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**Comparison of Privately  
and Publicly Operated  
Corrections Facilities  
in Kentucky and Massachusetts**

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ACQUISITIONS

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## Executive Summary

### Background

The cost and associated problems of incarcerating offenders is a major problem throughout the United States. The National Council of State Legislatures recently reported that appropriations for construction and maintenance of prisons grew faster than any other major program during the 1980's. The near doubling of the prison population during the decade and court orders against overcrowding has forced many states to boost spending for correctional facilities.

One of many options to alleviate this problem, one that has had major national attention, has been for states to contract to the private sector for the management and operation of correctional facilities. The use of private contractors for the management and operation of correctional facilities is highly controversial. Opponents have questioned the propriety, legality, and constitutionality of using private personnel, because of such issues as the use of force, decisions relating to the timing of release of offenders, and disciplinary actions. Proponents have argued that private contractors have less red tape and enable competition to be used, thereby encouraging lower cost and permitting much faster procurement of new facilities and equipment than possible if the state government had to go through its formal legislative process to construct and procure.

This report does not address the legal, propriety, and philosophical issues (at least not directly). Rather it addresses the questions of cost and service quality/effectiveness. Most of the published discussion on these issues, thus far, has been conceptual. Very few studies have obtained empirical data to examine the cost and quality of private sector operation of correctional facilities and compare them to the cost of public facilities. Thus far, little such data have been forthcoming to aid states and local governments in making their choices.

### Purpose of Report

This report presents the findings of a study undertaken during 1987-1988 to compare state government correctional facilities in two states (Massachusetts and Kentucky) that are managed and operated by private contractors to similar facilities that are managed and operated by public employees. The study's primary objective was to assess and identify any differences in cost, service quality and effectiveness between the private and publicly operated institutions. A secondary objective was to identify reasons for any differences that were found.

One set of comparisons such as we have undertaken (even though it covers two separate states and a number of facilities) cannot provide definitive findings on comparative costs and service quality/effectiveness. In any case, such comparisons are never perfect. However, it seems highly desirable to begin to build a body of empirical information that, while far from perfect, nevertheless, provides relevant data on important measurable aspects. We hope that this work will stimulate others to undertake future cost-effectiveness comparisons and, later, meta-evaluations that examine a multitude of such studies to provide a more comprehensive picture.

### Scope and Methodology

In Kentucky we examined the Marion Adjustment Center a privately-operated minimum-security facility. At the time of the study it was the sole adult secure facility in the nation under contract by a state government. With the assistance of state corrections officials we selected a comparable, publicly operated adult minimum security facility, the Blackburn Correctional Complex, operated by state employees. The Marion facility began operation under contract to the state in January 1986. Thus, it had been in operation for a little over two years as of the beginning of our data collection. We focused our data collection on operations in 1987 and the first part of 1988, excluding the private facility's first, start-up year.

In Massachusetts we worked with the Department of Youth Services to select two matched pairs of facilities, one of each pair being privately operated and the other publicly operated. All four facilities were juvenile secure treatment facilities containing the most difficult young offenders. We have some concern over the comparability of the inmate population in the matched paired facilities particularly in Kentucky. In Kentucky, the inmates assigned by the corrections agency to the private facility are those believed to be least likely to be a threat to the society if they escape. Our examination of the data on inmate characteristics for the private and public facilities, however, indicates that they are comparable inmate populations, though, of course, not as equivalent as if inmates had been randomly assigned to each facility. In Massachusetts, assignments are more or less random to the facilities in each pair.

We used similar data collection procedures in both states. These procedures included the following:

- o Extraction of data from agency records of such data elements: number of escapes and attempted escapes, returns to prison after release, results of facility inspections, and cost data;
- o Surveys of inmates and staff at each institution, using similar questionnaires at each institution in both states;
- o Interviews with officials involved in the operation or oversight of each facility, including wardens, program staff, central staff officials, and corporate executives; and
- o A physical inspection by project staff of each facility using a visual inspection rating form that we designed for the inspections.

Thus, we sought information on performance from several sources: agency records, perspectives of public and private officials and staff, the offenders' perspectives, and our own observations.

We collected data for the period beginning in January 1987 through Spring 1988, with some data elements covering periods into the Summer of 1988. The bulk of our data collection and survey work was undertaken from January 1988 through September 1988. A team of two persons performed the data collection for each state.

Our review of the literature, while finding numerous discussions about the appropriateness and pros and cons of contracting, uncovered few empirical examinations of the actual costs and the effectiveness of private facilities, particularly analyses that compared public to private facilities. (Selected references are included in the Appendix.)

#### Differences in Project Design Between the two States

There are some major differences between the comparisons in the two states that the reader needs to consider. They are as follows:

- o In Kentucky we examined adult minimum security facilities. In Massachusetts we examined youth facilities, but those facilities housing the most difficult youth offenders;
- o The prisons in Kentucky housed over 200 inmates for the privately operated facility and 350 for the publicly operated facility. (The facilities had an average population of 206 and 353 respectively.) In Massachusetts the facilities were all quite small, each with 15-16 daily population.
- o The contractor in Kentucky was a for-profit contractor selected after competitive bidding. The two private contractors in Massachusetts were non-profit organizations; the legislation in Massachusetts did not permit the use of for-profit organizations for these youth facilities.
- o The building and land used by the Kentucky private facility was provided and owned by the contractor. In Massachusetts the programs each operated in facilities provided by the state; contractors were not responsible for facility maintenance costs nor for facility construction, rehabilitation, or most utility costs.
- o Massachusetts Department of Youth Services had approximately 20 years of experience in contracting for secure care for juveniles. For Kentucky this was its first experience in contracting secure adult institutions.

#### Principal Findings

Below are the highlights of the findings on cost, service quality, effectiveness, and program content.

### Cost Analysis Findings

The costs of privately and publicly operated facilities were quite similar for all three pairs (one in Kentucky and two in Massachusetts). For each pair, the costs for each facility were within plus or minus 10% of the other member of the pair on a cost per inmate-day basis. Note that capital costs for the publicly-operated facilities had already been expended, and no capital costs have been included in the public facility unit-costs.

In Kentucky, the private facility unit-cost was 10% higher than the public facility. This difference is likely to have occurred in part because of: (a) the inclusion of capital cost in the private organization price, (b) economies of scale achievable by the public facility with its inmate population being about 50% larger than the private facility. (The fixed costs of the facility can be spread over a large number of inmates to yield a lower unit cost.) In Massachusetts, the publicly-operated facility cost was approximately 1% lower than that of the privately-operated facilities.

This similarity in cost in both states can be explained in part by three factors. First, a state is not likely to contract for a facility with a contractor whose price to the state significantly increases its existing unit-cost. Second, the contractors were all probably aware, before their final bids, of the existing unit costs for the public sector operations and recognized that their prices could approximate these public unit-costs. Finally, competition for these contracts, at least thus far, has not been sufficiently large to drive the cost significantly lower, if indeed lower costs are feasible. In Kentucky, the initial RFP elicited bids that were much higher than the unit cost budgeted by the state. The state then issued a revised RFP. Most bidders dropped out of the competition. The selected contractor substantially reduced its original bid. In the Massachusetts situation, the competition for contracts has been primarily limited to two or three principal contractors.

In Massachusetts, line employees of the public facilities, but not the private facilities, were unionized. In both states, salaries and fringe benefits were somewhat higher for public than for private employees. Higher public employee salaries in both states can be partly explained by longer years of public employee tenure; on average private sector employees were younger and had fewer years of experience.

For the Kentucky situation, we also estimated the additional capital construction cost had the state chosen to build its own facility and subsequently operate and manage it. This would have added considerably to the cost per inmate day. It would have made the publicly-operated facility cost about 20% to 28% higher than the privately-operated facility. This suggests that, in this instance, contracting has been less costly if the state's major alternative had been to contract a new facility for the 200 plus beds.

#### Service Quality and Effectiveness

Using survey information, physical observation, interviews, and agency record data, we examined a large number of service quality and effectiveness elements, such as: physical condition, escape rates, information on security and control, information relating to physical and mental health of the inmates, adequacy of the facility's programs (e.g. education, counseling, training, recreational), particularly as perceived by inmates and staff, and indicators of rehabilitation such as re-incarceration.

Exhibits ES-1 through ES-6 summarize the principal findings for each state. Exhibits ES-1 through ES-4\* present data on the indicators that each of our two teams (one for Kentucky and one for Massachusetts) believe to be the most important indicators for the comparisons in that state (regardless of whether the particular indicators favored the public or private facilities). Exhibits ES-5 and ES-6 summarize the findings from all the performance indicators, without regard to their relative importance.

For a substantial majority of these performance indicators, the privately operated facilities had at least a small advantage. By and large, both staff and inmates gave better ratings to the services and programs at

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\* Exhibits ES-1 through ES-4 are available in the full report.

the privately-operated facilities; escape rates were lower; there were fewer disturbances by inmates; and in general, staff and offenders felt more comfortable at the privately-operated facilities.

Why is this so? Our data indicate that the privately operated facilities had younger and less experienced personnel, and staff who were compensated less (partly because of their lesser experience), than their counterparts in publicly-operated facilities. Does additional experience and higher wages lead to higher quality performance? The data we examined do not indicate this to be the case. We conjecture that youthful enthusiasm may combat "job burnout" of longer tenured members.

While some differences in Kentucky could be due to differences in inmate characteristics between public and private facilities, the differences do not appear large enough to explain much of the difference in results. And this is not an appropriate explanation for the differences found in Massachusetts. By and large, staff in the privately-operated appeared to be more enthusiastic about their work, more involved in their work, and more interested in working with the inmates--than their public counterparts. Management-wise, the privately-operated facilities appeared to be more flexible and less regimented, with staff subject to less stringent controls. These elements seem to have made life in the privately-operated correctional facilities somewhat more pleasant for both inmates and staff. Note, however, that the privately-operated institutions in all cases were required to follow the same basic rules as the publicly-operated facilities.

We suspect that at least some of the advantage of the privately-operated facilities could be regained by the public sector in these corrections environments if management and organizational hindrances, such as rigid procedures, could be alleviated.

### Conclusion

Based on this evidence, we conclude that use of privately-operated correctional facilities for minimum security adult males and for difficult youth offenders is an appropriate option for state governments. It seems to be an important option, particularly if additional capacity is needed by the state. While these



findings do not indicate that private operation should be substituted for existing public facilities, they do indicate that the use of the private sector, in appropriate situations, can be good for both inmates and the public.

**TABLE ES-5**

**Overall Performance Indicator Summary  
Massachusetts**

Number of Significant Differences Favoring

<u>Performance Area</u>	<u>Total # Indicators</u>	<u>Public</u>	<u>Private</u>	<u>Non Significant Differences</u>
I. Conditions of Confinement				
A. Resident Surveys	22	2	5	15
B. Staff Surveys	12	0	7	5
C. Record Data	6	0	2	4
Total	40	2	14	24
II. Internal Security and Control				
A. Residents Survey	4	0	4	0
B. Staff Surveys	10	0	8	2
C. Record Data	5	1	3	1
Total	19	1	15	3
III. Social Adjustment and Rehabilitation				
A. Resident Surveys	27	0	4	23
B. Staff Surveys	12	0	6	6
C. Record Data	5	1	0	4
Total	44	1	10	33
IV. Management and Staffing				
A. Resident Surveys	5	0	2	3
B. Staff Surveys	16	1	6	9
C. Record Data	7	1	3	3
Total	23	2	11	15
<b>Total</b>	<b>131</b>	<b>4.6</b>	<b>38.2</b>	<b>57.3</b>

Percent of Indicators

Residents	58	3.4	25.9	70.7
Staff	50	2.0	54.0	44.0
Records	23	13.0	34.8	52.2

TABLE ES-6

All Performance Indicators -- Total Favoring

Kentucky

	# Indicators	State		Private		?	
		#	%	#	%	#	%
<u>A. Conditions of Confinement</u>							
STAFF REPLIES	20	2	4%	8	15%	10	19%
INMATE REPLIES	30	3	6%	4	8%	23	44%
CENTRAL OFFICE DATA	2	0	0%	0	0%	2	4%
-----							
SUB-TOTAL	52	5	10%	12	23%	35	67%
=====							
<u>B. Internal Security and Control</u>							
STAFF REPLIES	12	1	3%	4	13%	7	23%
INMATE REPLIES	14	4	13%	6	19%	4	13%
CENTRAL OFFICE DATA	5	0	0%	2	6%	3	10%
-----							
SUB-TOTAL	31	5	16%	12	39%	14	45%
=====							
<u>C. Social Adjustment and Rehabilitation</u>							
STAFF REPLIES	2	0	0%	1	2%	1	2%
INMATE REPLIES	38	4	9%	5	11%	29	64%
CENTRAL OFFICE DATA	5	0	0%	0	0%	5	11%
-----							
SUB-TOTAL	45	4	9%	6	13%	35	78%
=====							
<u>D. Management Issues</u>							
STAFF REPLIES	47	0	0%	11	17%	36	57%
INMATE REPLIES	14	2	3%	1	2%	11	17%
CENTRAL OFFICE DATA	2	0	0%	0	0%	2	3%
-----							
SUB-TOTAL	63	2	3%	12	19%	49	78%
=====							
<u>Overall Totals</u>							
STAFF REPLIES	81	3	2%	24	13%	54	28%
INMATE REPLIES	96	13	7%	16	8%	67	35%
CENTRAL OFFICE DATA	14	0	0%	2	1%	12	6%
-----							
TOTALS	191	16	8%	42	22%	133	70%