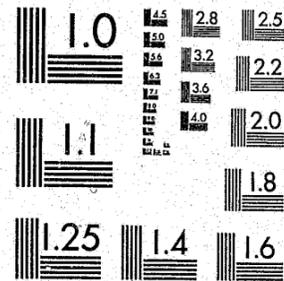


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Citizens Council ON CRIME AND JUSTICE

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This is the first in a series of reports. The focus of this report is the costs of incarceration. It is the result of a six month study by a committee of the Minnesota Citizens Council on Crime and Justice.

Subsequent reports will be issued on

- out of home placement of juveniles
- use and costs of local jails and workhouses
- effectiveness of prisons and the costs of alternatives to incarceration
- media coverage and public perceptions of crime

Thanks to the Minnesota State Department of Corrections and the Minnesota State Department of Finance.

Funded by the Northwest Area Foundation, St. Paul, Minnesota

Consultants

William Becker, U.S. Operations Controller, 3M (retired)
Bernhard Bense, Group Controller, 3M (retired)
W.H. Longacre, District Manager, The American Appraisal Company

Prepared by the Citizens Council Study Committee on Prisons

Martha Atwater, Chair
Thomas M. Beckley
Roger W. Carlson
Evelyn Gosko
Rev. Douglas Fontaine
David W. Haskin
Ray Lappegaard
Leonard Murray
Richard Potter
Annette Whiting
Richard C. Ericson,
President and Executive Officer

Principal Investigator

Russell Stricker

Research Assistance and Report Preparation

Jan Kastelic

Writer

Kellen C. Thornton

Graphic Design

Nancy Leegard

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JUN 26 1983

ACQUISITIONS

Abstract

The population in Minnesota adult correctional institutions continues to rise even as the rate of serious crime fell 4.9% in 1982. This investigation into the cost to Minnesota taxpayers of maintaining offenders in adult correctional institutions strongly indicates a need to examine alternative means of dealing with offenders. Current State reporting methods are inadequate. When direct operating costs, indirect operating costs, and construction and financing costs are included, the daily cost of housing a person in a Minnesota State correctional institution is nearly twice the reported figure. For example, housing a person at the Minnesota Correctional Facility - Lino Lakes costs \$103 per day rather than the \$62.42 reported by the State of Minnesota; housing a person at the Minnesota Correctional Facility - Stillwater costs \$70 per day rather than \$34.89.¹

The cost of constructing the new prison at Oak Park Heights is \$58.7 million. This includes the \$31.8 reported construction costs² and \$26.9 million in financing costs.

The total cost to the State for constructing a new women's prison will be \$32 million not \$15 million as published.³

A series of hearings by the Study Committee and a literature search show that incarceration does not reduce crime, that the best way to manage the use of incarceration is through sentencing guidelines and through the use of non-institutional sanctions for non-violent offenders.

Public misperceptions about crime negatively affect public policy.

Introduction

Incarceration of certain law-breakers is an essential tool in dealing with crime. Policies in dealing with offenders should be evaluated regularly and thoroughly to ascertain whether or not they result in the most effective use of incarceration and its alternatives. The evaluation would encompass cost, effectiveness, alternatives (eg., restitution, community work), sentencing policy and public perceptions.

This study examines the first consideration: cost. An effort is made to ascertain total cost to the State of Minnesota of constructing and operating adult penal institutions. Some findings on the other issues were obtained from presentations to the Citizens Council Study Committee by various criminal justice authorities. Relevant literature was also searched. These findings are included under Findings on Related Issues. (See page 8.)

Last year, the number of inmates in Minnesota State correctional institutions as well as in local jails and workhouses increased even as the rate of serious crime fell 4.9%.⁴ The Minnesota State Department of Corrections (DOC) predicts that all State adult facilities will be filled to capacity by 1985 if sentencing policies are not altered.⁵ After that, additional space for adults will be needed. The DOC is discussing the use of existing juvenile institutions. In addition, a new prison for women has been proposed to replace the old facility in Shakopee.

The trend to more and longer prison sentences and the practice of housing Wisconsin and Federal offenders contribute to the rising population. While some argue that leasing space produces income for the State, the fees charged are less than the actual cost. In addition, the practice overtaxes prison programs, reduces their potential effectiveness, and results in greater dependence on largely inadequate local jails and workhouses. Furthermore, it gives the impression that the prisons are above capacity with Minnesota offenders.⁶

Costs not included in this study are:

- the cost of land
- opportunity costs involved in the land being unproductive for tax purposes
- welfare payments and other services to families of inmates
- lost State revenues from those inmates who would otherwise be gainfully employed
- loss of potential community service and restitution to victims of crime
- human costs

Methodology

For purposes of clarity and efficiency in this report, costs are divided into two categories: operating costs and construction and financing costs. Data were collected for a four-year period in most cases. No distinctive trends in spending were revealed; hence, this report uses fiscal year 1982 data. Figures for other years are available.

Operating costs as calculated in this study are subdivided into direct operating costs and indirect operating costs.

Direct operating costs are those costs reported by the DOC in their Biennial Budget Reports. They include salaries and benefits of institutional staff, educational and vocational programs, supplies, health care, equipment and other expenses, and contractual services directly involved in operating institutions. The Citizens Council did not include federal funding which has ranged over the last several years from \$1.00 to \$4.00 per day per inmate.⁷ Prison industries costs and income are also not included because it was determined that they are approximately equal.

Indirect operating costs are those associated with maintaining the central office of the DOC and those incurred by other State departments for activities related to corrections. Actual central office costs for 1982 were extracted from the 1983-1985 Biennial Budget Report of the DOC. The costs incurred by other State departments are extracted from Department of Finance records.

The DOC reports expenditures in four major categorical programs. The first, correctional institutions, is listed in this report as direct operating costs. The second, community services, goes to operate the various non-institutional service programs in the community. The latter two programs, policy and planning services and management services, are carried out by the central office of the DOC.

The costs of policy and planning services and management services are allocated to institutions and community services based on their respective proportion to each other. In fiscal year 1982, institutions received \$50.43 million (72.3%) and community services received \$19.28 million (27.7%). The DOC central office received \$2.93 million for policy and planning services and management services. Based on the above percentages, \$2.12 million of the \$2.93 million was allocated to the institutions according to their proportional budgets. See Appendix A: 1982 Minnesota Department of Corrections Central Office Expenditures for Adult Correctional Institutions.

Other cost centers in the DOC central office reported separately though related only to correctional institutions are institutional support services, health service coordination, educational service coordination, and industries coordination. This report allocates these costs according to each institution's proportion of the total institution direct operating expenditures. Allocations are listed in Appendix A.

Corrections related costs incurred by other State departments were provided by the Department of Finance. See Appendix B: 1982 Statewide Indirect Cost Billing. The amount applied in this study is \$448,000. The figure is conservative; it is based on direct expenditures and does not include, for instance, certain work done by the office of the Attorney General, Department of Administration, and the State Architect's Office.

The general institution allocation is determined by taking 72.3% of \$448,000. The resulting \$323,904 is then allocated to each institution in an amount equal to their proportions of the direct operating costs.

Institutional improvements and repairs are a final cost to other State departments measured by this study. This category of operating costs was appropriated by the Minnesota State Legislature and paid from the Minnesota Department of Administration general fund. The Minnesota Department of Finance provided information on the amount of money appropriated for each institution by the Legislature for the year 1976 through 1979. A one-year average was then obtained for each institution.

Construction and financing costs constitute the second major category. Calculations in this report employ 8.5% financing and 20-year amortization. For purposes of estimating construction and financing costs, this study used both traditional appraisal techniques and current cost accounting.

The appraisal technique simply determines the cost to reproduce the facility in like kind and/or with the same utility. Current cost accounting measures costs based on the current cost to replace the existing facilities. One can then look at similar facilities built under different circumstances. While it may have been prudent to construct a facility in the past, the cost of the facility if built today can be justified in terms of cost versus benefits. The concept and the techniques for implementing the current cost accounting are not without some controversy. However, most appraisers and accountants agree that using current costs

provides a useful form of measurement and comparison.

By using such methods the study estimates the construction and financing costs of Minnesota's existing correctional facilities at Stillwater, St. Cloud, Lino Lakes, and Shakopee. Comparative data on per bed prison construction costs was provided by the U.S. Bureau of Prisons. The construction and financing costs of the recently opened correctional facility at Oak

Park Heights serve as the guide for determining the per bed cost of large (more than 400 beds) correctional facilities.

The DOC's projected costs for constructing a new facility to replace the correctional facility at Shakopee is \$15 million. This cost estimate then was also used for determining the per bed cost of small (less than 400 beds) correctional facilities.

Findings

Operating costs

Direct operating costs of Minnesota's adult correctional institutions are taken from the fiscal year 1982 Biennial Budget Report of the Minnesota Department of Corrections. This is the public document which reports

the costs of running the state's prisons. Oak Park Heights is omitted from these tables because it was not operating for the entire 1982 fiscal year.

TABLE 1

1982 Direct Operating Cost of Minnesota State Adult Correctional Institutions

Minnesota Correctional Institution at	Direct Operating Cost	Average Daily Population	Cost per Inmate
Lino Lakes	\$ 4,351,700	182	\$23,910
St. Cloud	\$10,364,600	583	\$17,778
Shakopee	\$ 1,556,100	60	\$25,935
Stillwater	\$14,329,700	1050	\$13,647
Willow River	\$ 1,229,400	53	\$23,196

Indirect costs, that is, expenses of the DOC central office and other State departments, constitute approximately 11% of the total operating cost of each institution. The totals are distributed among the various adult facilities and listed as an average cost per inmate as in Table 2.

The operating cost per inmate is considerably greater than would be known by studying the operating costs reports of the DOC which do not allocate indirect costs to each institution.

TABLE 2
1982 Indirect Operating Cost of Minnesota State Adult Correctional Institutions

Minnesota Correctional Institution at	Central Office	Other Related State Depts.	Institutional Improvement & Repairs	Total Indirect Operating Costs	Average Daily Population	Total Indirect Operating Costs per Inmate
Lino Lakes	\$ 548,400	\$ 37,000	\$237,510	\$ 822,910	182	\$4,521
St. Cloud	\$1,102,600	\$ 74,400	\$486,222	\$1,663,222	583	\$2,853
Shakopee	\$ 165,400	\$ 11,200	\$118,440	\$ 295,040	60	\$4,917
Stillwater	\$1,800,200	\$121,400	\$831,600	\$2,753,200	1050	\$2,622
Willow River	\$ 125,000	\$ 8,500	\$ 39,326	\$ 172,826	53	\$3,261

TABLE 3
1982 Combined Operating Costs (Direct and Indirect) Per Inmate at Minnesota State Adult Correctional Institutions

Minnesota Correctional Institution at	Direct Operating Cost per Inmate	Indirect Operating Cost per Inmate	Combined Operating Costs per Inmate
Lino Lakes	\$23,910	\$4,521	\$28,431
St. Cloud	\$17,778	\$2,853	\$20,631
Shakopee	\$25,935	\$4,917	\$30,852
Stillwater	\$13,647	\$2,622	\$16,269
Willow River	\$23,196	\$3,261	\$26,457

Construction and financing costs

While Minnesota opened the Oak Park Heights maximum security correctional facility in 1982, saturation is projected by the DOC prior to 1985. The State of Minnesota will pay a total of \$58.7 million for the Oak Park Heights facility. This includes \$31.8 million for construction and \$26.9 million in financing for six 20-year bond issues with a weighted average interest rate of 6.7%.⁹ The 1983 Minnesota Legislature appropriated \$15 million to build a 108 bed facility to replace the present one at Shakopee. Adding \$17 million in financing results in an actual cost of \$32 million or \$296,000 for each of the 108 beds.

The cost of constructing new prisons is estimated for large (more than 400 beds) and small (less than 400 beds) facilities. The estimation uses 8.5% financing and 20 years to amortize the debt. The daily totals assume that the institutions are maintained at capacity. If they are not, the average daily cost will be higher.

Estimation of Annual Per Bed Cost of Construction and Financing Minnesota State Adult Correctional Institutions

Size of Institution	Total Per Bed Construction Cost	Annual Interest at 8.5%	Annual Per Bed Cost of Principal and Interest	Daily Per Bed Cost of Principal and Interest
Large	\$ 85,000	\$4,738	\$ 8,988	\$25
Small	\$140,000	\$7,803	\$14,803	\$41

Total cost of incarceration

The actual cost of incarceration is the sum of the various cost centers as shown.

The operating cost estimate for Oak Park Heights was based on a four-year (1979-1982) comparison of the

DOC reported average daily cost per inmate and Citizens Council cost figures for the older State adult correctional institutions.

TABLE 5

1982 Average Total Daily Annual Cost Per Inmate at Minnesota State Adult Correctional Institutions

Minnesota Correctional Institution at	Combined Operating Cost	Construction & Financing	Total Daily Cost/Inmate	Total Annual Cost/Inmate	vs. DOC Reported Cost/Inmate
Lino Lakes	\$78	\$25	\$103	\$37,595	\$22,783
Oak Park Heights	\$94	\$25	\$119	\$43,435	\$26,539
St. Cloud	\$57	\$25	\$ 82	\$29,930	\$16,819
Shakopee	\$85	\$41	\$126	\$45,990	\$25,722
Stillwater	\$45	\$25	\$ 70	\$25,550	\$12,735

Findings on related issues

In addition to calculating costs of incarceration, the Citizens Council Study Committee addressed a number of issues in less detail.

Effectiveness of incarceration

Incarceration is necessary for some offenders. A preliminary search of the literature and expert testimony made it clear that incarceration does not however, affect the crime rate.

Alternatives to incarceration

Reliable empirical research about the effectiveness and costs of alternatives is lacking. No evidence was presented that showed the cost of alternatives to be greater. Presentations did indicate that their potential is not being realized. Few initiatives can be taken when the vast majority of the correctional funding is directed toward institutions.

Sentencing policy

While the use of sentencing guidelines remains controversial, nothing emerged in the course of this study to persuade the Citizens Council to modify its historical support of sentencing guidelines.

Public perceptions

The current popular perception is that crime is on the rise and that criminals are on a rampage in this country. Furthermore, there is the popular belief that high incarceration rates will reduce crime. These misperceptions have a deleterious impact on public policy. The result is overcrowded prisons and escalating costs to taxpayers. The reality is that crime is declining. Evidence that high incarceration rates do not reduce crime can be found in those states where incarceration rates are highest; the impact on crime is little or none at all.

Conclusions

Decisions are being made without an accurate picture of their price and their potential effectiveness.

New methods should be developed to accurately identify and routinely report all costs of incarceration including indirect costs and construction and financing costs.

Inclusive figures should be required of officials requesting new correctional facilities and by those calling for mandatory and longer sentences.

A cost analysis, not just a population impact, should be done on all proposed legislation which would result in increasing the number of persons incarcerated.

A moratorium should be placed on all prison construction.

If correctional institution space is leased to other jurisdictions, it should be justified and the fee should cover the true costs of providing such space.

Studies of prison effectiveness as well as costs should be initiated.

Sentencing guidelines continue to offer the best approach to keeping prison populations at a manageable level.

A concentrated effort must be made to expand alternative penalties for those offenders who do not need incarceration. Specialized probation, restitution, fines, community service, and other community programs that do not involve incarceration should be enhanced and extended to greater numbers of offenders. All such programs should be intensively monitored, evaluated, and modified as necessary so that they work.

Where crowding exists an early release mechanism should be instituted as part of a comprehensive plan to manage prison populations.

A better job should be done of communicating the cost effectiveness of alternative non-institution penalties.

Appendix

APPENDIX A 1982 DOC Central Office Expenditures for Minnesota State Adult Correctional Institutions

Minnesota Correctional Institution at	Proportion of State Institutions Operating Cost	Policy, Planning and Management Services	Institutional Support Services	Health Services Coordination	Education Services Coordination	Industries Coordination	Total Central Office Allocation
Lino Lakes	.1140	\$241,600	\$29,200	\$241,600	\$24,400	\$11,600	\$ 548,400
St. Cloud	.2292	\$485,800	\$58,700	\$485,800	\$49,100	\$23,200	\$1,102,600
Shakopee	.0344	\$ 72,900	\$ 8,800	\$ 72,900	\$ 7,300	\$ 3,500	\$ 165,400
Stillwater	.3740	\$793,200	\$96,000	\$792,800	\$80,300	\$37,900	\$1,800,200
Willow River	.0260	\$ 55,100	\$ 6,700	\$ 55,100	\$ 5,500	\$ 2,600	\$ 125,000

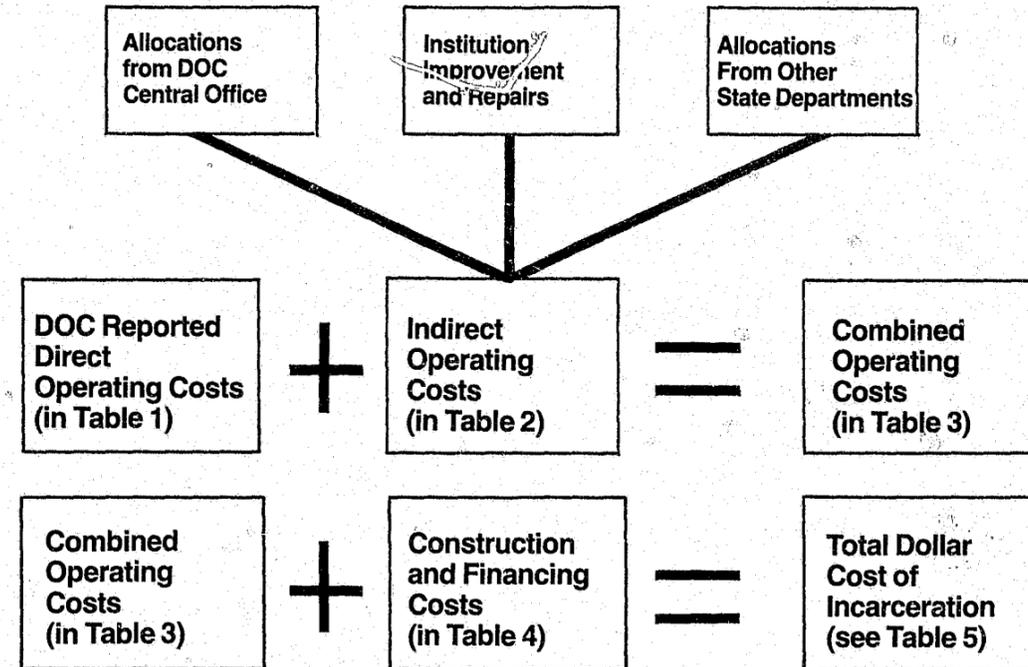
Source: Minnesota Department of Corrections, 1983-85 Biennial Budget, December, 1982.

APPENDIX B 1982 Statewide Indirect Cost Billing Minnesota Department of Corrections

Central Mail	\$ 1,839
Lease Administration	10,305
Procurement	50,135
Telecommunications	71,065
Central Payroll	55,358
Financial Management	67,997
Statewide Accounting	53,149
Personnel	147,768
Treasurer	2,997
Subtotal	460,612
ISB Credit	-11,843
Total	\$448,769

Source: Minnesota Department of Finance, Statewide Indirect Cost Billing Corrections Department F.Y. 1982.

Cost Formula



Cost per average inmate

An additional computation estimates the average cost to the State of Minnesota of each person imprisoned. The DOC reports that the average length of stay for the 915 men released from Minnesota prisons in 1981 was 24.8 months. The average length of stay for the 50 women was 21.2 months.⁹ The average cost to the State of Minnesota for each male prisoner was therefore \$57,456 and for each female prisoner, \$81,900.

Footnotes

- ¹Minnesota Department of Corrections, 1983-85 Biennial Budget, December 1982, pp. 9, 19.
- ²Minnesota Department of Corrections, Minnesota Correctional Facility - Oak Park Heights, pamphlet, Winter, 1982-83.
- ³Minnesota Department of Corrections, Project Plans and Design for a New Women's Correctional Facility: 1983 Legislative Report, January, 1983, p.24.
- ⁴Minnesota Bureau of Criminal Apprehension and Minnesota Department of Corrections, 1982 Annual Reports.
- ⁵Minnesota Department of Corrections, Biennial Report 1981-82, p. 3.
- ⁶"Longer Sentences Strain State's Prison Capacity," Minneapolis Star and Tribune, June 2, 1983, p. 1.
- ⁷Minnesota Department of Corrections, 1981-83 and 1983-85 Biennial Budgets.
- ⁸These figures were provided by the Minnesota Department of Finance.
- ⁹These figures were provided by the Minnesota Department of Corrections, Research and Planning Division.

The Minnesota Citizens Council on Crime and Justice is a private, non-profit, tax-exempt corporation whose overall purpose is to help reduce delinquency and crime and to help ensure an effective, efficient and fair criminal justice system.

Through community planning and research, human services and education the Citizens Council works toward its main objectives in the field of criminal justice:

- To assist in the development of policies which help reduce delinquency and crime and which contribute to the overall increase in excellence and quality of the criminal justice system;
- To develop direct services in areas of need within the criminal justice system;
- To further research and publication in the field;
- To provide programs of education for youth and the general public on the cause and prevention of delinquency and crime and on issues in the criminal justice system;
- To evaluate the effectiveness of policies and programs;
- To improve the functioning of criminal justice and related personnel.



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