



Privatizing Iowa's Prisons

by Steven B. Garrison

Public Interest Institute will soon release a new Policy Study titled "Privatizing Iowa's Prisons." This Policy Study outlines an innovative solution to Iowa's troubled prison system.

As recent experience has shown, Iowa's government simply has not been able to trim the budget sufficiently to make any serious or substantial changes in Iowa's spending habits. What is needed is a fundamental change in a part of Iowa government. One fundamental change that has the potential to save the state millions of dollars is privatizing a portion of Iowa's prison system.

In 2001 Iowa's prisons housed 8,100 inmates in nine different facilities; this is just .28% of Iowa's total population.¹ Yet for Fiscal Year (FY) 2001 the state budgeted \$251,000,000 to house these 8,100 inmates.² This translates into nearly \$31,000 per inmate per year, or nearly \$85 per inmate per day. The cost per inmate per day is also known as the per diem rate, and is commonly used to gauge how much a state will have to pay to house prisoners. By way of comparison, the average income for a private sector employee in Iowa for 2000 was only \$27,500.³ In Iowa it costs the taxpayers more money to house a single prisoner than the average private sector employee earns annually.

Over the last several years the voters in Iowa have wanted criminals locked away for longer periods of time, and the Legislature has accommodated voters through creating various mandatory sentences, reducing or eliminating parole, and expanding the sentence time for various crimes. All of this has had the effect of reducing the number of criminals on the street, but it also means these inmates stay in the prison system longer. This has led to a rapidly expanding inmate population.

As a result, Iowa faces a coming population explosion in its prisons. According to the latest estimates by the Division of Criminal and Juvenile Justice Planning, Iowa's prisons are already at 126% of capacity, and will reach 173% of capacity over the next 10 years.⁴ Iowa's inmate population is expected to rise from the current level of around 8,100 to just over 12,300 by 2011, yet the expected prison capacity in Iowa will only be 7,142.⁵ According to Lettie Prell, the chief author of the estimate, this explosion in inmate population is due in large part to "an increase in prison admissions, particularly for drug offenses; the long-term effect of abolishing parole for certain crimes; and an increase in average lengths of stay in prison."⁶

A comparison of Iowa to similar states demonstrates that Iowa could save money with a system of privatized prisons. Both Kansas and Oklahoma are very close to Iowa in both population and in the size of their state budgets. However, one quality these three states do not share is the inmate per diem rate. Oklahoma's per diem costs are almost half those of Iowa and Kansas. Much of the disparity is due to the fact that Oklahoma houses 30% of its inmates in private prisons.⁷ Neither Iowa nor Kansas use any privatized prison system.⁸

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The relationship between the inmate per diem and privatization is not unique to these three states. Nationwide, those states that house a significant portion of their inmates in privatized prisons have a substantially lower cost per prisoner.⁹ States that housed at least 10% of their inmates in private prisons were compared to states that used private prisons for less than 10% of their inmate population. The states that used at least 10% privatization had a per diem cost of \$70.03, which is 24% lower than the \$86.95 for the states that used less than 10% privatization.¹⁰

If Iowa were to avail itself of the savings found by privatizing a portion of its prison system, it would have to do so for future inmates, not the current population. Private prisons realize savings compared to government-run prisons through more efficient operation that starts with the very design of the prison facility. As a result, private prison companies do not purchase existing structures, but rather choose to build their own. Because of this, Iowa could not use privatization to reduce the cost of housing current inmates. But it could use privatization as an economical way to handle the looming shortage of prison facilities in the state.

Current data shows that if a state houses at least 10% of its total inmate population in private prisons that state can save, on average, 24% over the cost of housing those same inmates in strictly government-run prisons. If Iowa were to bid out the construction of the next several prison facilities needed to house the coming inmate population explosion, then Iowa would be utilizing privatized prisons for approximately 34% of its inmate population by 2011.

As long as strict contracts and strict enforcement keep the private prison systems as safe and as well staffed as government-run institutions, and these private sector firms can run the prisons more efficiently and cheaper, then Iowa has little choice but to open a portion of its rapidly expanding inmate population to the free market.¹¹

ENDNOTES:

¹ U.S. Census Bureau, "State Population Estimates"; U.S. Bureau of Justice Statistics, "Prison and Jail Inmates at Midyear"; National Association of State Budget Officers, "State Expenditure Report"; Data collected and compiled by the accounting firm of Lattimore Black Morgan & Cain, P.C.

² Ibid.

³ "Employment and Wages Annual Averages, 2000" Bulletin 2546, U.S. Dept. of Labor Bureau of Labor Statistics.

⁴ Lettie Prell, "Iowa Prison Population Forecast," Division of Criminal & Juvenile Justice Planning, Iowa Department of Human Rights, October 2001.

⁵ Ibid.

⁶ AP, "Female Prison Population Grows at a Rapid-Fire Pace," Quad-City Times, November 30, 2002.

⁷ Lattimore Black Morgan & Cain, P.C., loc. cit.

⁸ Ibid.

⁹ Ibid.

¹⁰ Steven B. Garrison, "Privatizing Iowa's Prisons," Public Interest Institute, December 2002.

¹¹ Lettie Prell, loc. cit.

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