

# California State Auditor

B U R E A U O F S T A T E A U D I T S

## California Department of Corrections:

*The Cost of Incarcerating Inmates in  
State-Run Prisons Is Higher Than  
the Department's Published Cost*



September 1998  
97125

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# CALIFORNIA STATE AUDITOR

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September 15, 1998

97125

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the annual cost to the State for incarcerating inmates under the jurisdiction of the Department of Corrections (department). The report reviews the department's own calculation of inmate costs at the 32 prisons and determines whether the included cost factors are appropriate and reasonable. We also calculated the annual incarceration costs per inmate for each of the 32 state-run prisons operating during fiscal year 1996-97, as well as a statewide cost per inmate. This report concludes that the department's calculation appropriately includes most of the direct and indirect operating costs but lacks certain indirect operating costs as well as capital costs for prison construction and expansion. Our calculation includes all operating (direct and indirect) costs and capital costs. We found that per-inmate costs vary significantly from one prison to another. Annual costs per inmate for the 32 prisons ranged from \$18,562 to \$38,554 for fiscal year 1996-97. The statewide average was \$24,807.

In conclusion, we recommend that, to accurately determine the cost of incarceration, the department should include all costs, both operating and capital, when calculating how much the State pays annually to incarcerate criminals.

Respectfully submitted,

KURT R. SJOBERG  
State Auditor

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# SUMMARY

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## *Audit Highlights . . .*

*We found that the California Department of Corrections published annual incarceration costs*

- Of \$21,012 are understated by \$3,795 per inmate*
- Do not include \$437 million in capital costs*
- Exclude \$15 million paid to local governments related to state inmates, and \$84 million of the department's share of state overhead costs*

*Further, we found the cost per inmate for the 32 prisons ranged from \$18,562 to \$38,554 per year.*

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## RESULTS IN BRIEF

The California Department of Corrections (department) was established in 1944 and is responsible for incarcerating criminals. Its operation includes work, academic education, vocational training, and medical, dental, and psychiatric care for California's approximately 146,000 inmates, as well as parole services, such as supervision and surveillance.

Each fiscal year, the department calculates and publishes the amount of incarceration costs per inmate. The department's calculation focuses primarily on those operating costs directly related to housing and supporting inmates, such as food, clothing, health care, and inmate activities. For fiscal year 1996-97, the department calculated annual incarceration costs at \$21,012 per inmate.

We reviewed the department's calculation and found that, although it appropriately reflects many of the operating costs, it does not include all costs incurred by the State. When we included all of the costs, we found that annual incarceration costs were \$24,807 per inmate for fiscal year 1996-97, \$3,795 higher per inmate than the department's published figure. The total difference of costs to incarcerate inmates between the department's calculation and our estimate is \$517 million.

The primary reason for this difference is the department's calculation does not include capital costs, such as lease-purchase payments, debt-service costs for new construction, and costs of improving and renovating existing prisons. The department's calculation also does not include reimbursements to local governments for transportation costs, court fees, and county charges related to state inmates. Finally, the department's calculation does not include its share of state central-service costs, such as costs of various accounting functions performed by the State Controller's Office for other state departments.

We calculated the annual incarceration costs per inmate for each of the 32 state-run prisons operating during fiscal year 1996-97, as well as a statewide cost per inmate. Our calculation includes all operating and capital costs. We found that annual

incarceration costs per inmate vary significantly from one prison to another, depending on each prison's security levels, facility types, and age. Annual costs per inmate for the 32 prisons ranged from \$18,562 to \$38,554 per year.

The Appendix contains our complete cost model, detailing the various components of incarceration costs for fiscal year 1996-97, and a discussion of the methodology we used to construct our model.

## **RECOMMENDATION**

To accurately determine the relevant cost of prison operations, the department should include all operating and capital costs in its calculation of how much the State pays annually to incarcerate criminals.

## **AGENCY COMMENTS**

The Department of Corrections generally agrees with our findings and our recommendation that all operating and capital costs should be included in its calculation of annual incarceration costs. ■

# INTRODUCTION

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## BACKGROUND

The California Department of Corrections (department), established in 1944, is responsible for incarcerating criminals. In terms of staffing, it is the largest department in state government, with approximately 45,000 employees, 28,000 of them sworn correctional peace officers. The department's \$4 billion budget for fiscal year 1998-99 is primarily funded by the State's General Fund. The department also provides work, academic education, vocational training, and medical, dental, and psychiatric care for California's inmate population, as well as parole services, such as supervision and surveillance.

## OVERVIEW OF THE DEPARTMENT AND CORRECTIONAL FACILITIES

The department directly operates 33<sup>1</sup> minimum- to maximum-security state prisons, which currently house over 146,000 inmates throughout the State. Refer to Figure 1 for a map of the 33 state prisons. It also monitors parolees and oversees community correctional facilities. The department primarily consists of three programs: Institution, Health Care Services, and Community Correctional. Through the Institution Program, the department operates state prisons classified by security level and facility type. Security levels range from Level I (minimum) to Level IV (maximum).

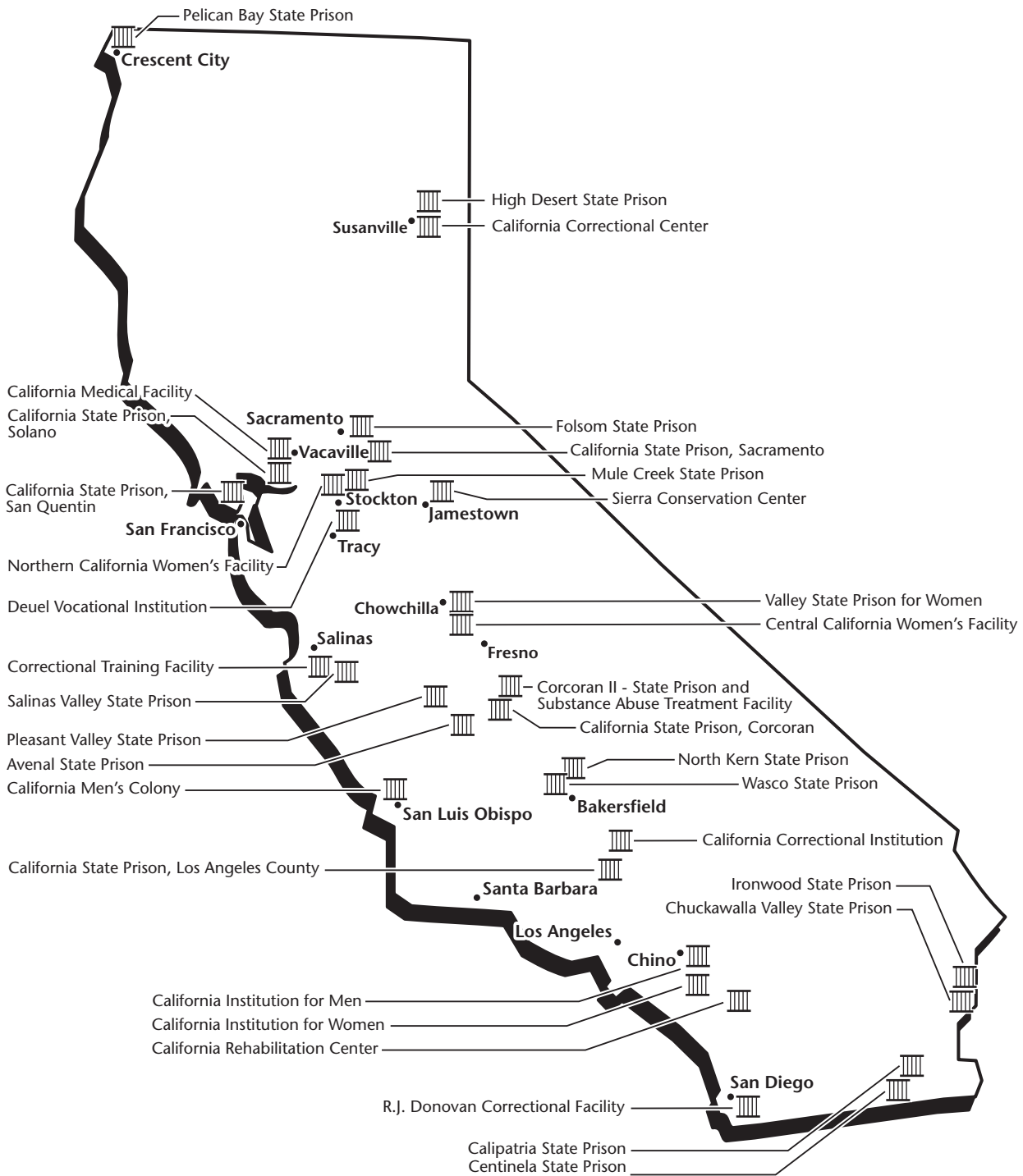
Types of facilities include isolated housing units for high-profile and condemned criminals, and reception centers. In its reception centers, the department evaluates inmates for various case factors, such as personal and criminal history, medical and psychiatric conditions, and educational needs, before assigning each inmate to a specific prison with the appropriate security level.

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<sup>1</sup>The department operated 32 prisons during fiscal year 1996-97; an additional prison was completed in fiscal year 1997-98.

FIGURE 1

The Locations of the 33 State Prisons





Through its Institution Program, the department also operates camps throughout the State that primarily train inmates as wildland firefighters. In addition, the department supervises inmates placed in Department of Mental Health hospitals. The Institution Program also has a correctional officer training center.

The Health Care Services Program provides medical, dental, and psychiatric services to state prison inmates. The department employs approximately 170 health care providers and support staff. The program operates four licensed hospitals, a skilled-nursing facility, and a hospice care facility. It also contracts with community health care providers—including hospitals, physician groups, and individual care providers—for specialty care and supplemental health services. Health Care Services was established as a separate program during fiscal year 1997-98. Prior to that, these services were included in the Institution Program.

Through the Community Correctional Program, the department supervises parolees who have been released to the community. It also oversees community correctional facilities operated through contracts with local governments and private entities. The primary objective of the Community Correctional Program is to increase the degree of successful reintegration of criminals into society and to reduce the level of recidivism. Community correctional facilities house approximately 6,000 parolees and minimum- to medium-security inmates. Additionally, through the Community Correctional Program, the department administers contracts with local government detention facilities, re-entry centers, community programs for incarcerated mothers, restitution centers, and a substance abuse treatment program.

## **SCOPE AND METHODOLOGY**

The Joint Legislative Audit Committee requested that the Bureau of State Audits determine the actual annual cost to the State for incarcerating inmates under the department's jurisdiction. Specifically, we were asked to ensure that all relevant costs be considered. Our audit focused on incarceration costs of state-operated prisons. We did not review the costs of community correctional facilities, or include these costs in our model, because these facilities are operated by private entities and local governments, not by the department.

To obtain an understanding of the department's responsibilities and the environment in which it operates, we reviewed pertinent federal and state laws and regulations, governor's budgets, studies regarding prisons and incarceration costs prepared by other state and federal governments, and other relevant background information.

Each fiscal year, the department calculates and publishes the annual cost of incarceration per inmate in the governor's budget and in department fact sheets. Before performing our own calculation of annual incarceration costs, we reviewed the department's calculation to understand its methodology. We also interviewed appropriate staff and reviewed documents supporting the department's calculation. We additionally reviewed the department's budget and certain accounting records and procedures. We identified the types of costs the department included and excluded in its calculation and ascertained whether these costs were appropriately included or excluded.

The department's calculation of annual incarceration costs includes operating costs but not capital costs. The department incurs capital costs for designing and building its prisons. In developing our own estimate of annual incarceration costs per inmate, we included both operating and capital costs. We used information from the department's accounting records as well as the governor's budget to construct our cost model. Using our model, we calculated the annual incarceration costs per inmate for each of the 32 state-run prisons operating during fiscal year 1996-97, as well as a statewide cost per inmate. We used fiscal year 1996-97 data because it was the most current available during our audit.

To verify the accuracy and completeness of the cost information in our model, we reviewed pertinent accounting records. We also verified the accuracy of the costs in our model by performing an analytical review of labor costs, which represent the largest element of incarceration costs. Specifically, we verified the accuracy of salaries, wages, and retirement benefit costs in our model by comparing these amounts taken from the department's records to the records maintained by the State Controller's Office, which disburses payroll payments to state employees. We noted no material differences. ■

# AUDIT RESULTS

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## ***The Department's Calculation of Annual Incarceration Costs Per Inmate Does Not Reflect All Costs Incurred by the State***

### SUMMARY

**E**ach fiscal year, the Department of Corrections (department) calculates and publishes the amount of incarceration costs per inmate. In this calculation, the department includes primarily operating costs directly related to housing and supporting inmates, such as food, clothing, health care, and inmate activities. For fiscal year 1996-97, the department calculated annual incarceration costs at \$21,012 per inmate. Although the department's calculation of incarceration costs appropriately reflects many of the operating costs, it does not include all costs incurred by the State. Our calculation, which considered all costs, placed annual incarceration costs at \$24,807 per inmate for fiscal year 1996-97.

The department's calculation of incarceration costs per inmate did not include capital costs, reimbursements to local governments, or its share of state central-service costs. Therefore, we developed our own estimate of annual incarceration costs per inmate for each of the 32 state-run prisons operating during fiscal year 1996-97, which includes both operating and capital costs. Our calculation of cost per inmate for the 32 prisons ranged from \$18,562 to \$38,554 per year.

Our calculation indicates that the State paid a total of \$517 million more than the department calculated to incarcerate criminals in fiscal year 1996-97.

### **THE COST OF INCARCERATING INMATES IN STATE-RUN PRISONS IS HIGHER THAN THE DEPARTMENT'S PUBLISHED AMOUNT**

The department appropriately included certain operating costs in its calculation and properly excluded certain costs, such as expenses related to the Community Correctional Program,

the Prison Industry Authority (PIA), and the Inmate Welfare Fund. However, the department did not include capital costs, reimbursements to local governments, and its share of state central-service costs, and included costs associated with the Santa Rita Jail that should have been excluded. When we included all relevant costs, we calculated annual incarceration costs at \$24,807 per inmate for fiscal year 1996-97. Table 1 illustrates the difference between the department's calculation and ours.

**TABLE 1**

<b>The Department's Calculation of Annual Incarceration Costs Per Inmate for Fiscal Year 1996-97</b>		<b>Our Calculation of Annual Incarceration Costs Per Inmate for Fiscal Year 1996-97</b>	
<b>Total Institution Program Costs<sup>1</sup></b>	<b>\$3,226,411,000</b>	<b>Direct Operating Costs<sup>1</sup></b>	<b>\$2,606,769,428</b>
Less Local Assistance	(15,419,000)	<b>Indirect Operating Costs</b>	
Less Lease-Purchase Payments	(211,705,000)	Local Assistance <sup>3</sup>	15,419,979
Less Inmate Welfare Fund	(37,926,000)	State Central-Service Costs <sup>3</sup>	84,089,496
<b>Total Incarceration Costs</b>	<b>\$2,961,361,000</b>	Headquarters' Overhead	307,282,113
Divided by Average Daily Prison Population <sup>2</sup>	140,934	McGee Training Center	27,119,932
<b>Department Calculated Cost Per Inmate</b>	<b>\$21,012</b>	<b>Total Operating Costs<sup>1</sup></b>	<b>3,040,680,948</b>
		<b>Capital Costs</b>	
		General-Obligation Bonds Debt Service <sup>3</sup>	221,792,137
		Lease-Purchase Payments (includes insurance) <sup>3</sup>	211,704,782
		Capital Outlay Funded by General Fund <sup>3</sup>	3,766,000
		<b>Total Capital Costs</b>	<b>437,262,919</b>
		<b>Total Incarceration Costs</b>	<b>\$3,477,943,867</b>
		Divided by Average Daily Prison Population <sup>2</sup>	140,202
		<b>Our Calculated Cost Per Inmate</b>	<b>\$24,807</b>

<sup>1</sup> Institution Program costs and direct operating costs may include a small amount of costs incurred to care for the inmates incarcerated in a community correctional facility. For example, an inmate in a community correctional facility may be temporarily transferred to a state prison for medical treatment. However, the department could not provide the specific amount for such situations.

<sup>2</sup> The average daily prison population used in the department's calculation is higher than ours because it includes inmates held in the Santa Rita Jail.

<sup>3</sup> These costs are not included in the department's calculation.

## OPERATING COSTS ARE THE KEY COMPONENTS OF THE DEPARTMENT'S CALCULATION

The department's calculation of annual incarceration costs per inmate appropriately included the operational costs of guarding, feeding, educating, and attending to the health care needs of inmates. The department accounts for these operational costs in the Institution Program. This program also includes external professional-services costs, such as medical and psychiatric services provided through contracts or interagency agreements, and legal services provided by the department's in-house counsel, external law firms, and the attorney general. As indicated in Table 1, most of the \$3.2 billion cost of the Institution Program was included in the department's calculation.

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*Appropriately, the department excludes costs from the Community Correctional Program, the Prison Industry Authority, and the Inmate Welfare Fund from its computation of annual incarceration costs.*

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The department's calculation appropriately excluded costs related to the Community Correctional Program, the PIA, and the Inmate Welfare Fund. Through the Community Correctional Program, the department supervises parolees released to the community and oversees community correctional facilities that are operated through contracts with local governments and private entities. The department did not include the costs of the Community Correctional Program in its calculation. We agree that these costs should not be included because they relate to released parolees and facilities that are run by private entities and local governments.

Moreover, although the PIA currently operates manufacturing, service, and agricultural facilities at 23 of the 33 state prisons, the department excluded PIA-related costs from its calculation. The PIA operation is intended to reduce the department's operating costs and to be self-supporting. However, the department subsidizes the PIA's operation by charging the PIA less-than-market rent for facilities and warehouse space. On the other hand, the PIA also provides a form of subsidy to the department by performing services the department does not reimburse, such as searches and standing counts. We also excluded these costs because the rent subsidies and the PIA-provided services may offset each other, and it would be difficult to quantify any difference.

Finally, the department excluded expenditures of the Inmate Welfare Fund in its calculation, as it is a self-supporting fund used to run prison canteens. All expenditures, including costs of goods sold, labor costs, equipment, and utilities, are fully

recovered by canteen sales and other related revenues. We agree that these expenditures should not be included in the cost calculation because there is no cost to the State.

### **THE DEPARTMENT'S CALCULATION DID NOT INCLUDE SEVERAL COSTS THAT SHOULD HAVE BEEN INCLUDED**

Although the department's calculation of incarceration costs included many of the operating costs, it did not include all of the costs incurred by the State. The department's calculation did not include capital costs, such as lease-purchase payments, debt-service costs for new construction, and costs of improving and renovating existing prisons. Additionally, the department's calculation did not include reimbursements to local governments for transportation costs, court fees, and county charges related to state inmates, or its share of state central-service costs. When we included all of these costs in our calculation, we found that annual incarceration costs were \$24,807 per inmate for fiscal year 1996-97, \$3,795 higher per inmate than the department's published figure.

### **THE DEPARTMENT DID NOT INCLUDE CAPITAL COSTS**

The department did not include any capital costs in its calculation of incarceration costs. During fiscal year 1996-97, these costs totaled approximately \$437 million. Capital costs represent the expense of constructing new prisons, acquiring land and equipment, and improving and renovating existing prisons. The department finances capital costs in one of three ways: through the issuance of general-obligation bonds, lease-revenue bonds, or through General Fund expenditures.

General-obligation bond proceeds can be used for new prison construction, as well as improvements to and renovation of existing facilities—for example, installing electric fences. Information was unavailable regarding the amount of general-obligation bond debt-service costs applicable to the department or to specific prisons. Therefore, we estimated the department's allocated portion to be approximately \$222 million for fiscal year 1996-97. The Appendix describes the methodology we used to estimate and allocate this amount among the prisons.

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*The department did not include capital costs of \$437 million in its calculation of incarceration costs.*

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Lease-revenue bonds can also be used to finance construction of new prisons and improvements to existing prisons. The subsequent lease-purchase payments represent debt-service costs of the bonds, including principal, interest, and bond-issuance costs. Lease-purchase payments also include costs of property and liability insurance for these prisons. Lease payments represent capital costs because the State will own these prisons at the end of the lease term. During fiscal year 1996-97, the department made lease payments of approximately \$212 million for the construction of 11 new prisons. During this period, the department also financed capital costs of approximately \$4 million through General Fund expenditures.

As the inmate population continues to grow, new prison construction and improvements to existing prisons become even more important. The department's records show the average daily inmate population has increased more than 500 percent since 1980. Additionally, during fiscal year 1996-97, prisons operated on average at 193 percent of designed capacity. To accommodate this population increase, many prisons now have double cells and bunks, and numerous emergency projects have been required to convert gymnasiums and activity rooms into inmate housing. Furthermore, the department has built 21 new prisons in the last 15 years.

These capital costs are necessary to keep pace with increases in the inmate population and represent direct costs that should be considered when calculating the relevant cost of incarcerating inmates in state-run prisons. Without prisons, the department cannot house inmates. We have therefore included these capital costs in our cost model.

## THE DEPARTMENT EXCLUDED LOCAL ASSISTANCE COSTS

The department did not include local assistance in its calculation of incarceration costs as these costs are budgeted for and originally borne by local governments. Local assistance is budgeted in the State's General Fund for reimbursing local governments for transportation costs, court fees, and county charges for state inmates. As shown in Table 1, the State reimbursed local governments approximately \$15 million for local assistance during fiscal year 1996-97. Transportation costs include expenses incurred by counties for transporting inmates and returning fugitives from outside the State. Court

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*The department excluded \$15 million in reimbursements to local governments for transportation, court fees, and county charges for state inmates.*

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fees and county charges represent legal costs incurred by local governments. We disagree with the department's treatment of these costs, and have included them in our calculation because the department ultimately pays these expenses.

## **THE DEPARTMENT DID NOT INCLUDE ITS SHARE OF CENTRAL-SERVICE COSTS**

The department did not include its share of central-service costs in its calculation of incarceration costs per inmate. Central-service costs are those amounts expended by central-service departments and the Legislature for the overall administration of state government and for providing centralized services to state departments. These functions are necessary for state operations and are centralized to provide efficient and consistent statewide policies and services. For example, the Department of Finance provides audits and budget analysis to other departments, and the State Controller's Office performs various accounting functions, such as payroll, disbursements, and claims audits, for other state departments.

The Department of Finance allocates a portion of these central-service costs to each state department. The costs of specific services provided through interagency agreements are not included in the allocated central-service costs. Additionally, only those departments that are not primarily funded by the General Fund are actually charged for their portion of central-service costs. Therefore, because almost all of the department's costs are paid from the General Fund, the department is not billed for its share of central-service costs, and it does not include them in its calculation of incarceration costs.

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*Although the department is not billed for central-service costs, its share for fiscal year 1996-97 was \$84 million.*

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Although the department is not billed for its share of central-service costs, these are actual and necessary costs incurred by the State, and represent indirect costs of incarceration. We feel that these costs should have been included in the department's calculation, and we included them in our model, just as we included other departmental overhead costs. For fiscal year 1996-97, the department's share of central-service costs was approximately \$84 million.



## THE DEPARTMENT INCLUDED THE COST OF THE SANTA RITA JAIL IN ITS CALCULATION FOR FISCAL YEAR 1996-97

The department contracts with Alameda County for use of the Santa Rita Jail. The jail houses inmates on a temporary basis who are primarily parole violators waiting to be permanently assigned to state prisons. In the past, the department included the cost of the Santa Rita Jail in its inmate cost calculation because the jail originally was used as overflow for San Quentin State Prison. For fiscal year 1996-97, this cost amounted to approximately \$14 million. However, the department subsequently decided that it was more appropriate to classify these costs under the Community Correctional Program because the inmates housed in the jail are primarily parolees. Therefore, beginning with its fiscal year 1997-98 calculation, the department excluded these costs from its calculation.

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*Because the Santa Rita jail is used primarily to house parolees, its costs should be classified under the Community Correctional Program and excluded from the calculation of annual incarceration costs.*

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We agree with the department's subsequent decision to account for the contract costs of the Santa Rita Jail under the Community Correctional Program and not the Institution Program. Furthermore, because county jails are not operated by the State, and as their function is limited, we have excluded the costs of these jails from our cost model.

## ANNUAL INCARCERATION COSTS PER INMATE VARY SIGNIFICANTLY FROM ONE PRISON TO ANOTHER

In addition to calculating the statewide cost per inmate, we calculated the annual incarceration costs per inmate for each of the 32 state-run prisons operating during fiscal year 1996-97. Table 2 illustrates that annual incarceration costs per inmate vary significantly from one prison to another, ranging from a low of \$18,562 at Folsom State Prison to a high of \$38,554 at the California Medical Facility, with a statewide average of \$24,807. The Appendix shows our complete cost model detailing the various components of incarceration costs for fiscal year 1996-97, as well as a discussion of the methodology we used to construct our model.

**TABLE 2**

**Our Calculation of Annual Incarceration Costs Per Inmate for Fiscal Year 1996-97**

Correctional Institution	Year Opened	Security Level*	Average Daily Inmate Population	Operating Cost Per Inmate	Total Cost Per Inmate (Operating and Capital Costs)
<b>Total Cost Per Inmate: up to \$22,000</b>					
1 Folsom State Prison	1880	I, II	3,853	\$18,049	\$18,562
2 California Correctional Center	1963	I, II, III, CAMP	5,882	17,863	18,816
3 Correctional Training Facility	1947	I, II	6,624	18,578	19,270
4 Sierra Conservation Center (men & women)	1965	I, II, III, CAMP	6,290	18,423	19,430
5 California Rehabilitation Center (men & women)	1962	I, II	4,894	19,838	20,223
6 California Men's Colony	1954	I, II, III	6,422	20,776	21,233
7 Avenal State Prison	1987	II	5,737	18,704	21,486
<b>Total Cost Per Inmate: \$22,001 to \$26,000</b>					
8 California State Prison, Solano	1984	II, III	4,847	19,080	22,213
9 Deuel Vocational Institution	1953	I, III, REC	3,618	22,026	22,434
10 Chuckawalla Valley State Prison	1988	I, II	3,617	18,865	22,682
11 California State Prison, San Quentin	1852	I, II, SQ, REC, COND	5,788	22,345	22,909
12 Wasco State Prison	1991	I, III, REC	5,173	19,345	23,411
13 California Correctional Institution	1955	I, II, III, IV, REC	5,933	20,973	23,599
14 California Institution for Men	1941	I, REC	5,980	23,574	23,959
15 North Kern State Prison	1993	I, III, REC	4,749	19,655	24,026
16 Pleasant Valley State Prison	1994	I, III	4,542	19,393	24,065
17 Ironwood State Prison	1994	I, III	4,393	19,402	24,465
18 R.J. Donovan Correctional Facility	1987	I, III, REC	4,609	21,348	24,637
19 California State Prison, Centinela	1993	I, III, IV	4,481	19,821	24,913
20 Salinas Valley State Prison	1996	I, IV	3,295	22,453	25,546
21 Valley State Prison for Women	1995	INST, REC, SHU	2,870	19,890	25,638
<b>Total Cost Per Inmate: over \$26,000</b>					
22 California State Prison, Calipatria	1992	I, III, IV	4,014	21,013	26,391
23 Mule Creek State Prison	1987	I, III, IV	3,599	21,392	26,817
24 Central California Women's Facility	1990	INST, REC, COND	3,269	21,985	27,108
25 California State Prison, Los Angeles County	1993	I, III, IV	4,166	22,025	27,916
26 High Desert State Prison	1995	I, III, IV, REC	4,037	21,451	28,006
27 California Institution for Women	1952	INST, REC	1,728	28,288	28,893
28 Northern California Women's Facility	1987	INST, REC	760	27,472	31,846
29 California State Prison, Sacramento	1986	I, IV	3,192	28,225	32,701
30 California State Prison, Corcoran	1988	I, III, IV, PHU, SHU	4,699	26,599	34,567
31 Pelican Bay State Prison	1989	I, III, IV, SHU	3,624	29,086	37,243
32 California Medical Facility	1955	I, II, III	3,153	38,169	38,554
<i>Subtotals (institutions with inmates)</i>			139,838	21,408	24,530
33 Substance Abuse Treatment Facility and California State Prison, Corcoran II Dept. of Mental Health hospitals (contracted)	1997 n/a	no inmates FY 96/97 hospitals	0 364	0 118,746	0 118,746
<b>Totals (all institutions and DMH hospitals)</b>			<b>140,202</b>	<b>\$ 21,688</b>	<b>\$ 24,807</b>

**\*Security Levels**

- Level I: Open dormitories without a secure perimeter.
- Level II: Open dormitories with secure perimeter fences and armed coverage.
- Level III: Individual cells, fenced perimeters, and armed coverage. Cells adjacent to exterior walls.
- Level IV: Individual cells, fenced or walled perimeters, electronic security, more staff, and armed officers both inside and outside the installation. Cells non-adjacent to exterior walls.

- CAMP: Conservation camps with inmates trained in firefighting.
- REC: Reception Center. Provides short-term housing to process, classify, and evaluate incoming inmates.
- INST: Institutional. For facilities with female inmates. May have inmates at all four security levels (Level I, II, III, IV).
- SHU: Security Housing Unit. The most secure area within a Level IV prison designed to provide maximum coverage for problem offenders.
- PHU: Protective Housing Unit. For high-profile inmates and police officers.
- SQ: Alternate Program at San Quentin. A boot camp where inmates focused on studying and training. Program discontinued after FY 96/97.
- COND: Condemned. Holds inmates with death sentences.

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*Depending on each prison's security level, facility type, and age, the cost per inmate varies significantly from one prison to another.*

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As illustrated in Table 2, annual incarceration costs per inmate vary significantly from one prison to another, depending on each prison's security level, facility type, and age. Generally, as security levels increase, costs also increase. Additionally, different types of facilities have varying costs. For example, certain prisons include facilities, such as reception centers, isolated-housing units, hospitals, and camps. Prisons with medical facilities generally cost more to run per inmate than prisons with camps. Furthermore, new prisons are generally more expensive than older prisons because the older prisons have had their original construction costs fully paid long ago and generally only have capital costs associated with improvements and renovations. Table 2 classifies prisons in three categories according to cost per inmate: low (up to \$22,000), medium (\$22,001 to \$26,000), and high (over \$26,000).

The lowest-cost prisons include minimum- to medium-security facilities only (Levels I, II, or III). They do not include maximum-security facilities, reception centers, or isolated-housing units. Additionally, two of the prisons in this category, the California Correctional Center and the Sierra Conservation Center, provide minimum-security camps, thus lowering the cost per inmate. Approximately one-third of the total inmate population of these two prisons are in camps.

The medium-cost prisons provide different types of facilities that add extra operational costs, even though they are primarily minimum- to medium-security facilities. For example, San Quentin State Prison has special units for death-row inmates. Additionally, there are several recently constructed prisons in this cost category, including California State Prison in Solano County, Chuckawalla Valley State Prison, and Pleasant Valley State Prison. This drives up the cost per inmate because of the increased capital costs.

The highest-cost prisons include maximum-security facilities (Level IV), medical facilities, women's facilities, and newer facilities. For example, Pelican Bay State Prison includes a maximum-security facility with isolated-housing units. The California Medical Facility in Vacaville had the highest inmate cost of \$38,554 per year because of the medical treatment it offers. Three of the four all-female facilities are also in the highest-cost category because they accommodate fewer inmates per facility and provide all levels of security, and because medical costs for women tend to be higher. Finally, the highest-cost

prisons include a few of the newly constructed prisons, such as the Central California Women's Facility and California State Prison in Los Angeles County, which have larger capital costs.

## RECOMMENDATION

To accurately determine the relevant cost of prison operations, the department should include all operating and capital costs in its calculation of how much the State pays annually to incarcerate criminals. ■

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



KURT R. SJOBERG  
State Auditor

Date: September 15, 1998

Staff: Steve Hendrickson, Audit Principal  
Mike Tilden, CPA  
Kenneth Louie  
Hitomi Sekine

# APPENDIX

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## ***Our Calculation of Annual Incarceration Costs Per Inmate for Fiscal Year 1996-97***

### **METHODOLOGIES USED TO CONSTRUCT OUR COST MODEL**

To calculate incarceration costs for each of the 32 state prisons operating during fiscal year 1996-97, we first obtained the direct operating costs of each prison from the Department of Corrections' (department) accounting records. These operating costs include expenses such as salaries, wages, staff benefits, contract services, materials and supplies, and other direct and overhead costs attributable to specific prisons. We allocated indirect costs, including local assistance, the Institution Program's share of headquarters and central-service costs, and McGee Training Center costs, to each prison proportionally based on its inmate population.

We also obtained from the department's accounting records the amounts of lease-purchase payments and related insurance costs attributable to specific prisons. Information was not available regarding the amount of general-obligation bond debt-service costs applicable to the department or to specific prisons. Therefore, we allocated these costs for fiscal year 1996-97 to specific prisons based on the proportion of each bond issue that was used for construction of each prison. We allocated capital costs for statewide and minor improvement projects to each prison proportionally based on inmate populations.

In our model, shown in Table 3, we include a subtotal for incarceration costs per inmate for the 32 prisons operating during fiscal year 1996-97. The 33rd prison, Corcoran II-State Prison and Substance Abuse Treatment Facility, is listed separately because its construction was not complete until fiscal year 1997-98.

We also listed separately the costs of inmates held by contract in Department of Mental Health hospitals.

**TABLE 3**

**Our Detailed Calculation of Annual Incarceration Costs Per Inmate for Fiscal Year 1996-97**

Correctional Institution	Security Level <sup>a</sup>	Direct Operating Costs		Indirect Operating Costs	
		Support and Health	Local Assistance	Headquarters' Overhead and Training Center	State Central-Services
<b>Total Cost Per Inmate: up to \$22,000</b>					
1 Folsom State Prison	I,II	\$ 58,776,708	\$ 424,871	\$ 8,022,931	\$ 2,316,944
2 California Correctional Center	I,II,III,CAMP	88,636,317	648,610	12,247,827	3,537,053
3 Correctional Training Facility	I,II	104,551,751	730,431	13,792,861	3,983,244
4 Sierra Conservation Center <sup>b</sup>	I,II,III,CAMP	98,308,711	693,600	13,097,388	3,782,398
5 California Rehabilitation Center <sup>b</sup>	I,II	83,413,727	539,663	10,190,559	2,942,934
6 California Men's Colony	I,II,III	115,481,787	708,156	13,372,245	3,861,774
7 Avenal State Prison	II	91,277,808	632,621	11,945,900	3,449,859
<b>Total Cost Per Inmate: \$22,001 to \$26,000</b>					
8 California State Prison, Solano	II,III	78,938,200	534,480	10,092,693	2,914,671
9 Deuel Vocational Institution	I,III,REC	69,580,613	398,958	7,533,601	2,175,630
10 Chuckawalla Valley State Prison	I,II	58,127,920	398,848	7,531,518	2,175,029
11 California State Prison, San Quentin	I,II,SQ,REC,COND	113,162,062	638,245	12,052,095	3,480,528
12 Wasco State Prison	I,III,REC	85,621,446	570,428	10,771,508	3,110,706
13 California Correctional Institution	I,II,III,IV,REC	107,859,136	654,234	12,354,022	3,567,721
14 California Institution for Men	I,REC	124,266,546	659,416	12,451,888	3,595,984
15 North Kern State Prison	I,III,REC	80,075,097	523,674	9,888,632	2,855,740
16 Pleasant Valley State Prison	I,III	75,394,244	500,848	9,457,605	2,731,264
17 Ironwood State Prison	I,III	72,960,088	484,417	9,147,349	2,641,665
18 R.J. Donovan Facility	I,III,REC	85,516,571	508,236	9,597,116	2,771,553
19 California State Prison, Centinela	I,III,IV	76,300,084	494,121	9,330,587	2,694,583
20 Salinas Valley State Prison	I,IV	64,775,955	363,341	6,861,032	1,981,399
21 Valley State Prison for Women	INST,REC,SHU	49,066,784	316,476	5,976,073	1,725,832
<b>Total Cost Per Inmate: over \$26,000</b>					
22 California State Prison, Calipatria	I,III,IV	73,131,824	442,625	8,358,174	2,413,759
23 Mule Creek State Prison	I,III,IV	66,934,086	396,863	7,494,038	2,164,205
24 Central California Women's Facility	INST,REC,COND	62,735,071	360,474	6,806,893	1,965,764
25 California State Prison, Los Angeles County	I,III,IV	80,116,450	459,386	8,674,677	2,505,162
26 High Desert State Prison	I,III,IV,REC	75,317,657	445,161	8,406,066	2,427,590
27 California Institution for Women	INST,REC	44,054,091	190,547	3,598,138	1,039,107
28 Northern California Women's Facility	INST,REC	18,755,312	83,805	1,582,514	457,015
29 California State Prison, Sacramento	I,IV	81,176,798	351,983	6,646,560	1,919,462
30 California State Prison, Corcoran	I,III,IV,PHU,SHU	111,862,499	518,160	9,784,519	2,825,674
31 Pelican Bay State Prison	I,III,IV,SHU	95,283,421	399,620	7,546,094	2,179,238
32 California Medical Facility	I,II,III	111,539,034	347,682	6,565,352	1,896,010
Subtotals (institutions with inmates) <sup>c</sup>		2,602,997,798	15,419,979	291,178,455	84,089,496
33 California State Prison, Corcoran II and Substance Abuse Treatment Facility	No inmates 96/97	3,771,630	0	0	0
Dept. of Mental Health hospitals (contracted)	Hospitals	0	0	43,223,590	0
<b>Totals (all institutions and DMH hospitals)<sup>c</sup></b>		<b>\$2,606,769,428</b>	<b>\$15,419,979</b>	<b>\$334,402,045</b>	<b>\$84,089,496</b>

<sup>a</sup>Security Levels  
Level I: Open dormitories without a secure perimeter.  
Level II: Open dormitories with secure perimeter fences and armed coverage.  
Level III: Individual cells, fenced perimeters, and armed coverage. Cells adjacent to exterior walls.  
Level IV: Individual cells, fenced or walled perimeters, electronic security, more staff, and armed officers both inside and outside the installation. Cells nonadjacent to exterior walls.  
<sup>b</sup>Men and women.  
<sup>c</sup>Due to rounding of allocated amounts, some subtotals and totals are off by \$1.

**TABLE 3**

	Total Operating Costs <sup>c</sup>	Operating Cost Per Inmate	Capital Costs				Total Cost (Operating and Capital Costs) <sup>c</sup>	Total Cost Per Inmate
			Lease-Purchase Payments	General-Obligation Bond Debt Service	Allocated Capital Outlay From General Fund			
1	\$ 69,541,454	\$ 18,049	\$ 0	\$1,978,660	\$ 0	\$ 71,520,114	\$ 18,562	
2	105,069,807	17,863	0	5,608,280	0	110,678,087	18,816	
3	123,058,286	18,578	0	2,550,958	2,036,918	127,646,162	19,270	
4	115,882,096	18,423	0	6,330,105	0	122,212,201	19,430	
5	97,086,883	19,838	0	1,886,484	0	98,973,367	20,223	
6	133,423,962	20,776	0	2,936,289	0	136,360,251	21,233	
7	107,306,188	18,704	0	15,960,032	0	123,266,220	21,486	
8	92,480,044	19,080	0	15,180,284	7,564	107,667,892	22,213	
9	79,688,802	22,026	0	1,431,461	47,127	81,167,390	22,434	
10	68,233,315	18,865	0	13,725,594	83,199	82,042,108	22,682	
11	129,332,929	22,345	0	3,265,871	0	132,598,800	22,909	
12	100,074,089	19,345	0	21,029,247	2,702	121,106,038	23,411	
13	124,435,113	20,973	12,239,379	3,340,465	0	140,014,957	23,599	
14	140,973,835	23,574	0	2,302,948	0	143,276,783	23,959	
15	93,343,143	19,655	0	20,754,429	2,909	114,100,481	24,026	
16	88,083,961	19,393	19,017,313	2,128,959	72,726	109,302,959	24,065	
17	85,233,519	19,402	0	22,167,108	72,144	107,472,771	24,465	
18	98,393,476	21,348	0	15,004,218	153,598	113,551,292	24,637	
19	88,819,375	19,821	19,799,738	2,916,500	101,235	111,636,848	24,913	
20	73,981,727	22,453	8,781,629	1,409,698	0	84,173,054	25,546	
21	57,085,165	19,890	14,679,041	1,816,876	0	73,581,082	25,638	
22	84,346,382	21,013	18,817,481	2,749,905	19,200	105,932,968	26,391	
23	76,989,192	21,392	16,131,102	3,257,216	135,562	96,513,071	26,817	
24	71,868,203	21,985	15,445,491	1,301,214	0	88,614,907	27,108	
25	91,755,675	22,025	0	24,468,865	73,308	116,297,848	27,916	
26	86,596,474	21,451	24,232,450	2,229,437	0	113,058,361	28,006	
27	48,881,883	28,288	0	1,045,577	0	49,927,460	28,893	
28	20,878,646	27,472	0	3,324,324	0	24,202,970	31,846	
29	90,094,802	28,225	0	14,245,668	40,145	104,380,616	32,701	
30	124,990,852	26,599	34,433,655	2,114,454	889,155	162,428,116	34,567	
31	105,408,373	29,086	28,127,502	1,404,575	28,509	134,968,959	37,243	
32	120,348,078	38,169	0	1,214,247	0	121,562,325	38,554	
2,993,685,728		21,408	211,704,782	221,079,948	3,766,000	3,430,236,458	24,530	
33	3,771,630	0	0	712,189	0	4,483,819	0	
43,223,590		118,746	0	0	0	43,223,590	118,746	
<b>\$3,040,680,948</b>		<b>\$ 21,688</b>	<b>\$211,704,782</b>	<b>\$221,792,137</b>	<b>\$3,766,000</b>	<b>\$3,477,943,867</b>	<b>\$24,807</b>	

CAMP: Conservation camps with inmates trained in firefighting.  
REC: Reception Center. Provides short-term housing to process, classify, and evaluate incoming inmates.  
INST: Institutional. For facilities with female inmates. May have inmates at all four security levels (Level I, II, III, IV).  
SHU: Security Housing Unit. The most secure area within a Level IV prison designed to provide maximum coverage for problem offenders.  
PHU: Protective Housing Unit. For high-profile inmates and police officers.  
SQ: Alternate Program at San Quentin. A boot camp where inmates focused on studying and training. Program discontinued after FY 96/97.  
COND: Condemned. Holds inmates with death sentences.

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*Agency's response to the report provided as text only:*

State of California  
YOUTH AND ADULT CORRECTIONAL AGENCY  
1100 11th Street, Suite 400  
Sacramento, CA 95814  
(916) 323-6001 FAX (916) 442-2637

September 9, 1998

Kurt R. Sjoberg  
State Auditor  
Bureau of State Audits  
555 Capitol Mall, Suite 300  
Sacramento, CA 95814

Dear Mr. Sjoberg:

We have reviewed the Bureau of State Audits (BSA) draft audit report dated September 3, 1998. The California Department of Corrections (CDC) agrees that the Legislature should know both the operational and capital costs of incarcerating the State's inmates in decision making for housing capacity. We would like to stress the importance of the following information related to the accuracy of inmate housing cost comparisons.

- A standardized universal cost comparison model does not exist to calculate inmate housing costs.
- Comparisons of strictly per capita costs can be very misleading, unless the comparison data includes the detail of what is included in that cost.
- Reviewers of cost information should ensure that sufficient detail is provided to determine that like information is being compared fairly.

The CDC would like to caution report users of the difficulty in analyzing capital outlay costs for a one year period. Capital costs may be appropriated in one year, however, expenditures for capital outlay projects will occur over three or more years. Thus, the construction status of each project in the year chosen for review will impact the usability and validity of the information.

The auditors have stated that capital outlay costs for the new prisons drive up the cost per inmate because of outstanding debt service. This is accurate. However, the auditors used a model that assumes capital costs should be viewed over the term of the debt service payment, which is approximately 20 years. Since the reasonable useful life of a facility is 40 years or longer, capitalization over a longer period would seem appropriate for a State-owned facility. In either case, this one-time higher expense appears to be offset by the operational efficiencies of the new prisons that have resulted in comparable operational costs between older, lower security prisons and newer, higher security level prisons. ①\*

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\*California State Auditor's comments on this response begin on page 23.



Kurt R. Sjoberg  
Page 2

Should you have questions or need additional information, please contact Don Rex, Chief, Fiscal and Business Management Audits Unit, CDC at (916) 358-2070.

Sincerely,

*Signature of Quintin L. Villanueva, Jr.*

QUINTIN L. VILLANUEVA, JR.  
Secretary

cc: C. A. Terhune, Director, CDC  
Don Rex, Chief, Fiscal and Business Management Audits Unit, CDC

# COMMENTS

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## ***California State Auditor's Comments on the Response From the Department of Corrections***

To provide clarity and perspective, we are commenting on the Department of Corrections' response to our audit report. The number corresponds to the number we have placed in the response.

- ① In calculating capital costs of state prisons, we considered various methods. We originally tried to obtain the total construction costs, including financing costs, of individual state prisons. However, this information was not available. Therefore, we used debt-service costs, in which debt service payments are made over a period of years. These payments generally last 20 years and primarily represent the payment of principal and interest on the bonds sold to finance construction of new prisons. In the absence of actual cost data, we believe debt service fairly represents prison capital costs. ■

cc: Members of the Legislature  
Office of the Lieutenant Governor  
Attorney General  
State Controller  
Legislative Analyst  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
Capitol Press Corps