

**Joint Legislative Committee on Performance
Evaluation and Expenditure Review (PEER)**

Report to
the Mississippi Legislature



Mississippi Department of Corrections' FY 2003 Cost Per Inmate Day

For Fiscal Year 2003, the Department of Corrections' general cost per inmate day (for all security levels combined) in a 1,000-bed facility was \$44.36, including debt service for a facility. FY 2003 costs per inmate day for individual security classifications were as follows: minimum security, \$38.52; medium security, \$41.44; and maximum security, \$68.62. MDOC's FY 2003 costs per inmate day for security classifications in a 500-bed psychiatric correctional facility were \$53.19 for medium security and \$72.31 for maximum security.

Cost figures presented in this report represent the actual costs to MDOC as required by law and do not represent costs for service delivery under a "most efficient organization." When MDOC negotiates private prison payments, items borne solely by the state should be eliminated and due consideration given to reducing other costs in which the state bears additional or different costs than the costs incurred by private prisons. PEER believes that private prison contracts could yield savings significantly above the ten percent required by law. This report includes a schedule of considerations of areas where savings could be achieved from more efficient contracting.

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A flowing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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PEER Committee

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December 19, 2003

Honorable Ronnie Musgrove, Governor
Honorable Amy Tuck, Lieutenant Governor
Honorable Tim Ford, Speaker of the House
Members of the Mississippi State Legislature

On December 19, 2003, the PEER Committee authorized release of the report entitled **Mississippi Department of Corrections' FY 2003 Cost Per Inmate Day.**

A handwritten signature in cursive script that reads "Mary Ann Stevens".

Representative Mary Ann Stevens, Chair

This report does not recommend increased funding or additional staff.

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Mississippi Department of Corrections' FY 2003 Cost Per Inmate Day

Executive Summary

Background

During its 1994 special session, the Legislature passed Senate Bill 2005 (now codified as MISS. CODE ANN. § 47-5-1201 et seq.) to address short- and long-term bed capacity within the state's correctional system. The bill created the State Prison Emergency Construction and Management Board to expedite the contracting and construction of proposed public and private prison facilities authorized by the bill.

MISS. CODE ANN. § 47-5-1211 (3) (a) (1972) states:

No contract for private incarceration shall be entered into unless the cost of the private operation, including the state's cost for monitoring the private operation, offers a cost savings of at least ten percent (10%) to the Department of Corrections for at least the same level and quality of service offered by the Department of Corrections.

This section also requires PEER to contract annually with a certified public accounting firm to establish a state cost per inmate day for a comparable state facility. Originally, cost was to be established for medium security inmates only. In subsequent years, MDOC has planned the housing of different classifications of prisoners and PEER has provided cost estimates for those classifications as well.

The law further requires that the state cost per inmate day be certified annually by a certified public accountant and that the certified cost be used as the basis for verifying the ten percent savings required for private contractor costs.

Chapter 964, *Laws of 1996* (Local and Private), established the East Mississippi Correctional Facility Authority. The bill authorized such authority to contract with MDOC for the private incarceration in a psychiatric facility of up to 1,000 prisoners in compliance with the provisions of MISS. CODE ANN. Sections 47-5-1211 through 47-5-1227 (1972).

Cost Per Day Determination

Smith, Turner, and Reeves, P.A., provided cost per inmate day determinations for all security levels of inmates combined (i.e., MDOC's general cost per inmate day) and also on the basis of security classification (i.e., minimum, medium, or maximum) of inmates. Smith, Turner, and Reeves also provided a cost per inmate day determination for a psychiatric facility.

MDOC's FY 2003 general cost per inmate day for a 1,000-bed facility totaled \$44.36 and included the following components:

Direct Costs:

Basic housing & visitation:	
Salary costs	\$20.51
Other costs	3.74
Education & training	1.59
Food	2.37
Medical	5.95
Parole Board	0.07
Allocated administrative costs	<u>2.56</u>
Total Operating costs	\$36.79
Annual Debt Service	<u>7.57</u>
Total Average Daily Costs	<u>\$44.36</u>

MDOC's FY 2003 costs per inmate day for individual security classifications in a 1,000-bed facility were as follows: minimum security, \$38.52; medium security, \$41.44; and maximum security, \$68.62. MDOC's FY 2003 costs per inmate day for security classifications in a 500-bed psychiatric correctional facility were \$53.19 for medium security and \$72.31 for maximum security.

Negotiating Private Prison Payments

PEER believes MDOC should negotiate cost savings for private prison payments well below the ten percent mandated by state law.

PEER cautions the reader that, as required by law, the cost figures presented in this report represent actual costs to MDOC. State law also requires that private prisons represent *at least a 10% savings to MDOC's costs for the same level and quality of services*. It should be noted that cost savings offered by private prisons may exceed the ten percent threshold. Therefore, when negotiating private prison payments, items borne solely by the state should be eliminated and due consideration given to reducing other costs in which the state bears additional or different costs than the costs incurred by private prisons.

Removal of Costs Borne Exclusively by the State

The Schedule of Average Daily Costs Per State Inmate by Security Classification on page 10 reports that the cost for a medium security inmate is \$41.44. However, MDOC should remove a total of \$8.42 (debt service costs of \$7.57; records, inmate classification, and

offender services costs of \$.78; parole board costs of \$.07) when negotiating private prison payments because these costs are borne solely by the state. (See Exhibit, page viii.)

Negotiable Costs

An additional \$10.10 (medical expenses of \$5.95; administrative services of \$2.56; education and training expenses of \$1.59) represents negotiable costs for which MDOC may be able to negotiate a savings greater than the ten percent mandated by law. (See Exhibit, page viii.)

Private prisons pay for the first seventy-two hours of medical care for inmates. After this period, the state bears the costs for seriously ill inmates. Therefore, additional savings may be achieved by negotiating this time below the ten percent savings mandated by law.

The administrative responsibility of the state differs from that of the administrative function of private prisons. Therefore, administrative cost represents an area that may contribute savings beyond the ten percent mandated by law.

MDOC uses certified teachers for adult basic education and vocational education programs. Private prisons are not required to use certified teachers. Therefore, the cost associated with education and training represents an area that may contribute to savings beyond the ten percent mandated by law.

PEER believes that private prison contracts should yield savings significantly above the ten percent required by law. See page ix of this summary for examples of areas where savings may be achieved from more efficient contracting.

Exhibit: FY 2003 Certified State Cost Per Inmate Day, with Areas of Potential Savings

Total Average Daily Cost Per Inmate	\$41.44
Less Cost Borne Exclusively by the State:	
Debt Service	\$7.57
Records, inmate classification, offender services	.78
Parole Board	<u>.07</u>
Sub-total	<u>8.42</u> 33.02
Negotiable Items:	
Medical	\$5.95
Administrative services	2.56
Education and training	<u>1.59</u>
Sub-total of negotiable items	<u>10.10</u>
Beginning MDOC negotiable price	\$22.92

SOURCE: PEER analysis of 2003 cost per inmate day information compiled by Smith, Turner, and Reeves.

**MISSISSIPPI DEPARTMENT OF CORRECTIONS
SCHEDULE OF CONSIDERATIONS FOR PRIVATE
PRISON CONTRACT NEGOTIATIONS**

		MDOC Facility			Private Facility		
		Minimum	Medium	Maximum	Minimum	Medium	Maximum
Infrastructure	¹	X	X	X	State Provided		
Food		X	X	X	X	X	X
Clothing		X	X	X	X	X	X
Medical and dental care	²	X	X	X	X	X	X
Education	³	X	X		X	X	
Records	⁴	X	X	X	State Provided		
Inmate classification and management	⁴	X	X	X	State Provided		
Offender services	⁴	X	X	X	State Provided		
Transportation		X	X	X	X	X	X
Parole Boards	⁵	X	X	X	State Provided		
Probation	⁵	X	X	X	State Provided		
Restitution	⁵	X	X	X	State Provided		
Drug treatment	⁵	X	X	X	State Provided		
Handicap or invalid incarceration	⁵	X	X	X	State Provided		
Farming	⁶	X	X		Not Applicable		
Administrative costs	⁷	X	X	X	X	X	X
Monitoring costs	⁸				X	X	X

¹ Operating costs depend on facility design and security classification. Economies of scale for facility depend on the number of inmates housed.

² Consideration should be given to the level of medical care to be provided and whether the burden of responsibility for extended medical care transfers to the State.

³ MDOC uses licensed teachers for their adult basic education and vocational education programs. Consideration should be given if non-certified teachers will be used.

⁴ Costs associated with records, inmate classification, and offender services are provided by the State. Identified direct costs of these functions total \$5,011,829 for year ended June 30, 2003. Inmate days supported by these functions were 6,434,768, representing a daily cost of \$.78.

⁵ The costs associated with services provided by the State should not be considered as a part of the contracted rate with a private facility.

⁶ Private facilities do not have farming operations.

⁷ Private facilities have fewer administrative responsibilities than the responsibilities of the State.

⁸ Private facilities reimburse MDOC for monitoring costs.

For More Information or Clarification, Contact:

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MISSISSIPPI DEPARTMENT OF CORRECTIONS

SPECIAL REPORT ON INCARCERATION COSTS

JUNE 30, 2003

MISSISSIPPI DEPARTMENT OF CORRECTIONS

SPECIAL REPORT ON INCARCERATION COSTS

JUNE 30, 2003

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Mississippi Joint Legislative Committee on
Performance Evaluation and Expenditure Review
Jackson, Mississippi

Independent Accountants' Report

We have examined the accompanying Schedule of Average Daily Costs Per State Inmate for All Security Levels Combined (the Schedule) of the Mississippi Department of Corrections (MDOC) for the year ended June 30, 2003. Except as explained in the following paragraph, our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances. The procedures were designed to determine the average costs per state inmate day based on historical data.

We were not engaged to examine the debt service costs which are included in the Schedule. These costs were provided by the Joint Legislative Committee on Performance Evaluation and Expenditure Review.

In our opinion, except for debt service costs, the Schedule referred to above presents, in all material respects, average daily costs per state inmate for all security levels combined for the year ended June 30, 2003, in conformity with the measurement and disclosure criteria set forth in Note 2 to the Schedule. Because of the matters discussed in paragraph two, the scope of our work was not sufficient to express, and we do not express, an opinion on the appropriateness of the debt service costs component.

This Schedule is based on the most accurate data and information available from MDOC staff at the time. However, should MDOC management significantly alter the assumptions in the design, construction, and operational concept for a 1,000-bed correctional facility as presented in this report, the daily costs per state inmate amount would change.

Smith, Turner & Reeves

November 24, 2003

MISSISSIPPI DEPARTMENT OF CORRECTIONS
SCHEDULE OF AVERAGE DAILY COSTS PER STATE
INMATE FOR ALL SECURITY LEVELS COMBINED
YEAR ENDED JUNE 30, 2003

OPERATING COSTS:

Direct costs:

Basic housing and visitation:

Salary costs	\$ 20.51
Other costs	3.74
Education and training	1.59
Food	2.37
Medical	5.95
Parole Board	0.07
Allocated administrative costs	<u>2.56</u>
	36.79

ANNUAL DEBT SERVICE 7.57

TOTAL AVERAGE DAILY COSTS \$ 44.36

See accompanying Notes to Schedule.

MISSISSIPPI DEPARTMENT OF CORRECTIONS
NOTES TO SCHEDULE OF AVERAGE DAILY COSTS
PER STATE INMATE FOR ALL SECURITY LEVELS COMBINED

NOTE 1 - ORGANIZATION

Description of Entity

The Mississippi Department of Corrections (MDOC or the Department) has the responsibility for the care, custody, study, training, supervision, and treatment of adult offenders committed to the Department and to plan, develop, coordinate, and manage a state-wide comprehensive correctional system.

MDOC, for purposes of determining the average daily costs per state inmate, includes the following entities:

- Mississippi State Penitentiary (MSP) - MSP is a correctional facility located in Sunflower County, Mississippi which incarcerates approximately 5,300 adult male felons.
- Central Mississippi Correctional Facility (CMCF) - CMCF is a medium security facility located in Rankin County, Mississippi. CMCF serves as the central receiving and classification center for MDOC and incarcerates approximately 3,100 offenders, including all female offenders.
- South Mississippi Correctional Institution (SMCI) - SMCI is located in Greene County, Mississippi and incarcerates approximately 2,300 medium security adult felons. Approximately 230 of these inmates are in the Regimented Inmate Discipline (RID) Program which are excluded, along with the associated cost, for purposes of calculating daily cost per inmate.

MDOC also administers correctional operations through other facilities. Although these locations have been allocated certain administrative costs, the costs of the facilities have not been included in determining the average daily costs per state inmate. These other facilities are as follows:

- MDOC operates restitution and work centers throughout the State which house inmates.
- MDOC also contracts with privately operated prisons and regional correctional authorities to incarcerate inmates. Inmates are also incarcerated in county operated jails. MDOC is responsible for certain administrative functions and medical care related to inmates incarcerated by others.

NOTE 2 - BASIS OF PRESENTATION

The costs per state inmate day for all security levels combined are derived by dividing the cost of operations for all inmate facilities included in MDOC above (i.e., MSP, CMCF, and SMCI) by the total inmate days incurred at all inmate facilities included in MDOC during the fiscal year ended June 30, 2003. The number of inmate days used in this calculation was obtained from census reports prepared daily on a system-wide basis.

Operating costs were determined from MDOC's internal accounting records which reflect final adjusted costs by cost center. Operating costs are accounted for by functional cost centers.

Costs of basic confinement and prison programs are presented separately to facilitate an understanding of the operating costs. In arriving at amounts presented in the accompanying Schedule, certain reclassifications and allocations were necessary. Explanations of certain operating cost categories presented, together with explanations of the significant reclassifications and allocations, are as follows:

- Basic Housing and Visitation:

- Salary Costs - Salary costs include costs directly associated with incarceration.

- Other Costs - Basic housing and visitation costs include other housing related costs incurred at MSP, CMCF, and SMCI.

- Education and Training - Education and training costs include the cost of program-specific salaries for the following programs: Adult Basic Education, Alcohol and Drug, Vocational Education, Pre-Release, Recreation, and Life Skills Program, as well as specific costs of educational materials, equipment, and facilities for MSP, CMCF, and SMCI.

- Food Costs - Food costs include both direct purchases of food and supplies and the costs associated with preparation. Food costs also include amounts paid for management costs of food service plus the value of food produced in farming operations that is consumed by MDOC inmates. Certain purchases received at the main warehouse locations at MSP are subsequently transferred to other locations, including food produced by MSP farming operations. An overall average food cost per day was determined that consists of the following:

NOTE 2 - BASIS OF PRESENTATION (CONTINUED)

Value of food produced by farm and consumed	\$ 1,852,221
Food management contract payments	2,378,609
Food purchases	5,002,741
Change in ending inventory	<u>2,367</u>
Total cost of food	<u>\$ 9,235,938</u>
Inmate days	<u>3,890,657</u>
Average cost of food per inmate day	<u>\$ 2.37</u>

- Farming Costs - MSP maintains a prison operated farm in Sunflower County, Mississippi. Farming costs include operating costs net of revenues derived from sales to outside parties and the value of food produced which is consumed by MDOC inmates. Net losses generated from farm operations are allocated to units to which the farm operation provides inmate work opportunities. No costs were allocated during the year ended June 30, 2003, because the farm did not incur a loss.
- Medical Costs - Medical costs are based on the fixed cost per inmate day set forth in the contractual agreement between MDOC and the University of Mississippi Medical Center (UMMC) to provide medical care to inmates plus contractual security costs associated with medical care. Security costs for the year ended June 30, 2003, equaled 14¢ per inmate day, which was determined by dividing contractual security costs by MDOC's total inmate days of medical responsibility. As of June 30, 2003, the applicable rate was \$5.81 per inmate day. Effective July 1, 2003, medical services will be provided by Correctional Medical Services at contract rates of \$5.68 to \$5.84 per inmate day (\$5.76 as of July 1, 2003) plus increases should costs exceed targeted cost estimates in certain areas.
- Parole Board Costs - Parole Board costs have been allocated to specific facilities, including county jails, community work centers, and privately operated prisons, based on the ratio of inmate days at each facility to total inmate days at all facilities.
- Administrative Costs - Administrative costs include activities of the Office of the Commissioner, Office of the Deputy Commissioner, finance and administration, purchasing, buildings and grounds, personnel, and management information systems. These costs have been allocated to specific units, including county jails, community work centers, and privately operated prisons, based on the ratio of inmate days at each facility to total inmate days for all facilities.

NOTE 2 - BASIS OF PRESENTATION (CONTINUED)

- Debt Service Costs - Debt service costs relate to debt service on bonds issued to finance the construction of MDOC housing and support buildings. The Joint Legislative Committee on Performance Evaluation and Expenditure Review provided these expenditures which represent debt service costs associated with inmates held in a medium security facility. Medium security debt service costs are hypothetical tenth year payments on "Bond Buyer" 20 year AA general obligation bond rates as of August 3, 1994. This medium security debt service figure is appropriate for use as a benchmark for the private 1,000-bed medium security facility in Marshall County awarded to Wackenhut Corrections on November 29, 1994, and the private 1,000-bed medium security facility in Leflore County, presently closed. This would not be the appropriate debt service figure to use as a benchmark for any new medium security facility. Any new medium security facility's debt service would equal that of a minimum security facility.
- Support from Other State Agencies - Certain other state agencies provide support to the activities of MDOC. In some cases, MDOC is charged a service fee for services. These services include building construction and property management, purchasing, treasury and disbursement, legislative audit, legal, records management, and courier services. The charges for these services are included in allocated administrative costs in the accompanying Schedule. Although the State of Mississippi prepares an annual cost allocation plan which identifies costs by agency, costs attributable to MDOC are not specifically quantified due to the fact that MDOC does not administer a significant amount of federal grants. Management of MDOC estimates that services received but unbilled are insignificant to the total operating costs of the Department and are not included in the accompanying Schedule.
- Costs Not Included - Operating costs for MDOC have been adjusted to exclude costs applicable to construction of facilities.

Mississippi Joint Legislative Committee on
Performance Evaluation and Expenditure Review
Jackson, Mississippi

Independent Accountants' Report

We have examined the accompanying Schedule of Average Daily Costs Per State Inmate by Security Classification (the Schedule) of the Mississippi Department of Corrections (MDOC) for the year ended June 30, 2003. Except as explained in the following paragraph, our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances. The procedures were designed to determine the average costs per state inmate day based on historical data.

We were not engaged to examine the debt service costs which are included in the Schedule. These costs were provided by the Joint Legislative Committee on Performance Evaluation and Expenditure Review.

In our opinion, except for debt service costs and subject to the limitations set forth in the preceding paragraph, the Schedule referred to above presents, in all material respects, average daily costs per state inmate by security classification for a 1,000-bed correctional facility for the year ended June 30, 2003, in conformity with the measurement and disclosure criteria set forth in Note 2 to the Schedule. Because of the matters discussed in paragraph two, the scope of our work was not sufficient to express, and we do not express, an opinion on the appropriateness of the debt service costs component.

This Schedule is based on the most accurate data and information available from MDOC staff at the time. MDOC facilities do not include a minimum or medium security facility which operates as a 1,000-bed correctional facility. Consequently, actual costs of operation of a 1,000-bed correctional facility may be materially different than those shown in the Schedule. Additionally, should MDOC management significantly alter the assumptions in the design, construction, and operational concept for a 1,000-bed correctional facility as presented in this report, the daily costs per state inmate amount would change.

Smith, Turner & Reeves

November 24, 2003

MISSISSIPPI DEPARTMENT OF CORRECTIONS
SCHEDULE OF AVERAGE DAILY COSTS PER STATE
INMATE BY SECURITY CLASSIFICATION
(FOR ADULT MALE INMATES IN A 1,000-BED
CORRECTIONAL FACILITY)
YEAR ENDED JUNE 30, 2003

	<u>Security Classification</u>		
	<u>Minimum</u>	<u>Medium</u>	<u>Maximum</u>
OPERATING COSTS:			
Direct costs:			
Basic housing and visitation:			
Salary costs	\$ 13.29	\$ 17.98	\$ 44.25
Other costs	3.85	3.20	3.85
Education and training	2.49	1.74	-
Food	2.37	2.37	2.37
Medical	5.95	5.95	5.95
Parole Board	0.07	0.07	0.07
Allocated administrative costs	<u>2.56</u>	<u>2.56</u>	<u>2.56</u>
	30.58	33.87	59.05
ANNUAL DEBT SERVICE	<u>7.94</u>	<u>7.57</u>	<u>9.57</u>
TOTAL AVERAGE DAILY COSTS	<u>\$ 38.52</u>	<u>\$ 41.44</u>	<u>\$ 68.62</u>

See accompanying Notes to Schedule.

MISSISSIPPI DEPARTMENT OF CORRECTIONS
NOTES TO SCHEDULE OF AVERAGE DAILY COSTS
PER STATE INMATE BY SECURITY CLASSIFICATION

NOTE 1 - ORGANIZATION

Description of Entity

The Mississippi Department of Corrections (MDOC or the Department) has the responsibility for the care, custody, study, training, supervision, and treatment of adult offenders committed to the Department and to plan, develop, coordinate, and manage a state-wide comprehensive correctional system.

MDOC, for purposes of determining the average daily costs per state inmate, includes the following entities:

- Mississippi State Penitentiary (MSP) - MSP is a correctional facility located in Sunflower County, Mississippi which incarcerates approximately 5,300 adult male felons.
- Central Mississippi Correctional Facility (CMCF) - CMCF is a medium security facility located in Rankin County, Mississippi. CMCF serves as the central receiving and classification center for MDOC and incarcerates approximately 3,100 offenders, including all female offenders.
- South Mississippi Correctional Institution (SMCI) - SMCI is located in Greene County, Mississippi and incarcerates approximately 2,300 medium security adult felons. Approximately 230 of these inmates are in the Regimented Inmate Discipline (RID) Program which are excluded, along with the associated cost, for purposes of calculating daily cost per inmate.

MDOC also administers correctional operations through other facilities. Although these locations have been allocated certain administrative costs, the costs of the facilities have not been included in determining the average daily costs per state inmate. These other facilities are as follows:

- MDOC operates restitution and work centers throughout the State which house inmates.
- MDOC also contracts with privately operated prisons and regional correctional authorities to incarcerate inmates. Inmates are also incarcerated in county operated jails. MDOC is responsible for certain administrative functions and medical care related to inmates incarcerated by others.

NOTE 2 - BASIS OF PRESENTATION

Expenditures are presented by security classification and are based on the costs of operations at facilities considered by management and the Joint Legislative Committee on Performance Evaluation and Expenditure Review to provide the most representative data for the security classifications presented as follows:

- Minimum Security - Unit 25 at MSP - 192-bed capacity
- Medium Security - SMCI - 2,186-bed capacity (exclusive of RID Program)
- Maximum Security - Unit 32 at MSP - 1,000-bed capacity

Operating costs were determined from MDOC's internal accounting records which reflect final adjusted costs by cost center. Operating costs are accounted for by functional cost centers.

Costs of basic confinement and prison programs are presented separately to facilitate an understanding of the operating costs. In arriving at amounts presented in the accompanying Schedule, certain reclassifications and allocations were necessary. Explanations of certain operating cost categories presented, together with explanations of the significant reclassifications and allocations, are as follows:

- Basic Housing and Visitation:

Salary Costs - Salary costs include costs directly associated with incarceration.

Other Costs - Basic housing and visitation costs include other housing related costs incurred at MSP, CMCF, and SMCI.

- Education and Training - Education and training costs include the cost of program-specific salaries for the following programs: Adult Basic Education, Alcohol and Drug, Vocational Education, Pre-Release, Recreation, and Life Skills Program, as well as specific costs of educational materials, equipment, and facilities for MSP, CMCF, and SMCI.
- Food Costs - Food costs include both direct purchases of food and supplies and the costs associated with preparation. Food costs also include amounts paid for management costs of food service plus the value of food produced in farming operations that is consumed by MDOC inmates. Certain purchases received at the main warehouse locations at MSP are subsequently transferred to other locations, including food produced by MSP farming operations. An overall average food cost per day was determined that consists of the following:

NOTE 2 - BASIS OF PRESENTATION (CONTINUED)

Value of food produced by farm and consumed	\$ 1,852,221
Food management contract payments	2,378,609
Food purchases	5,002,741
Change in ending inventory	<u>2,367</u>
 Total cost of food	 <u>\$ 9,235,938</u>
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 Average cost of food per inmate day	 <u>\$ 2.37</u>

- Farming Costs - MSP maintains a prison operated farm in Sunflower County, Mississippi. Farming costs include operating costs net of revenues derived from sales to outside parties and the value of food produced which is consumed by MDOC inmates. Net losses generated from farm operations are allocated to units to which the farm operation provides inmate work opportunities. No costs were allocated during the year ended June 30, 2003, because the farm did not incur a loss.
- Medical Costs - Medical costs are based on the fixed cost per inmate day set forth in the contractual agreement between MDOC and the University of Mississippi Medical Center (UMMC) to provide medical care to inmates plus contractual security costs associated with medical care. Security costs for the year ended June 30, 2003, equaled 14¢ per inmate day, which was determined by dividing contractual security costs by MDOC's total inmate days of medical responsibility. As of June 30, 2003, the applicable rate was \$5.81 per inmate day. Effective July 1, 2003, medical services will be provided by Correctional Medical Services at contract rates of \$5.68 to \$5.84 per inmate day (\$5.76 as of July 1, 2003) plus increases should costs exceed targeted cost estimates in certain areas.
- Parole Board Costs - Parole Board costs have been allocated to specific facilities, including county jails, community work centers, and privately operated prisons, based on the ratio of inmate days at each facility to total inmate days at all facilities.
- Administrative Costs - Administrative costs include activities of the Office of the Commissioner, Office of the Deputy Commissioner, finance and administration, purchasing, buildings and grounds, personnel, and management information systems. These costs have been allocated to specific units, including county jails, community work centers, and privately operated prisons, based on the ratio of inmate days at each facility to total inmate days for all facilities.

NOTE 2 - BASIS OF PRESENTATION (CONTINUED)

- Debt Service Costs - Debt service costs relate to debt service on bonds issued to finance the construction of MDOC housing and support buildings. The Joint Legislative Committee on Performance Evaluation and Expenditure Review provided these expenditures for minimum, medium and maximum security facilities. Debt service figures for minimum and maximum security facilities were derived from “Bond Buyer” 20 year AA general obligation bond rates as of November 4, 2003. Debt service figures for medium security facilities are hypothetical tenth year payments on “Bond Buyer” 20 year AA general obligation bond rates as of August 3, 1994. This medium security debt service figure is appropriate for use as a benchmark for the private 1,000-bed medium security facility in Marshall County awarded to Wackenhut Corrections on November 29, 1994, and the private 1,000-bed medium security facility in Leflore County, presently closed. This would not be the appropriate debt service figure to use as a benchmark for any new medium security facility. Any new medium security facility’s debt service would equal that of a minimum security facility.
- Support from Other State Agencies - Certain other state agencies provide support to the activities of MDOC. In some cases, MDOC is charged a service fee for services. These services include building construction and property management, purchasing, treasury and disbursement, legislative audit, legal, records management, and courier services. The charges for these services are included in allocated administrative costs in the accompanying Schedule. Although the State of Mississippi prepares an annual cost allocation plan which identifies costs by agency, costs attributable to MDOC are not specifically quantified due to the fact that MDOC does not administer a significant amount of federal grants. Management of MDOC estimates that services received but unbilled are insignificant to the total operating costs of the Department and are not included in the accompanying Schedule.
- Costs Not Included - Operating costs for MDOC have been adjusted to exclude costs applicable to construction of facilities.

Mississippi Joint Legislative Committee on
Performance Evaluation and Expenditure Review
Jackson, Mississippi

Independent Accountants' Report

We have examined the accompanying Schedule of Average Daily Costs Per Psychiatric Inmate by Security Classification (the Schedule) of the Mississippi Department of Corrections (MDOC) for the year ended June 30, 2003. Except as explained in the following paragraph, our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances. The procedures were designed to determine the average costs per state inmate day based on historical data.

We were not engaged to examine the debt service costs which are included in the Schedule. These costs were provided by the Joint Legislative Committee on Performance Evaluation and Expenditure Review.

In our opinion, except for debt service costs and subject to the limitations set forth in the preceding paragraph, the Schedule referred to above presents, in all material respects, average daily costs per state inmate by security classification for a 500-bed psychiatric facility for the year ended June 30, 2003, in conformity with the measurement and disclosure criteria set forth in Note 2 to the Schedule. Because of the matters discussed in paragraph two, the scope of our work was not sufficient to express, and we do not express, an opinion on the appropriateness of the debt service costs component.

This Schedule is based on the most accurate data and information available from MDOC staff at the time. MDOC facilities do not include a medium or maximum security facility which operates as a 500-bed psychiatric facility. Consequently, actual costs of operation of a 500-bed psychiatric facility may be materially different than those shown in the Schedule. Additionally, should MDOC management significantly alter the assumptions in the design, construction, and operational concept for a 500-bed psychiatric facility as presented in this report, the daily costs per state inmate amount would change.



November 24, 2003

MISSISSIPPI DEPARTMENT OF CORRECTIONS
SCHEDULE OF AVERAGE DAILY COSTS PER
PSYCHIATRIC INMATE BY SECURITY CLASSIFICATION
(FOR ADULT MALE INMATES IN A 500-BED
PSYCHIATRIC FACILITY)
YEAR ENDED JUNE 30, 2003

	<u>Security Classification</u>	
	<u>Medium</u>	<u>Maximum</u>
OPERATING COSTS:		
Direct costs:		
Basic housing and visitation:		
Salary costs	\$ 22.64	\$ 44.25
Other costs	3.85	3.85
Education and training	2.49	-
Food	2.37	2.37
Medical	5.95	5.95
Parole Board	0.07	0.07
Allocated administrative costs	<u>2.56</u>	<u>2.56</u>
	39.93	59.05
 ANNUAL DEBT SERVICE	 <u>13.26</u>	 <u>13.26</u>
 TOTAL AVERAGE DAILY COSTS	 <u>\$ 53.19</u>	 <u>\$ 72.31</u>

See accompanying Notes to Schedule.

MISSISSIPPI DEPARTMENT OF CORRECTIONS
NOTES TO SCHEDULE OF AVERAGE DAILY COSTS PER
PSYCHIATRIC INMATE BY SECURITY CLASSIFICATION

NOTE 1 - ORGANIZATION

Description of Entity

The Mississippi Department of Corrections (MDOC or the Department) has the responsibility for the care, custody, study, training, supervision, and treatment of adult offenders committed to the Department and to plan, develop, coordinate, and manage a state-wide comprehensive correctional system.

MDOC, for purposes of determining the average daily costs per state inmate, includes the following entities:

- Mississippi State Penitentiary (MSP) - MSP is a correctional facility located in Sunflower County, Mississippi which incarcerates approximately 5,300 adult male felons.
- Central Mississippi Correctional Facility (CMCF) - CMCF is a medium security facility located in Rankin County, Mississippi. CMCF serves as the central receiving and classification center for MDOC and incarcerates approximately 3,100 offenders, including all female offenders.
- South Mississippi Correctional Institution (SMCI) - SMCI is located in Greene County, Mississippi and incarcerates approximately 2,300 medium security adult felons. Approximately 230 of these inmates are in the Regimented Inmate Discipline (RID) Program which are excluded, along with the associated cost, for purposes of calculating daily cost per inmate.

MDOC also administers correctional operations through other facilities. Although these locations have been allocated certain administrative costs, the costs of the facilities have not been included in determining the average daily costs per state inmate. These other facilities are as follows:

- MDOC operates restitution and work centers throughout the State which house inmates.
- MDOC also contracts with privately operated prisons and regional correctional authorities to incarcerate inmates. Inmates are also incarcerated in county operated jails. MDOC is responsible for certain administrative functions and medical care related to inmates incarcerated by others.

NOTE 2 - BASIS OF PRESENTATION

Expenditures are presented by security classification and are based on the costs of operations at facilities considered by management and the Joint Legislative Committee on Performance Evaluation and Expenditure Review to provide the most representative data for the security classifications presented as follows:

- Medium Security - Unit 24 at MSP - 366-bed capacity
- Maximum Security - Unit 32 at MSP - 1,000-bed capacity

Operating costs were determined from MDOC's internal accounting records which reflect final adjusted costs by cost center. Operating costs are accounted for by functional cost centers.

Costs of basic confinement and prison programs are presented separately to facilitate an understanding of the operating costs. In arriving at amounts presented in the accompanying Schedule, certain reclassifications and allocations were necessary. Explanations of certain operating cost categories presented, together with explanations of the significant reclassifications and allocations, are as follows:

- Basic Housing and Visitation:

Salary Costs - Salary costs include costs directly associated with incarceration.

Other Costs - Basic housing and visitation costs include other housing related costs incurred at MSP, CMCF, and SMCI.

- Education and Training - Education and training costs include the cost of program-specific salaries for the following programs: Adult Basic Education, Alcohol and Drug, Vocational Education, Pre-Release, Recreation, and Life Skills Program, as well as specific costs of educational materials, equipment, and facilities for MSP, CMCF, and SMCI.
- Food Costs - Food costs include both direct purchases of food and supplies and the costs associated with preparation. Food costs also include amounts paid for management costs of food service plus the value of food produced in farming operations that is consumed by MDOC inmates. Certain purchases received at the main warehouse locations at MSP are subsequently transferred to other locations, including food produced by MSP farming operations. An overall average food cost per day was determined that consists of the following:

NOTE 2 - BASIS OF PRESENTATION (CONTINUED)

Value of food produced by farm and consumed	\$ 1,852,221
Food management contract payments	2,378,609
Food purchases	5,002,741
Change in ending inventory	<u>2,367</u>
Total cost of food	<u>\$ 9,235,938</u>
Inmate days	<u>3,890,657</u>
Average cost of food per inmate day	<u>\$ 2.37</u>

- Farming Costs - MSP maintains a prison operated farm in Sunflower County, Mississippi. Farming costs include operating costs net of revenues derived from sales to outside parties and the value of food produced which is consumed by MDOC inmates. Net losses generated from farm operations are allocated to units to which the farm operation provides inmate work opportunities. No costs were allocated during the year ended June 30, 2003, because the farm did not incur a loss.
- Medical Costs - Medical costs are based on the fixed cost per inmate day set forth in the contractual agreement between MDOC and the University of Mississippi Medical Center (UMMC) to provide medical care to inmates plus contractual security costs associated with medical care. Security costs for the year ended June 30, 2003, equaled 14¢ per inmate day, which was determined by dividing contractual security costs by MDOC's total inmate days of medical responsibility. As of June 30, 2003, the applicable rate was \$5.81 per inmate day. Effective July 1, 2003, medical services will be provided by Correctional Medical Services at contract rates of \$5.68 to \$5.84 per inmate day (\$5.76 as of July 1, 2003) plus increases should costs exceed targeted cost estimates in certain areas.
- Parole Board Costs - Parole Board costs have been allocated to specific facilities, including county jails, community work centers, and privately operated prisons, based on the ratio of inmate days at each facility to total inmate days at all facilities.
- Administrative Costs - Administrative costs include activities of the Office of the Commissioner, Office of the Deputy Commissioner, finance and administration, purchasing, buildings and grounds, personnel, and management information systems. These costs have been allocated to specific units, including county jails, community work centers, and privately operated prisons, based on the ratio of inmate days at each facility to total inmate days for all facilities.

NOTE 2 - BASIS OF PRESENTATION (CONTINUED)

- Debt Service Costs - Debt service costs relate to debt service on bonds issued to finance the construction of housing and support buildings for a 500-bed psychiatric correctional facility for medium and maximum security inmates. The Joint Legislative Committee on Performance Evaluation and Expenditure Review provided these expenditures. This debt service figure is appropriate for use as a benchmark for the private 500-bed psychiatric correctional facility in Lauderdale County operated by Wackenhut Corrections. This would not be the appropriate debt service figure to use as a benchmark for any new psychiatric correctional facility.
- Support from Other State Agencies - Certain other state agencies provide support to the activities of MDOC. In some cases, MDOC is charged a service fee for services. These services include building construction and property management, purchasing, treasury and disbursement, legislative audit, legal, records management, and courier services. The charges for these services are included in allocated administrative costs in the accompanying Schedule. Although the State of Mississippi prepares an annual cost allocation plan which identifies costs by agency, costs attributable to MDOC are not specifically quantified due to the fact that MDOC does not administer a significant amount of federal grants. Management of MDOC estimates that services received but unbilled are insignificant to the total operating costs of the Department and are not included in the accompanying Schedule.
- Costs Not Included - Operating costs for MDOC have been adjusted to exclude costs applicable to construction of facilities.

Mississippi Joint Legislative Committee on
Performance Evaluation and Expenditure Review
Jackson, Mississippi

Independent Accountants' Report on Supplemental Schedule

Our reports on our examinations of the schedules of average daily costs per state inmate appear on pages 3, 9 and 15. Our examinations were conducted for the purpose of forming an opinion on the basic schedules taken as a whole. The additional information presented on the accompanying Schedule of Considerations for Private Prison Contract Negotiations is presented for purposes of additional analysis. This information has not been subjected to the examination procedures applied to the basic schedules, and we express no opinion on it.

Smith, Turner & Reeves

November 24, 2003

**MISSISSIPPI DEPARTMENT OF CORRECTIONS
SCHEDULE OF CONSIDERATIONS FOR PRIVATE
PRISON CONTRACT NEGOTIATIONS**

		MDOC Facility			Private Facility		
		Minimum	Medium	Maximum	Minimum	Medium	Maximum
Infrastructure	¹	X	X	X	State Provided		
Food		X	X	X	X	X	X
Clothing		X	X	X	X	X	X
Medical and dental care	²	X	X	X	X	X	X
Education	³	X	X		X	X	
Records	⁴	X	X	X	State Provided		
Inmate classification and management	⁴	X	X	X	State Provided		
Offender services	⁴	X	X	X	State Provided		
Transportation		X	X	X	X	X	X
Parole Boards	⁵	X	X	X	State Provided		
Probation	⁵	X	X	X	State Provided		
Restitution	⁵	X	X	X	State Provided		
Drug treatment	⁵	X	X	X	State Provided		
Handicap or invalid incarceration	⁵	X	X	X	State Provided		
Farming	⁶	X	X		Not Applicable		
Administrative costs	⁷	X	X	X	X	X	X
Monitoring costs	⁸				X	X	X

¹ Operating costs depend on facility design and security classification. Economies of scale for facility depend on the number of inmates housed.

² Consideration should be given to the level of medical care to be provided and whether the burden of responsibility for extended medical care transfers to the State.

³ MDOC uses licensed teachers for their adult basic education and vocational education programs. Consideration should be given if non-certified teachers will be used.

⁴ Costs associated with records, inmate classification, and offender services are provided by the State. Identified direct costs of these functions total \$5,011,829 for year ended June 30, 2003. Inmate days supported by these functions were 6,434,768, representing a daily cost of \$.78.

⁵ The costs associated with services provided by the State should not be considered as a part of the contracted rate with a private facility.

⁶ Private facilities do not have farming operations.

⁷ Private facilities have fewer administrative responsibilities than the responsibilities of the State.

⁸ Private facilities reimburse MDOC for monitoring costs.

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