreditation as the solution to the regulatory problems."

In short, the ACA, which was founded in 1870 and prides itself on being an autonomous and independent agency, provides an in-depth program evaluation of facilities to determine which ones meet quality and safety standards. Institutions that meet its accreditation standards go through a lengthy audit process, and as such, both public and private facilities that become accredited should be considered as to provide better quality of services than non-accredited facilities: "Through accreditation, a correctional facility is better able to maintain a balance between protecting the public and providing an environment that safeguards the life, health, and safety of staff and offenders. Standards set by ACA reflect practical up-to-date policies and procedures and function as a management tool for agencies, private correctional management companies and facilities throughout the world" (Wackenhut Corrections).

### **Relationship between Overcrowding and Criminal Justice Policy**

According to Abransky (2009), overcrowding as a result of more punitive criminal justice policy and huge state budgets to keep public prisons operating fostered in a new era of privatization in the 1980s. Holleman et al. (2009) identified a direct relationship between overcrowding and increased state corrections budgets. Criminal justice policy that brought in a new era of punitive rather than rehabilitative strategies is often cited as the primary source of overcrowding. For instance, Holleman et al. (2009) note that penal spending has drastically increased since punitive criminal justice policies were implemented in the 1980s, while funds toward other programs (e.g. health care and education) have remained static or decreased (Holleman, et al., 2009). Abransky (2009) identifies the "war on drugs" policy that focused on harsher penalties for crimes committed largely by inner city, ethnic minority groups as the primary cause of the increase in incarceration rates (Abransky, 2009). Other policies impacting prison populations that researchers have identified include mandatory sentencing and punishing technical parole violations rather than extending parole time.



Woman smoking crack cocaine



Spoon containing baking soda, cocaine, and a small amount of water, a "poor-man's" crack-cocaine

<http://en.wikipedia.org/wiki/Cocaine>

percentages. For instance, despite making up 12% of the illegal use and distribution of crack cocaine, African Americans make up 44% of offenders convicted on crack cocaine related crimes. However, the majority of prisoners remain violent offenders; thus, the argument could be made that these policies did indeed decrease crime rates (FBI Homepage).

A study that examined the correlation between violent crime rates and policy in New York suggests this to be the case. For instance, supporters of New York's tougher gun control argue that this policy is directly related to the drop in homicide rates, which was 9.8 of 100,000 inhabitants in 1991, and has been dropping since to its 2008 rate of 5.4 per 100,000 inhabitants (Why are Violent, 2010). One source explains that "tougher sentencing probably took some career criminals off the streets – though there's little evidence that the death penalty deters murder. No doubt new lifesaving medical techniques turned potential homicides into lesser offenses – yet aggravated assault is down, too." (Why are Violent, 2010) Indeed, the FBI, on its website, notes a significant decrease in crime rates since harsher jail sentences became common practice in the 1980s, highlighting a 25% decrease from 1987 to 2007 in the state of New York. These numbers lead one professor to state, "while we certainly want to be smart about who we put into prisons . . . it would be a mistake to think that we can release any significant number of prisoners without increasing crime rates" (One in 100).

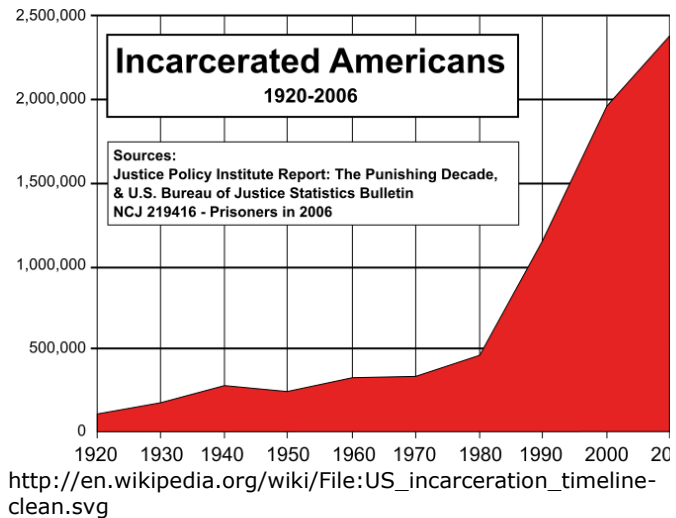
Despite research that supports a correlation between tougher sentencing policy and significant increases in the prison population, some researchers have found different results. For instance, Zhang (2009) argued that policies have an indirect impact on prison population, but did find that the reduction of parole programs and re-directing parole violators back into the prison system

However, some researchers suggest that the "war on drugs" campaign was a necessary means to curb the rising use of crack cocaine that led to more violent types of crime, including crimes committed during the drug's distribution in the informal market. For instance, as late as 2003, studies showed a direct correlation between state level rises in violent crimes and crack cocaine use (National Drug Intelligence Center, 2003). One particular study goes on to note that African Americans in street gangs represent the number one distributor of crack cocaine and highlights its correlation: "Violent crime in the state often is associated with crack cocaine distribution and abuse. Crack abusers often commit violent crimes to support their addiction, and crack distributors commonly commit violent crimes to protect their drug operations" (National Drug Intelligence, 2008) However, negative profiling of African American youth also appears prevalent, as indicated by arrest



increased prison population size. California's practice of punishing probation violators with prison sentences also has increased the prison population. Indeed, these violators now make up a majority of prisoners in California. Since rehabilitation programs became less popular during the 1980s, Zhang's argument could actually support the notion that changes in criminal justice policy led to an increase in prison population sizes. Other researchers have concluded that criminal justice policy changes that enforced tougher jail time and fewer leniencies on first time offenders led to an increase in prison population, emphasizing data that shows a decrease in crime rates at the same time that correctional facilities became overburdened with prisoners (Abransky, 2009; Holleman, 2009).

Whatever one's position on more punitive measures, both sides agree that a primary factor behind the growth of prison populations is not that more crime is being committed, but that criminal justice policy has changed to (a) implement harsher punishments on offenders, and (b) criminalize activity that once was treated less harshly. In short, the growth "flows principally from a wave of policy choices that are sending more lawbreakers to prison and, through popular 'three-strikes' measures and other sentencing enhancements, keeping them there longer" (One in 100, 2007).



Because of tougher criminal justice policy and focus on punishment, the US became a world leader in prison population size during the 1980s. By 1990, 421 out of every 100,000 Americans were in prison, and today that statistic stands at 1 out of every 100 Americans, a jump from 4% to 1% of the total population. Thus, Tonry (2007) notes, "The number of people in prisons is rising in many countries. In absolute terms, the United States is the extreme case: the incarceration rate per 100,000 population for persons confined in federal and state prisons grew by 333 per cent from 83 in 1972 to 403 in 1995." Currently, the United States, which represents 5% of the world's population, has 2.5 million prisoners, the largest inmate population worldwide. China, which houses 1.5 million prisoners, ranks second and Russia ranks third with a total of 870,000 prisoners. In addition, most western societies have an incarceration rate around 100 per 100,000 people. However, the United States has hovered in the mid 400-700 range since the 1980s, with a recent report claiming a 1,000 per 100,000 people rate, or 1 out of every 100 adults serving time in prison (One in 100, 2008). Russia has the second highest incarceration rate at 611. In short, the United States houses over 25% of the total world prison population. Upon reading the numbers, Ryan King, a policy analyst for The Sentencing Project, stated, "We send more people to prison, for more different offences, for longer periods of time that anybody else"

(Vicini, 2006). These numbers represent a significant prison population, with many prisons operating at an overcapacity rate. For instance, California state prisons have reached a 170% capacity rate, with some exceeding population limits by 150%. Largely because of this increase, privatized prisons were re-introduced into the correctional system after nearly a century of being classified as unconstitutional by the United States Supreme Court.

## Part II

### Introduction

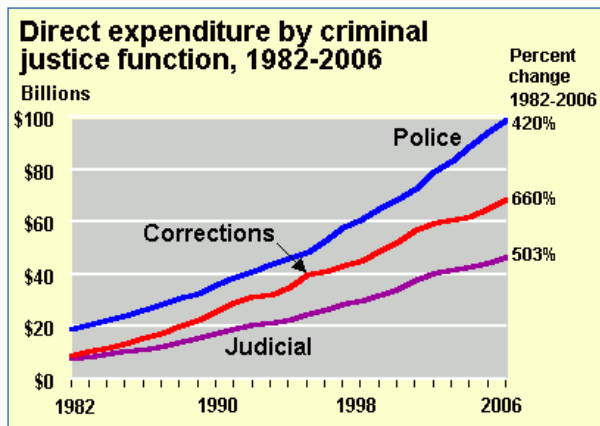
Part I provided a brief summary on the history of the privatization movement of prisons in the United States. It began by detailing the 19<sup>th</sup> Century Convict Lease System to show how the operation of private prisons has drastically changed, leading to better prison environments, conditions, and services provided in prisons, as indicated by the fact that more private prisons are accredited by the ACA than public prisons. Further, the top two companies, Wackenhut and CCA, which operate the majority of privately operated prison in the United States, appear to operate more cost-effectively than public prisons, and also offer better quality. Indeed, one researcher noted that the discussion of quality in publicly operated prisons has become an inside joke for correctional personnel because of the high degree of overcrowding. The last section in part I explored the correlation with tougher policy that focuses on harsher and longer sentences without parole or probation services as an initial option and the increase in the prison population. As mentioned, whether one feels these policies were justified or not, unquestionably, they have led to more prisoners being housed in correctional facilities.

Part II summarizes research identifying factors that led to increased costs for public prisons before comparing costs, recidivism rates, and quality of services between public and private prisons. Closing remarks identify, based on a review of literature, how public and private prisons can work together to continue to decrease correctional facility costs.

### Factors Increasing Costs

A swelling prison population is easy to identify as one of the factors affecting prison costs. More bodies equates to increased budgets to provide basic services (e.g. food, clothing, housing and facility maintenance) as well as requiring more trained staff to monitor the increase in prison populations. Providing basic living condition services accounts for roughly 25% of the budget (One in 100, 2008).

Personnel costs drive budgets up as well. In 2001, "Over three-fourths of the States spent 96% or more of prison funds on current operations such as salaries, wages, benefits, supplies, maintenance, and contractual services" (Stephan, 2004). Because of a high turnover rate, overtime pay is increasing salary costs. Correctional guards made approximately \$280 million in overtime pay in 2005, twice as much as 2004. Base pay for prison guards in California averages \$57,000 per year. However, because of overtime pay, 2,400 correctional guards received over \$100,000, 15%



[http://en.wikipedia.org/wiki/File:US\\_criminal\\_justice\\_cost\\_timeline.gif](http://en.wikipedia.org/wiki/File:US_criminal_justice_cost_timeline.gif)

made an additional \$25,000 in overtime pay, and one guard made \$187,000, "making him the highest-paid correctional officer in California" (Schmidt, 2006). The drain on state budgets mainly occurred because of 4,000 vacancies and regulations that define a minimum requirement ratio between staff and prisoners. In short, vacancies and hiring freezes play a significant role in driving up public prison budgets.

Removing the hiring freeze to reduce overtime pay could save money. For instance, an audit of Michigan's prison system discovered that the state could save millions of dollars per

year by implementing policy, including hiring more staff, to better manage overtime (Bebow, 2008). Similar results were found in Illinois, with Erickson providing the following summary: "A new report shows understaffing within the state prison system resulted in nearly \$50 million in overtime costs in 2008." Overtime costs doubled in two years, suggesting even higher figures by 2010 unless the issue is addressed. To offset overtime costs, the state planned to hire 220 guards after discerning from an audit that a decision not to hire in 2006 cost money, even when considering the cost of providing health benefits along with wage considerations to new employees (Erickson, 2008).

Personnel wages and waste are cited by private organizations as a factor increasing public costs. Thus, Cheung (2002, updated 2004) writes, "Central to the argument in favor of privatization is the perceived inefficiency of labor costs in the operation of prisons. In using mostly nonunion labor and by controlling wages and fringe benefits, private prison companies maintain that they can efficiently reduce the costs of labor and thereby net substantial savings for the government" (Cheung, 2002).

Union labor makes up about two-thirds of operating costs for public prisons; thus, this is a potential area for savings (Clement, 2002). However, studies show that private prison guards have less experience as correctional officers and due to lower wages have a higher turnover rate and less on-the-job training (Federal Prison Privatization, 2002). Unions offer a level of stability and training requirements not present in private prisons. Still, unions can create negative personnel issues. For instance, in California yearly bonuses of \$1,500 were based upon a physical test that few prison guards passed. However, due to union pressure, standards have been lowered to the point that prison guards only need a yearly physical, resulting in almost all receiving this bonus, which in turn has increased personnel costs. Thus, the privatization movement offers potential savings.

Health care costs, which are driving up business budgets in all sectors of the US, are also driving up prison costs. California alone spent nearly \$700 million on health care for prisoners in 2007. Government run oversight and lawsuits filed by prisoners for negligence and denial of appropriate health services have driven up the cost of medical services alone in California prisons by 200% since 2000. Indeed, lawsuits filed by inmates due to poor medical services are identified as the primary source of this significant percentage increase. Apart from lawsuits, the growing percentage of inmates infected with the AIDS virus and chronic illnesses associated with aging are the number one and two health issues driving up prison costs. Thus, "the rise in medical outlays largely stems from mushrooming costs associated with special needs populations, including HIV positive prisoners and geriatric inmates" (One in 100, 2008).

The aging of the prison population due to longer sentences is the last factor raising state budgets. Although this age group is easier to manage because they commit less crime while in prison, they are often the target of abuse and victimization by younger prisoners. To address this issue, many prisons implement a special housing unit to decrease victimization of older prisoners, which in turn drives up costs. Based on this and the medical needs, the average cost to the state of housing an older prisoner is 2 to 3 times higher than a younger prisoner (One in 100, 2008). Thus, "Older prisoners compound resource challenges for states because this population is more likely to have health problems." For instance, it cost Ohio 17% more to medically treat older prisoners than to treat the general prison population. Further, due to prisoners often poor backgrounds, resulting in poor eating habits and, often, substance abuse, nearly 50% at age 50 and 82% at 65+ have a chronic health condition, creating further need for emergency medical care and in-house hospitalization. Lastly, 15-25% suffer from Alzheimer's disease by age 65.

### Comparative Analysis

This section introduces research that evaluates costs of privately versus publicly operated prisons. A significant amount of research shows a cost-savings benefit of privately run prisons, but opponents question the findings due to flawed research methodology. The next section presents in-depth detail from research that addresses some of the methodological concerns (highlighted in this section) and continues to explore the cost-savings benefit of privately operated prisons further.

Several studies show a cost-savings benefit for privately operated prisons (Chaiken & Mennemyer, 1987; Hanke, 1987; Montague, 2001; Morris, 2007; Segal & Moore, 2002). Indeed, some privately run prisons report a 20-30% cost-savings (GEO Group). Even without showing a direct cost-savings, other researchers argue that the very existence of private prisons saves money. For instance, Segal and Moore (2003) show that the growth of prison privatization indirectly lowers costs of running all prisons by creating competition between public and private prisons. Lastly, the CCA (2003) re-



Cell in Alcatraz, archetypal public prison  
<http://en.wikipedia.org/wiki/Alcatraz>

ports that private prisons, unlike state run prisons, pay sales and property taxes, both of which act as resources for increased revenue for the state rather than draining state budgets. Based upon the above research, Zito (2003) argues that private prisons lower costs more significantly than the sole existence of publicly operated prisons.

However, other studies question the validity and legitimacy of these studies and either show no significant cost differences or find that private prisons actually end up costing more (Lundahl, 2009; National Institute of Corrections, 1985; Perrone & Pratt, 2003; Pratt & Maahs, 1999; Sechrest & Shichor, 1996; Urban Institute, 1989). Some of these studies question the findings due to faulty data collection or statistical methods, while others question the validity, claiming that they are either funded or conducted by privately operated corporations. Abt Associates and BOP conducted separate studies between 1999 and 2004 that emphasize the first point. Both facilities housed inmates of similar sociodemographic characteristics in low to medium security prisons in the state of California. Both studies discovered cost-savings for privatized prisons, but offered statistically different results. For instance, analyzing daily costs, Abt concluded that public sites cost 14.8% more than private prisons, while BOP found only a 2.2% difference. The studies differed in the way they weighed and treated prison populations and the factors included in the overhead costs. Thus, opponents argued that neither finding was conclusive since different methodological approaches lead to statistically significant different results. Still, both showed a cost savings for privately operated prisons. In regard to the second point mentioned above, Perrone & Pratt (2003) emphasize that all studies which show a cost savings for privately operated prisons have been conducted by private prisons, or by lobbyists with an economic interest in privately operated prisons.

Lastly, other studies argue that it is impossible to conduct a comparison between private and public entities because each operates under separate organizational styles, prison size, location, types of inmates, and programs provided, making comparisons across similar variables next to non-existent (Turcotte, 1997). Because of these comparable differences, Useem (1996) concludes, "it is impossible to say with any degree of certainty if the privatization of corrections produces any substantial cost savings." A report conducted by Price (2005) also finds comparisons difficult to make. In one analysis, 27 Bureau funded prisons were compared with privately owned prisons. The study concluded that comparisons are problematic because of incomplete data and differences in the variables collected. Private prisons are often not willing to finance the collection of certain data that the Bureau is mandated by legislation to collect for their own publicly operated prisons. As such, the Bureau does not collect the same data on private prisons. The study encourages similar policy to be enforced to ensure that both public and private organizations are collecting this data using the same methods. Gaes (2008) concludes in his own study, "Cost comparisons are deceptively complex, and great care needs to be taken when comparing costs of privately and publicly operated prisons." Gates identifies the following areas as the bare minimum needed to make comparisons: case management and referral services for treatment issues, prison safety, medical care use and cost per patient, and security/personnel income and training issues/costs.



Other researchers warn against the idea of making comparisons solely on cost reduction principles, reporting that private prison saving results may stem from cost cutting techniques that hurt prison quality (Casarez, 1994-1995; and Freeman, 2003). Some of these cost-reduction techniques include hiring less qualified personnel with lesser salaries, reducing or eliminating training programs, and maintaining a high turnover rate that leaves positions open. These strategies place a strain on guard-prisoner dynamics, which in turn impact the culture of the prison.

The next section delves into research to arrive at a conclusion on the cost-benefits of private versus public prisons. The studies presented address comparison flaws by comparing across similar variables between public and private prisons.

### Micro-Level Studies



Valerie Dunn, 41, of Riverside, reads on her bunk during an inmate count at The Leo Chesney Center, a private prison in Live Oak, California  
Pauline Lubens/San Jose Mercury News. March 16, 2002, Knight-Ridder/Tribune News Service. Taken from Proquest's eLibrary

Despite the debate in research, several micro-level studies have reported a cost-savings related to privatized prisons (Segal and Moore, 2002; Thomas, 1997; "Comparing Costs of Public and Private Prisons", 1997; "Public-Private Prison Comparison", 1997; "Public-Private Prison Comparison", 2000). Micro-level studies refer to studies that compare similar variables between two or more prisons, with at least one private and one public prison.

Following along the lines of the capitalist model of competition previously suggested as a benefit of private prisons, Segal and Moore (2002) show that the introduction of privatization urges managers (both from public and private facilities) to implement cost-effective strategies while

maintaining quality of services to remain competitive. They examine 28 studies and report that 22 show a significant savings without impacting quality when compared to public prisons. These 28 studies extensively compared across multiple variables; furthermore, "many of them went to great lengths to compensate for the differences between compared facilities and to develop useful comparison figures" (Segal & Moore). The authors conclude, "it is remarkable that such a wide variety of approaches spanning over a decade and a half of research conducted in states across the nation repeatedly come to the same conclusion: that privatization saves money without reducing quality . . . . Thus the extreme one-sidedness of this literature—near-universal findings of cost savings from privatization—is on its own very persuasive" (Segal and Moore, 2002b). Some quality issues noted include better living environments and improved prisoner-guard relations.

Louisiana built three prisons, one public and two private, in effect creating a field laboratory experiment with which to compare and contrast public and private prisons. Archambeault (1998) examines secondary data to discern (1) If there was a significant cost-effectiveness difference between public and private prisons, and (2) if there was a difference between the two private prisons. After comparing more than 200 measurable variables, more than any other study, Archambeault (1998) concludes that the private prisons were less expensive to operate, while the public prison experienced twice as many critical incidents as the private prisons. This later finding precedes Segal and Moore in showing that private prisons can provide less expensive services without impacting quality. Indeed, Archambeault's finding suggests that private prisons actually provide better quality than public prisons. Further, the public prison "was found to have the statistically highest number of monthly inmate assaults on staff resulting in serious injury" (Archambeault, 1998). In addition, private prisons implement disciplinary strategies more effectively and justly, and lastly, "more inmates complete basic education, literacy, and vocational training courses" (Archambeault, 1998). In short, Archambeault's study highlights that private prisons cost less without sacrificing quality, and also addresses concerns about making appropriate comparisons across similar variables.

The last micro-level study involves New Mexico. To combat high taxes, New Mexico implemented an aggressive campaign, housing nearly 45% of its inmates in private prisons. Because of this, New Mexico is now known as the state on the forefront of the use of private prisons. In 2003, Mitchell conducted a comparative analysis of 46 states versus New Mexico's prison system and discovered several factors that decrease costs for privatized prisons. Unions were identified as a primary factor increasing costs in publicly operated prisons, creating legislation that penalizes prisons for hiring non-union workers and driving up benefits. Without unions' effect on labor laws, Mitchell noted a significant cost reduction: "All else being equal, the presence within a state of a right to work law (i.e. lack of unions in the prison setting) reduces annual per-prisoner cost by over \$9,000. This is strong evidence of the costly nature of union power" (Mitchell, 2003).

Further, Mitchell noted a relation between percentage of inmates in privatized prisons and costs. A state that houses 5% of the prison population in private prisons will save an additional \$423 per prisoner by increasing this total by 1%. Thus, a state that transitioned 500 public prisoners into a privately operated facility could potentially save over \$200,000. Because most states contract out 1,000 to 3,000 inmates per contract established with a privately operated prison, actual savings increase significantly more than the example given. For New Mexico, an increase from its current percentage to 46% would save the state \$55 per prisoner. Using the same formula above, this would equate to a \$28,000 savings per year. Thus, as a state's private prison system reaches the 50% mark, savings appear to level out. In short, Mitchell notes a dramatic savings, claiming that states that house 45% of prisoners in private prisons can save 1/3 on their state budgets due to the fact that currently most states house 5% or fewer of their prisoners in private prisons. Based upon evidence that shows cost-savings for states if they move a percentage of their public prisoners to a private facility, Mitchell argues that competition in a free market

economy reduces the cost of operating prisons. He states, "Because competition and its threat forces cost discipline, one would expect all prisons—private and public—in a competitive market to be more efficient than prisons in an all-public, monopolistic market."

The above section highlights that studies can be found that compare similar variables between publicly and privately operated prisons. Further, the preponderance of studies that show a cost-savings from operating private prisons and the additional research that addresses methodological issues highlights that private prisons do save the state money. The next two sections continue this comparative analysis by exploring recidivism rates and prison culture.

## **Recidivism**

At their basic level, prisons function as a place to both punish and rehabilitate offenders. However, due to rising populations and rehabilitation program cuts, prisons may look more like storage units than places where prisoners receive treatment for their criminal behavior. As such, it becomes difficult to measure the effectiveness of prisons to rehabilitate the offender. Recidivism rates have been a well-established way to measure the success of rehabilitating prisoners, and, even in the era of punishment over rehabilitation, can be used to measure the success of prisons in treating offenders. Several studies note that recidivism rates remain high for public-funded prisons. Because of these findings, and based upon case studies and narratives, a common knowledge approach has been to assume that private prisons can lower recidivism. Indeed, according to CCA (2003), prisoners in private prisons were 27% less likely to commit an offense after being released from the private prison. However, this study was conducted by the private organization itself, and thus results could be biased.

Despite the importance of using recidivism rates to determine which system rehabilitates prisoners more effectively, very few comparative studies between public and private prisons have been conducted. By 2003, only 3 studies had compared public and private prisons based upon recidivism rates (Austin & Coventry, 2001). By 2008, the number only increased by one. Thus, Spivak (2008) emphasizes that the lack of empirical studies to measure recidivism rates for offenders serving time in privately funded prisons makes it difficult to draw any substantial comparative conclusions. To effectively compare recidivism rates, more studies need to be conducted. The following summarizes these four studies, one of which includes a follow-up analysis of the data with an extended timeline.

Lanza-Kaduce et al. compared recidivism rates between male offenders released from minimum to medium level security facilities in Florida. The analysis compared half from public and half from private facilities and was conducted based upon four recidivism traits: subsequent arrest, felony conviction, technical violations, and imprisonment for a new offense. Data were collected for 12 months and results were based upon matched variables of prisoner and prison characteristics. The study discovered lower recidivism rates on all four factors for inmates released from private prisons versus public prisons: (1) arrests 10% (private) versus 19% (public), (2) convicted 6% (private) versus 10% (public), (3) technical violations 17% (private) versus 24% (public), and (4) imprisoned for new violations 10% (private) versus 14% (public). Two years

later, Lanza-Kaduce et al. re-examined the same data, but extended the time period to 48 months after release. Although they discovered lower recidivism rates among private versus public offenders, the results were only marginally statistically significant (Florida Department of Corrections, 2003). This finding in and of itself suggests that time trumps the type of prison, but is still encouraging for criminal justice administrators who are interested in finding ways to decrease recidivism rates.

Farabee and Knight (2007) hypothesized that brief exposures to prison did not have an impact on recidivism rates, and thus only included inmates who had served 6+ months in a public or private facilities. Similar to Lanza-Kaduce et al, they examined offenders from minimum to medium facilities, but also included close custody inmates, i.e. maximum security offenders. A further distinction



Education can help prevent recidivism  
[http://www.cdcr.ca.gov/Divisions\\_Boards/Adult\\_Programs/index.html](http://www.cdcr.ca.gov/Divisions_Boards/Adult_Programs/index.html)

was the sample size. While Lanza-Kaduce studied 396 males, Farabee and Knight compared 4,912 adult men, 612 adult women, and 1,945 juvenile offenders (public prison inmates) to 2,341 adult men, 983 adult female, and 314 juvenile offenders (private prison inmates) based upon similar socio-demographic variables. Also unlike Lanza-Kaduce, Farabee and Knight only explored recidivism rates based upon arrest for a new offense and conviction for a new arrest. They examined three years worth of data and found no statistically significant difference between adult men or juvenile men, but did discover a significant difference for adult/juvenile females. Women serving time in private prisons were 25% less likely to re-offend, and 34% less likely to be re-imprisoned. Here again, time spent away from prison could play a larger role than the type of prison.

An analysis of an in-patient substance abuse program for offenders discovered a statistically significant difference between offenders who attended the program versus those who did not. Eleven percent of offenders who went through the privately managed facility were re-arrested within a year, while 21% from a comparable public facility were re-arrested within a year.

Despite these studies, others have noted no statistical difference between public and private inmates. For instance, Bales (2005) analyzed re-offense arrest and imprisonment rates during 1995 to 2001 for a large sample of adult men, women, and juvenile offenders and concluded that statistical evidence did not support policy that urged more privatization of prisons in Florida due to lower recidivism rates for private versus public released prisoners. Bales urges other measures, such as cost-effectiveness, to be used to verify the benefit of privately operated prisons over public ones. In short, more research needs to be conducted before a final verdict can be made. Still, the above studies do suggest that private prisons lead to lower recidivism rates for adult males, adult females, and juvenile delinquents for the first year upon release from a private prison, and have a significant impact for women offenders over an extended length of time.

Since prisons are not involved in long term rehabilitation of the prisoner, one way to increase recidivism over time is to link ex-offenders with follow-up treatment services. This could lower recidivism rates even further and for a longer period of time following prison discharge.

## Prison Culture



[http://www.cdcr.ca.gov/news/images/overcrowding/CIM1\\_081006v1.jpg](http://www.cdcr.ca.gov/news/images/overcrowding/CIM1_081006v1.jpg)

Prison overcrowding creates psychological harm, adds more fuel to already poor inmate-to-inmate relations, and encourages institutional practices that create a degrading environment (Haney, 2009). Thus, overcrowding can have a severe impact on aggressive prisoner behavior, and is identified as the primary cause of poor prison conditions. For instance, Steiner (2009) notes that an increased prisoner population leads to increased violence and abuse between prisoners and between prisoners and guards and solidifies a culture of aggression and punishment. Since public prisons are more over-

crowded than private prisons, one would expect prison culture to be worse in public prisons. Although some states passed laws limiting the number of inmates to one per cell after offenders filed lawsuits on violations of their 8<sup>th</sup> amendment rights, many prisons still operate beyond population capacity by constructing short-term prison cells, and other states continue to house two or more inmates per cell. Also, as already seen, public prisons nationwide are operating beyond capacity, with the best 33% above capacity limits, and the worst 250% above capacity limits. Private prisons avoid overcrowding due to two factors: (1) they can limit the number of prisoners entering the system, and (2) they can build additional structures on current prison sites (i.e. add additional units to existing structures) or construct prisons at new locations much faster than the Federal Government. Indeed, Ashcroft (2001) noted that private prisons plan and construct two to three times faster than the Federal Government, making it easier to address overcrowding.

Current research supports the hypothesis that overcrowding leads to more violence. For instance, Camp (2002) interviewed prisoners to explore factors that negatively impact the living environment of public versus private prisons. He compared the following elements: gang activity and management, safety, sanitation, and food service. Camp discovered that prisoners in public correctional facilities expressed less satisfaction due to the characteristics listed above, and thus his research confirms that prison cultures are worse in public than private prisons.

Indeed, the worsening public prison culture is cited as one of the primary reasons, along with economic factors, for the growth of privatized prisons. Taylor (2008) reports that understaffing creates risks of violence, resulting in poor morale and increased turnover. Staff to prisoner ratios



directly influence prison culture, with private prisons offering a better ratio. Further, guard-prison relations are of a higher quality in private prisons because of a shift away from aggressive and punitive measures to less authoritative practices and a focus on goal-oriented treatment (Schleifer, 1998). In short, private prisons are able to foster more positive relations between guards and prisoners due to a better staff-to-prisoner ratio. This in turn impacts the ability of private prisons to implement vocational and other types of programs that might have been cut from public prison systems. In addition, prison personnel are able to create treatment plans for each offender rather than simply warehousing the convict until a release date arrives. Thus, although some argue that private prisons focus on profits, Schleifer's (1998) study suggests that they may foster a new era of rehabilitative practices rather than punitive ones.

Lastly, Mitchell finds that 13 out of 50 state correction departments were under order to address poor living conditions while no private prison has ever faced a court order on this issue. Mitchell attributes this difference to accreditation, given for quality services and safe environments, which he suggests improves private prisons. Forty-four percent in comparison to 10% of public prisons are accredited.

One potential drawback to privatized prisons is that staff is often underqualified, leading to more physical confrontations between inmates and staff: "The cost of poor quality is then shifted onto the public sector as county or state police deal with escapees, court systems cope with prison lawsuits and public hospitals treat injured inmates" (Clement, 2002) However, the growth of accreditation of the top three providers of privately operated prisons suggests that private prison staff is better trained now than in 2002. Further, less violence appears to occur in private facilities, showing that private prisons have addressed this issue or have hired better trained guards, or some other factor is occurring. Additionally, despite concerns over a decrease in quality of services in private prisons, a study by CCA notes, "most states place legal requirements in their contracts that correction management firms must offer programs and services that are at least equivalent to those provided by government agencies" (2003). To ensure quality and compliance each prison is required to have an onsite auditor with full access to all records. Furthermore, to decrease the likelihood of understaffing to increase profitability, private prisons face fines if they do not meet a minimum staffing requirement (Zito, 2003).

In short, privately funded prisons appear better than publicly operated prisons on at least two of the three variables presented here. First, they appear to be more cost-effective, as evidenced by micro-level comparisons of public versus private prisons in the same state or across state lines. Second, they appear to offer a safer and more humane prison environment. Finally, although further studies that compare recidivism rates are needed, as private prisons implement more rehabilitative programs and treatment models into their services, recidivism rates are expected to drop. As such, this particular variable should be analyzed more fully in future studies.

## **Conclusion**

This Discovery Guide has presented a brief comparison of public versus private prisons. Part I discussed the history of private prisons, and also showed that the top two private companies that

operate private prisons, Wackenhut and CCA, provide equal or better services at a lower cost than public facilities. Part I also stressed the importance of the accreditation process through the American Correctional Association (ACA), an organization that will only continue to play a major role in the correctional field. This agency regulates privately operated prisons to ensure that they continue to meet standards that result in quality services. Part II presented studies that show that private prisons can provide cost-savings without impacting quality of services, and that recidivism rates can be lower through private services as compared to public services.

Because prison costs continue to rise, budgets will continue to increase as well (e.g. health care services); states can therefore best address prison needs and budget issues by finding a balance that best works for each individual system. As Mitchell emphasizes, states that move 5% of their public prisoners to a private facility can save money. These states should work on determining which type of inmate is most appropriate to serve time in a privately operated prison.

The most hopeful aspect of private prisons is a return to offering rehabilitative programs in the correctional system. These programs are the first to be cut in the public arena. However, due to providing a cost-savings, perhaps private prisons can return the criminal justice model to include these services again. This shift would return the system to a balance between punishment and rehabilitation.



Mara Salvatrucha suspect bearing gang tattoos is handcuffed.  
[http://en.wikipedia.org/wiki/Gang\\_member](http://en.wikipedia.org/wiki/Gang_member)

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