



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF CORRECTIONS  
LANSING

WILLIAM S. OVERTON  
DIRECTOR

*File -  
Wackenhut*

May 7, 2003

Lisa Webb Sharpe  
Cabinet Secretary and Policy Director  
Office of the Governor  
2<sup>nd</sup> Floor Romney Building  
Lansing, MI 48909

Dear Ms. Webb Sharpe:

At the April 30, 2003 meeting, your office requested a cost analysis of the various options available in the Wackenhut Corrections Corporation (WCC) contract negotiations for the management of the Michigan Youth Correctional Facility located in Baldwin, Michigan.

In the development of the cost analysis, the cost impact on other State departments was considered in developing total costs. Unemployment is factored in assuming that all the employees may be laid off if the contract is cancelled. MICHild was not used as a cost factor in this analysis. While 91% of WCC employees may be eligible for MICHild, those applying would not change significantly whether the WCC contract was extended, the employees were laid off, or WCC housed other jurisdiction's inmates at the facility.

The Department of Corrections (DOC) is looking at four options. The first option is not to extend the contract. The current contract expires July 2003. This option will leave \$24,319,300 in VOI/TIS federal grant funding unexpended and the DOC would have to meet the \$6,770,700 General Fund match the grant requires. The current youthful offenders would be placed in current beds. The remaining VOI/TIS funding would have to be spent by fiscal year 2006 or lose the federal funding. Option two is to extend the WCC contract for one additional year. This would allow the State to use VOI/TIS federal funding for one more year. This option would require a match of \$8,273,200 and there would be \$8,273,200 remaining in VOI/TIS funds. Option three, a two year lease extension, would expend all the VOI/TIS grant funding and the fiscal year 2005 appropriation would be the General Fund match. Option four is to extend the contract for four years.



Chair of Corr.  
Pumpford's Distr.  
Wackenhut largest  
employer

There are two tables below that provide different cost scenarios. Table #1 is based on the current population projections and prison capacity. The run out of funded beds date, while still in fiscal year 2005, comes in October, 2004. Table #1 uses the current population projections and assumes that in early fiscal year 2005 the Department will have to go into unfunded beds. This would most likely mean we would go into one of the two unoccupied prisons. Table #2 assumes that there will be Legislative or Administrative action taken to move the run out of beds date into the future. The tables give the cost for each fiscal year, a total cost for a four year period and an average per diem cost for each option.

VOI/TIS match is built into #5

avail. after match met

includes unempl. using prisoners for 4 yrs.

TABLE # 1 - Run out of funded beds October 2004

OPTION DESCRIPTION	VOI/TIS GRANT	FY03	FY04	FY05	FY06	FY07	TOTAL	PER CAP
Cancel contract 7/03	24,319.3	7,617.6	5,823.5	17,136.1	17,478.9	17,828.4	65,884.5	94.34
1 yr extension - 7/04	8,273.2	0	9,209.5	18,218.5	17,478.9	17,828.4	62,735.3	89.83
2 yr extension - 7/05	0	0	0	19,600.1	18,561.3	17,828.4	55,989.8	80.17
4 yr extension - 7/07	0	0	0	18,815.0	18,815.0	18,815.0	56,445.0	80.83

Can use if  
don't decide to close

6.7 m. Gen. fund match

TABLE # 2 - DOC does not run out of funded beds

OPTION DESCRIPTION	VOI/TIS GRANT	FY03	FY04	FY05	FY06	FY07	TOTAL	PER CAP
Cancel contract 7/03	24,319.3	7,617.6	5,823.5	2,299.3	2,356.8	2,415.6	20,512.8	29.37
1 yr extension - 7/04	8,273.2	0	9,209.5	3,381.7	2,356.8	2,415.6	17,363.6	24.86
2 yr extension - 7/05	0	0	0	17,644.3	3,439.2	2,415.6	23,499.1	33.65
4 yr extension - 7/07	0	0	0	18,815.0	18,815.0	18,815.0	56,445.0	80.83

You stated that once you received the cost analysis you would like to set up a follow-up meeting to discuss the options. We will await confirmation of said meeting. I am including a copy of the VOI/TIS program guide for additional information. Also included are copies of an email announcing the Wackenhut stock buyback from Group 4 Falck and an announcement of the proposed sale of the Michigan Youth Correctional Facility to Correctional Properties Trust. If you would like to discuss the cost analysis in more detail, prior to the meeting, I can be reached at 3-4568.

Sincerely,

Barry Wickman  
Barry Wickman, Administrator  
Bureau of Fiscal Management

Attachments

cc: Cali Mortenson  
William S. Overton  
Richard McKeon  
Barry McLemore

Cooperation from legal required

Mitch's Rec. → Extend until '04

Overton → Extend I/E until

(MCO concern) Fink concludes negot.

16 & 17 } 18 195 }  
17 } 19 212 }

Wackenhut can run it cheaper  
than the state. OH not private  
alth. priv. prison, state prison  
resp. if someth. happens.