



FINDINGS, RECOMMENDATIONS, AND PLANS RELATING
TO THE EXPLORATION OF A COMPETITIVELY PROCURED
PUBLIC-PRIVATE PARTNERSHIP AGREEMENT FOR
A NEW SYSTEM OF CORRECTIONAL FACILITIES

REPORT TO THE 2015 LEGISLATURE

Senate Concurrent Resolution 120, Senate Draft 2

December 2014

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This report on the findings, recommendations, and plans relating to the exploration of a competitively procured public-private partnership agreement for a new system of correctional facilities has been prepared in compliance with Senate Concurrent Resolution 120, Senate Draft 2, from the 2014 Legislative Session.

The Department of Public respectfully submits the following information:

1. *Be it resolved that the Governor is requested to explore a competitively procured public-private partnership agreement for the planning, design, construction, and financing of a new system of correctional facilities that may include reentry centers, reporting centers, treatment centers, prisons, jails, and halfway homes, to be owned and operated by the State and its counties;*

The Department of Public Safety (PSD), through a Department of Accounting and General Services (DAGS) managed project titled "Planning for Correctional Rehabilitation, Statewide, DAGS Job No. 16-27-5653," is working with a consultant team to develop a "Request for Proposal (RFP)" solicitation process for the renovation and construction of up to seven (7) PSD correctional facilities statewide.

To date, the consultant team has conducted numerous information gathering and coordination meeting discussions with representative staff from the following: DAGS' State Procurement Office (to determine what can be done under the RFP solicitation process to "pre-qualify/short list" interested offerors to no more than three entities), Department of Land and Natural Resources (to identify possible State owned properties that could be considered for relocation of existing PSD correctional facilities), Department of Budget and Finance (to determine PROS/CONS for possible project financing alternatives, such as "public-private" project financing agreements if they are deemed to be "in the best interest of the State"), Department of the Attorney General (to determine preliminary requirements for a RFP "design-build" contractual format), Department of Education (to coordinate efforts on possible future use of "public-private" project financing agreements), and PSD administration/staff (to finalize operational/program/space requirements and PSD implementation priority for its correctional facilities statewide).

2. *Be it further resolved that the Governor is requested to explore different public-private partnership models, including those that may involve partial public funding or joint development;*

PSD is working collaboratively with the consulting advisory team of DLR Group and Garfield Public/Private, and is in the process of evaluating three alternative public-private financing models applicable to large scale public projects. These include traditional **General Obligation Bond** financing, **Lease-Leaseback Tax Exempt** financing, and **Concession/Availability Income Contract**.

In terms of annual financing cost, the General Obligation Bond strategy is the least expensive, with Lease-Leaseback Tax Exempt strategy slightly higher, and the Concession Availability Income Contract strategy the most expensive.

3. ***Be it further resolved that the Legislature supports the construction of correctional facilities statewide under a public-private partnership agreement that the Governor and the Legislature deems to be in the best interest of the State;***

Please see response to Item #1.

4. ***Be it further resolved that the Governor is urged to achieve the goal of bringing home all of the State's prisoners that are incarcerated on the mainland no later than July 1, 2018;***

Based on a recent analysis and feasibility study done in collaboration with the consultant team, PSD believes that it is not able to build and construct all the accommodations that are necessary to return and securely house all mainland inmates by July 1, 2018. As of November 1, 2014, there were a total of 1,396 inmates housed in the mainland. With the additional capacity represented by the recent reopening of the Kulani Correctional Facility, PSD expects to reduce this to 1,250 by the end of the current fiscal year.

5. ***Be it further resolved that the public-private partnership be in accordance with the Justice Reinvestment Act and that a minimum of seventy percent of the repayment costs for the new system be paid for through cost savings and efficiencies, as compared to the existing system;***

A final determination regarding the method of financing has not yet been accomplished. However, PSD is committed to incorporate the principles of Justice Reinvestment (JR) in its plans for development. For example, JR requires sufficient facilities and equipment to provide for inmates' assessed needs. Also, PSD will include plans for facilities and programs that facilitate effective transition from secure incarceration to reentry into the community. Space in current facilities is woefully inadequate to provide for these key elements of JR.

Moreover, the new facilities will provide PSD the opportunity for operational efficiencies that promise long-term cost savings. Design elements that can affect such efficiencies include:

- Improved sight lines that enhance the ability of Adult Correctional Officers (ACO) to supervise inmates. This will reduce the number of ACOs needed to secure defined spaces.
- More thoughtful layout of buildings that will improve movements patterns of inmates through the facility, and allow the delivery of services such as meals and medical services with a minimum of staff.
- Use of contemporary technology to enhance security and deliver programs.
- Co-location of certain facilities so that common services, such as food and laundry services can be consolidated.

- 6. Be it further resolved that the public-private partnership thoroughly evaluate refurbishment and expansion of any existing facilities that may have remaining useful life and can be extended for a minimum of thirty years;***

The consultant team and consulting advisory team is in the process of conducting an assessment of the correctional facilities statewide. The preliminary results of the assessment are being compiled.

- 7. Be it further resolved that all proposals include a total cost of ownership analysis, including but not limited to: first cost of capital, all land and infrastructure costs, building operating costs and maintenance, managerial operating costs including all staff costs, and remaining useful life beyond the thirty year period;***

PSD in collaboration with the consultant team, and will ensure that the RFP will include the results of the assessments (Refer to Item #6). The consultant team may include additional items in the RFP which will reflect items that will be in the best interest of the State.

- 8. Be it further resolved that the relevant state departments are requested to put out a request for proposals for the public-private partnership agreement to the prison building industry;***

It is the plan of the relevant state departments to issue the RFP sometime in the 1st or 2nd Quarter of FY 2016.

- 9. Be it further resolved that the relevant state departments are requested to offer to hold an informational briefing on the request for proposals for the Senate Committee on Public Safety, Intergovernmental and Military Affairs, and Ways and Means, and the House Committee on Public Safety and Finance, at least thirty days before issuance of the request for proposals;***

Relevant state departments will hold an informational briefing at least thirty days before the issuance of the request for proposals.

- 10. Be it further resolved that the State is required to select a private partner to accomplish the goal of providing Hawaii with a new, state of the art, system of correctional facilities and, as soon as possible thereafter, submit the selected offer to the Legislature;***

A final determination regarding the method of financing has not yet been accomplished.

- 11. Be it further resolved that the Department of Public Safety complete a thorough evaluation of all inmates in prison and the status of their reentry plans, the effectiveness of rehabilitation services and programs, or lack thereof, and alternatives to incarceration;***

PSD is conducting a thorough review of the continuum of care for offenders under its jurisdiction, from commitment by the courts to release from parole. This continuum starts at the time of initial intake, when the inmate undergoes the Reception, Assessment, and Diagnosis (RAD) process. During RAD, a risk/needs assessment is conducted, using the Level of Services Inventory - Revised (LSI-R). The LSI-R yields two results: the level of risk for committing the same or similar offense; and the needs that have to be addressed to lower this perceived risk.

The RAD unit uses the LSI-R and other available information (e.g Pre-sentence Report) to develop an Individual Prescriptive Plan (IPP) for each inmate. The IPP describes the specific programs and services recommended for the inmate. The Hawaii Paroling Authority (HPA) uses the IPP to guide its decisions on setting minimum terms and on eventually on granting parole. The IPP is updated annually by the inmate's caseworker. The Prescriptive Plan Update (PPU) reflects the inmate's progress toward reentry and eventual parole.

PSD's correctional program managers and representatives of the HPA have convened in a series of meetings to document the process in detail; identify services and programs needed at each step in the process; gaps in services and programs; methods to assure effective transitions between facilities; barriers to successful reentry; training for case management staff; etc.

We will be offering a matrix of all PSD programs statewide.