

**Report on Prison Privatization Plagued with Conflicts of Interest, Faulty Data, Political Connections**

May 21, 2010 – Private Corrections Institute

For Immediate Release

Sacramento, CA – The Private Corrections Institute, a non-profit citizen watchdog group that opposes prison privatization, issued the following statement today sharply criticizing a joint report by the Reason Foundation, a Los Angeles-based libertarian think-tank that promotes the privatization of government services, and the Howard Jarvis Taxpayers Association (HJTA). The HJTA advocates for the rights of California taxpayers and is also supportive of the “Tea Party” movement.

The Reason-HJTA report was released on the heels of Governor Schwarzenegger’s comments in favor of prison privatization in his State of the State address last January. California already contracts with for-profit private prison companies to house up to 10,468 inmates in out-of-state facilities, and according to the governor’s recent May 18 address the state is likely to increase its reliance on private prison contracts.

The Reason Foundation has long been a proponent of prison privatization and has received funding from private prison companies – although that apparent conflict of interest is not mentioned in the Reason-HJTA report. Further, the report provides political cover for gubernatorial candidate Meg Whitman, who has expressed support for prison privatization. The HJTA has endorsed Whitman and produced commercials supporting her candidacy. Corrections Corp. of America (CCA), the nation’s largest private prison company, has donated \$5,000 to Whitman’s campaign.

California represents an enormous market for private prison companies, which have been spending political capital for the state’s business. In 2009, CCA donated \$15,000 to the CA Republican Party, \$7,500 to the CA Democratic Party, and \$100,000 to Gov. Schwarzenegger’s Budget Reform Now coalition. In 2008, CCA gave \$45,000 to the CA Republican Party and \$20,000 to the CA Democratic party. The nation’s second-largest private prison firm, GEO Group, gave \$25,000 to the CA Republican Party in 2008.\*

The Reason-HJTA report advocates sending 25,000 California inmates to out-of-state for-profit prisons, claiming that would save the state up to \$1.8 billion over a five-year period. The report purports to offer a solution to California’s prison overcrowding crisis, which has led a panel of federal judges to order a major reduction in the state’s prison population following almost a decade of litigation.

The Reason-HJTA study alleges that California spends \$162 per prisoner per diem – the highest in the nation – based on data from the American Correctional Association (ACA). The report fails to mention that the ACA – a private, self-regulated organization composed of former and current corrections officials – receives revenue from private prison companies, which also sponsor the ACA’s biannual conferences.

The \$162 per diem rate cited in the report, which was obtained by simply dividing the state's corrections budget by its prison population, grossly misrepresents the actual cost of incarceration. For example, the inflated per diem rate in the Reason-HJTA report inaccurately includes parole supervision and administrative costs, which are part of the prison system's budget; medical and mental health care expenses, which are under the control of the federally-appointed receiver; and central office administrative overhead. The report's exaggerated per diem rate also apparently includes prison design and construction expenses, which are not factored into private prison cost analyses.

The report fails to consider that privately-run prisons do not house maximum-security California prisoners, death row prisoners, female prisoners, juveniles or prisoners with serious mental health or medical conditions, all of whom are more expensive to incarcerate. In the latter regard, medical costs for California inmates held in private prisons are capped at \$2,500 per prisoner; the state must pay medical expenses above that amount, plus all treatment costs for inmates who are HIV-positive.

According to Ken Kopczynski, executive director of the Private Corrections Institute, "Contrasting the inaccurate per diem rate in the [Reason-HJTA] report 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."

In a 2007 letter to state Senator Gloria Romero, the non-partisan Legislative Analyst's Office (LAO) reported that "the state now budgets on average about \$56 per inmate per day for each *additional* prison inmate – often referred to as overcrowding costs per inmate. By comparison, the contracted rate for ... new out of state prison beds is higher, about \$63 per inmate per day." The LAO also noted that the per diem rate for prisoners in out-of-state private prisons did not include transportation costs, the cost of oversight by state officials, or medical expenses above the \$2,500 cap.

The Reason-HJTA report acknowledges that California's "recent contracts to house state inmates in out-of-state [CCA] facilities spell out costs that vary from \$63-72 per bed per day ...." Thus it is evidently more expensive to house inmates in private prisons, based on the LAO's average in-state per diem rate of \$56, despite the Reason-HJTA report's claims that prison privatization can result in cost savings of up to 28%.

Such alleged savings cited in the report are based in part on research by discredited former University of Florida professor Charles Thomas. Thomas operated a University project that studied the private prison industry and produced research promoting the benefits of privatization. It was subsequently discovered that Thomas owned stock in the private prison companies he was studying, sat on the board of Prison Realty Trust, a spin-off of Corrections Corporation of America (CCA), and had been paid \$3 million by Prison Realty / CCA. Thomas retired from his University position after these conflicts became known and was fined \$20,000 by the Florida Commission on Ethics. The report fails to mention this tainted history underlying Thomas' research.

Further, the Reason-HJTA report incestuously cites Reason's own in-house research in support of its position that private prisons are less costly than those operated by the government, and does not address other studies that have found deficiencies in prison privatization in terms of both cost savings and quality of service. The report also relies

on a Vanderbilt University study funded by both CCA and the Association of Private Correctional and Treatment Organizations – an industry group that exists to advance the interests of companies that profit from corrections-related services. The funding source of the Vanderbilt study is not stated in the report.

Additionally, the Reason-HJTA report cites research from Avondale Partners, Inc., an investment banking firm that has issued a favorable market rating for CCA. Avondale hosted a private prison conference in New York City on May 19, 2010 that included a presentation by CCA CEO Damon Hininger. Other presenters included the Reason Foundation, the CEO of the GEO Group, and California private prison lobbyist Mark Nobili. These connections between Avondale and the private prison industry are not mentioned in the report.

“The joint Reason-HJTA report is based on sources that are so plagued with conflicts of interest that the results would be laughable if they weren’t masquerading as credible research,” stated Private Corrections Institute president Alex Friedmann. “This is far beyond the fox guarding the henhouse. This is the fox outsourcing security for the hen house to a pack of wolves.” Friedmann, a former prisoner, served time in a CCA prison in the 1990s; he was released in 1999 and is now an authority on private prisons.

The report also fails to mention the significant problems that other states have had with prison privatization, including major riots, sex abuse scandals, escapes, improper billing by private prison companies, and employment law violations. The Reason-HJTA report glosses over other deleterious aspects of prison privatization, such as higher employee turnover rates, increased levels of prisoner-on-prisoner and prisoner-on-staff violence, lack of transparency and public accountability, and higher recidivism rates for inmates released from privately-operated prisons.

For example, the report claims that rates of violence are lower at private prisons than at state facilities, but fails to disclose that the research supporting that statement, from the Bureau of Justice Statistics, only addresses a narrow category of “sexual violence” – not overall institutional violence. Leonard C. Gilroy, director of government reform for the Reason Foundation and co-author of the Reason-HJTA report, acknowledged that deficiency on May 21 and stated the report would be updated accordingly.

Rather than addressing the shortcomings of private prisons, the Reason Foundation and HJTA recommend that California engage in wholesale privatization – including contracting out existing state prisons built with taxpayer funds; outsourcing food services, transportation, medical and mental health care, and education and treatment programs; and privatizing probation and parole services. While this would be a windfall for private prison firms, including those that have given money to the Reason Foundation, whether it would benefit taxpayers financially or in terms of public safety is less certain.

Although the Reason-HJTA report raises serious issues, such as high recidivism rates among California prisoners and the state’s prison overcrowding crisis, according to the Private Corrections Institute that does not justify the wholesale transfer of inmates to for-profit prison companies as proposed by the Reason Foundation and HJTA.

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The Private Corrections Institute (PCI), [www.privateci.org](http://www.privateci.org), is a non-profit citizen watchdog group that educates 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.

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*\* According to the Institute for Money in State Politics, [www.followthemoney.org](http://www.followthemoney.org)*