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PRIVATE PRISONS BENEFIT LOCAL ECONOMIES

*-Association of Private Correctional and Treatment Organizations
Rejects Institute on Taxation and Economic Policy Study-*

October 25, 2001 – (Chicago, IL) – Today the Association of Private Correctional and Treatment Organizations (APCTO) sharply criticized a recent report by the Washington, D.C.-based Institute on Taxation and Economic Policy, a think tank funded by labor organizations.

“The research,” said Steve Logan, APCTO President and the Chief Executive Officer of Cornell Companies, Inc. (NYSE:CRN), “alleges that private correctional facilities are subsidized by government and that they fail to yield measurable economic benefits to the communities in which the facilities are located. Two decades of experience and a mountain of hard economic data prove these conclusions to be absolutely false. The American public needs to understand two important facts: private prisons are awarded contracts based on free and open competition and, secondly, private providers must demonstrate accountability and quality of performance in a cost effective manner to the taxpayer if they are to retain and renew contract awards.”

Today 125,000 pre-trial and sentenced offenders, which is approximately 6.3 percent of the nation’s prisoner population, are housed in privately managed facilities that are located in nearly two-thirds of the states in our nation. According to APCTO this does not reflect a national public policy of favoring the cheapest option. It supports innovative solutions to serving and treating offenders. APCTO and its members are committed to provide quality correctional and treatment services to increase performance, decrease recidivism and long-term results. “When we see inaccurate reports like this one,” said Logan, “we are compelled to set the record straight and bring to light factual information.”

Global Research Provides Local Insights to Economic Impact

“More than three dozen widely published research studies in Australia, Great Britain, and the United States have documented the benefits provided by private prisons,” said Logan. For example, last year an in-depth report published by the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA), the research arm of the Florida legislature, focused on a 1,318-bed prison that was constructed and is being managed by the Wackenhut Corrections Corporation (NYSE:WHC). The facility houses medium and close custody male felons. The

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Report compares Wackenhut's South Bay Correctional Facility with the nearby, similar size, and mission, Okeechobee Correctional Facility and is operated by the Florida Department of Corrections. The report to the Florida legislature concludes that the construction cost for the Wackenhut facility was 24 percent below that of the state facility. Wackenhut's operating costs for the 1998-99 fiscal year were 10.6 percent below that of the state prison, and that the rehabilitative programs provided by Wackenhut were significantly more sophisticated than those being made available to prisoners in the state managed prison.

Consider also the 2,304-bed correctional facility in California City, California that opened last year and is now filled to its design capacity with sentenced federal prisoners. The facility was constructed by the Corrections Corporation of America (NYSE: CXW) with \$110 million of CCA's capital. According to Logan not one dime of taxpayer money was ever put at risk. Today the facility provides full-time employment for 549 corrections professionals. It has an annual payroll of more than \$10 million. It yields \$1.1 million in annual property tax payments to local government from CCA. "For anyone to say that a private correctional facility of this type fails to have economic benefits to a community is absurd," he said. "And this CCA facility is only one of more than 150 private correctional facilities that are now in operation in the United States."

Experts and Local Officials Speak Out and Support Privatization

Another critic of the study is Charles R. Jones, Chief Executive Officer of Correctional Properties Trust, Inc. (NYSE:CPV). Regarded as a nationally prominent expert in the area of public finance, Jones was stunned by the Institute's lack of sophistication in topics related to how government funds major public infrastructure projects at the state and local levels.

"For many decades, the capital needed for the construction of virtually any essential infrastructure you can imagine has been made possible by state and federal laws that encourage the sale of various types of tax-exempt bonds," Jones explained. "Only government can issue tax-exempt bonds. Only government can own infrastructure constructed with tax-exempt bond proceeds. The benefit to choosing this source of capital is that the cost of borrowing is much lower, and this means that the long-term burden on tax paying citizens is also much lower."

Jones went on to say that, "for the Institute to assert that communities which finance the construction of badly needed new bridges, correctional facilities, highways, hospitals, affordable housing for low income families, and schools, are a subsidy to private firms, is as foolish as it is wrong. The benefit is and must be the public and not a private interest. The Institute report also fails to reflect an understanding that the type of tax-exempt bonds used to fund the construction of all of the private facilities I have seen, do not rely in any way whatsoever on any increase in the tax burden shouldered by taxpayers. What is put at risk in these projects is private capital and private investors."

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Local officials across the nation support APCTO's goal of forging partnerships between communities and private corrections and treatment management firms as stimulus for local economic development. "Private prisons are very helpful to their local communities in an economic sense," says Judge Sandra Hodges of Rusk County, Texas. "The Bradshaw State Jail Facility, which is operated by Management and Training Corporation (MTC), benefits the town of Henderson and the Rusk County area in numerous ways, from the employee payroll and the resulting economic impact on the community, to the purchasing of goods and merchandise locally. Last year alone, \$1.6 million was spent locally. Importantly, Rusk County had no economic risk in the construction of the facility, which was financed through AAA rated low-interest bonds and which involved no tax incentives being given to MTC. We fought hard to have the jail in our community, and we're very appreciative of the economic impact it has made and the work the operators have done to improve the community."

A similar experience was reported by Jack Stewart, the City Manager of California City, California, "We worked unsuccessfully for years in an effort to interest our state correctional agency in constructing a correctional facility in our area," said Stewart. "Success was achieved only when a partnership was created between our community and the Corrections Corporation of America. The contribution to the economic vitality of California City proved to be greater than anything we imaged might be possible. The existence of the CCA facility, the hundreds of new jobs it provides for our citizens, and the millions of dollars CCA brings to the community through its purchasing of goods and services as well as property tax payments, created many opportunities for us. Today, for example, a major firm has made a commitment to building a large supermarket on an 8-acre site, we are expanding the capacity of our airport, and we are confidently moving forward with a plan for a new industrial park. None of this would have been possible without the CCA facility and the confidence of the Federal Bureau of Prisons that CCA would provide high quality correctional services and do so at a significant cost savings to taxpayers."

The Association of Private Correctional and Treatment Organizations (APCTO), is an industry trade association representing the interests of private corrections and treatment providers, other service and product providers, government officials, and individuals interested in private corrections and treatment.

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