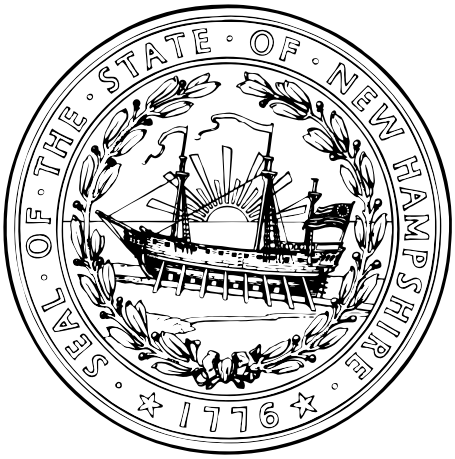
STATE OF NEW HAMPSHIRE

Department of Corrections and

Department of Administrative Services



Report on Review of Correctional Facility RFPs 1356-12, 1380-12 and 1387-12

April 2013

I. Release of RFPs

Chapter Law 224 of the 2011 legislative session directed the New Hampshire Department of Administrative Services, in conjunction with the New Hampshire Department of Corrections (the "Departments"), to issue a series of request for proposals ("RFPs") related to the construction, operation and potential privatization of certain of the State's correctional facilities. In accordance with this directive, the Departments issued a series of RFPs in late 2011. More specifically:

- **RFP #1356-12 for Male Facility – Released 11/15/2011, Responses Due 3/9/2012**
- **RFP #1380-12 for Female Facility – Released 12/2/2011, Responses Due 3/1/2012**
- **RFP #1387-12 for Hybrid Facility – Released 12/19/2011, Responses Due 4/2/2012**

In response to these solicitations the Departments received proposals for the RFP for a Male Facility and the RFP for a Hybrid Facility from four vendors (there were no proposals submitted in response to the RFP for a Female Facility). There were four different options for the male and hybrid facility. They were as follows:

Option #1 Contractor builds and operates new correctional facility

Option #2 Contractor builds and the State operates new correctional facility

Option #3 Contractor renovates existing facility and builds or adds onto existing facility and Contractor operates the renovated and or new correctional facility

Option #4 Contractor renovates existing facility and builds or adds onto existing facility and the State operates the renovated and or new correctional facility

The Department received proposals as follows:

Description	Number of Proposals	Description	Number of Proposals
Option #1 Male Facility	5	Option #1 Hybrid Facility	6
Option #2 Male Facility	0	Option #2 Hybrid Facility	0
Option #3 Male Facility	2	Option #3 Hybrid Facility	2
Option #4 Male Facility	1	Option #4 Hybrid Facility	1

II. Review of RFPs

<u>Summary of Process</u>

In order to review these responses the Departments organized evaluation teams made up of select staff. These evaluation teams were put together for purposes of reviewing the proposals against the requirements set forth within the respective RFPs. More specifically the Departments organized:

- A Design Build Team – Made up of individuals from the Departments with duties related to the design, maintenance and efficient utilization of facilities. This team focused on evaluating the design aspects of the subject proposals;

- An Operations Team – Made up of individuals from the Department of Corrections with duties related to the operation of correctional facilities. This team focused on evaluating the operational plans submitted as part of the subject proposals ; and
- A Financial Team – Made up of individuals from the Departments with backgrounds in finance and accounting. This team focused on evaluating the pricing proposals submitted by the vendors.

In addition to organizing the above referenced teams, it was determined that it would be beneficial to hire a consulting firm to assist in the evaluation in relation to the design/build, operational and financial aspects of the responses. This assistance would include review of the proposals against the requirements of the RFPs, including review of the associated and underlying court orders, consent decrees and American Correctional Association (ACA) standards. It should be noted that these requirements are an area of particular concern as failure to comply with the applicable court orders and consent decrees could result in significant liability to the State.

The Departments, pursuant to Chapter 145:9, Laws of 2009, requested a transfer of appropriations to enable the hiring of an independent consultant. This transfer of appropriations, which was granted, allowed the use of funds to hire a consultant to assist with the review of the various proposals. As a result, and with the approval of Governor and Executive Council in June of 2012, the Departments engaged MGT of America, Inc. to review the proposals, particularly as it relates to operational and financial concerns.

In terms of evaluating the content of the proposals the teams, in general terms, evaluated the following:

Design/Build Evaluation -

- Experience
  - Project Experience General – *Did the proposal exhibit the requisite level of general design/build experience for a firm to ably undertake and deliver on the project?*
  - Project Experience Specific – *Did the proposal exhibit significant experience in handling similar projects?* Note, at a minimum there must have been one project of similar requirements in the last ten (10) years.
- Organization
  - Skills and Experience of Design Team – *Did the proposal showcase a Design Team with the skills and abilities to undertake and deliver on the project?*
  - Skills and Experience of Construction Team – *Did the proposal showcase a Construction Team with the skills and abilities to undertake and deliver on the Project?*
- Development Plan – *Did the development plans adequately address specific concerns related to:*
  - *Feasibility?*
  - *Functionality?*
  - *Security?*
  - *Location?*
  - *Applicable Standards set forth in the RFP/ACA/Court Orders?*

- Work Plan – *Did the work plan adequately depict tasks, dependencies, schedule, milestones and deliverables? Did the plan reflect a realistic opportunity for success at completing the project on time?*
- References – *Did the references support the proposition that the proposing firm is capable of undertaking and delivering on the project?*

Operations Evaluation

- Experience –*Did the proposal exhibit that the proposing firm has directly relevant experience in operating a facility of similar size and scope of operations?* Note, at a minimum the proposal must have shown that the firm , since 2001, has either continuously or concurrently operated at least two (2) criminal justice facilities of at least 400 beds for a minimum of two years, or one (1) criminal justice facility of at least 1200 beds for one year or more.
- Organization – *Did the proposal exhibit the organizations' resources (primarily through review of the prison's proposed organizational chart) are sufficient to address the operational requirements of the facility? Did the job descriptions and identified responsibilities of said jobs illustrate an understanding and appreciation of the operational tasks to be undertaken?*
- Staffing – *Did the staffing plans/patterns appear feasible/functional and in accord with applicable (RFP/ACA/Court Orders) standards?*
- References – *Did the provided references support the proposition that the proposing vendor is capable of undertaking the operational obligations of the project?*

Price/Financial Evaluation

- Attachment C (Per Diem Rates and Cost Breakdown)
- Attachment G (Buyout)
- Financial stability and wherewithal of organization – *Did the proposal exhibit that the relevant firm is sufficiently sound in terms of finances to undertake and deliver on the Project?*

Summary of State's Findings

Individual team members reviewed the proposals independently and then met with the respective members of their teams on a weekly basis over the course of several months for purposes of discussing their findings. In addition to finding that all of the vendors had some areas of non-compliance with the design/build requirements, they also discovered all were non-compliant with meeting the Department of Corrections' (DOC) legal obligations stemming back to a deliberate decision the RFPs drafting team made to simply list the requirements of the various court orders and settlements instead of describing how the DOC currently implements those mandates. The intent behind making this decision was to give vendors wide-latitude to propose alternative methods of implementing the mandates. During the selection process, however, it became apparent that there were significant issues in evaluating compliance with the RFPs' criteria. More specifically, the proposals exhibited a lack of understanding of the overarching legal requirements placed upon the DOC relating to the court orders, consent decrees and settlements which, in large part, dictate the

administration and operation of their correctional facilities and attendant services to the inmate populations.

These consent decrees and settlements, of which there are four principal cases that impact operational compliance, are longstanding, iterative and overlapping dating back to the late 1970's and have evolved over time into robust policies governing the operation of the prison system. As a result their review, assessment and practical implementation, as described in the context of responding to the RFPs, appeared to be too great a burden for the vendors who did not fully understand the mandates and did not adequately address them in their responses.

In short, the responses to the RFPs did not provide sufficient detail in this area to ensure compliance with the RFP. As a result, the Departments determined that it was in the best interest of the State to cancel the solicitation process. The decision to cancel, after having invested so much time and consideration, was not made lightly. Rather, it was a decision based upon an appreciation of the fact that the solicitations did not elicit adequate responses capable of meeting the state's legally prescribed needs.

Role of the Independent Consultant

As noted above, the impetus for engaging an independent Consultant arose from the desire for independent expertise in evaluating operational and financial aspects of the vendor's responses. The role of the Consultant was to evaluate how the responses correlated to the requirements of the RFPs and, furthermore, to provide detailed costing/financial analysis which would facilitate like-to-like comparison of the proposals to current New Hampshire Department of Corrections' operations. Said information is vital in order to make the difficult policy decisions needed to address the aging architecture of the State's Concord and Goffstown correctional facilities.

It should be stressed that the Consultant evaluated the responses independently from the State teams. In addition, the Consultant was not employed for purposes of providing a recommendation. Rather, their focus was on going through the stated requirements set forth in the RFP, assessing conformity to said requirements and in providing much needed comparison and assessment information. In terms of financial analysis, the initial goal was to have the consultant provide a financial model capable of empowering the Departments to engage in worthwhile what-if scenarios based upon the numbers provided within the responses resulting from the RFPs.

This goal shifted based upon the Departments finding fault within the resultant responses. More specifically, the Departments determined that comparison of and to the responses would be confusing as the responses were not in conformity with the State's prescribed needs, as detailed above. As a result, in an effort to provide decision makers with the most useful information possible from what was received, the Departments worked with the consultant to provide financial analysis that instead focused on identifying those facility driven costs of current correctional operations, independent of any comparison to the responses resulting from the RFPs.

Summary of Independent Consultant's Report and Underlying Findings

The Consultant, as described in detail above, was tasked with reviewing the responses for compliance with the RFP and assisting with the formulation of a forward looking financial model. In completing these tasks the Consultant provided detailed and independent analysis which gave greater specificity to the general and broad based concerns of the State regarding compliance. In sum, the Consultant's findings echoed those of the State teams in terms of identifying disconnects between the RFP requirements (inclusive of Court Orders and Consent Decrees) and the resultant responses.

The Consultant prepared and provided detailed overviews assessing the subject proposals' compliance to the requirements of the RFPs. These assessments were in the areas of Design/Build specifications and Operational aspects (staffing, programming, etc.). In addition to these assessments, the Consultant worked with the Departments to produce a financial forecasting tool for purposes of informing decision/policy makers. Lastly, the Consultant provided a Business Case Assessment for the potential privatization of State facilities.

Financial Forecasting Tool

The purpose of the revised financial forecasting tool was to project State costs by facility for 20 years into the future. The State provided the Consultant with the baseline data that included FY2012 costs and future capital expenditures. Based on this information a revised financial model was developed and submitted projecting the operating costs by facility for the next 20 years. Additionally, it developed a Net Cost per Inmate for the total population and is broken down by male and female offenders. The tables below, which are snapshots taken from the model which is attached to this report, identify:

- Assumptions which were made for purposes of populating and preparing the model;
- The Net Cost per Inmate; and
- The projected increase in these costs over the next 20 years

NEW HAMPSHIRE DEPARTMENT OF CORRECTIONS FINANICAL MODEL

SUMMARY OF ASSUMPTIONS

INMATE ASSUMPTIONS: For the purposes of the State "As Is" model, the financial projections have been based on the FY12 actual spending and related average inmate census for FY12 which was then adjusted to estimate a cost structure for the inmate census as of 12/1/12 (note: the ave FY12 census was 2,460 and the 12/1/12 actual census was 2,608). Future changes in census have not been projected and/or accounted for within this model.

PRISON CAPACITY: As of 12/1/12, the estimated "Operating Capacity" as defined by the Department of Corrections for existing facilities was as follows: 2,178 for Men and 179 for Women (all security classifications). As of 12/1/12, the inmate census per the Department of Corrections was as follows: 2,415 Men and 193 Women. Accordingly, the State's 'As Is' model assumes the additional and ACA compliant capacity needed for the 12/1/12 census. Note: The capacity need for men is primarily in the C1/C2 Security Level (Transitional Housing/Transitional Work Center)

CAPITAL EXPENDITURES: Based on the capacity analsyis performed as of 12/1/12, it appears that the primarly capacity need for the male population is C1/C2 Security levels (Transitional Housing/Work Centers). Although the capacity for the female population appears close to the census, the capital improvements (new female prison) is proposed to replace the existing capacity. See Capital Expenditure Summary which included approximately $80M of requirements between FY14-FY19.

EXPENDITURE GROUPS AND RELATED ALLOCATION ASSUMPTIONS FOR FINANICAL MODEL:

GROUP	EXPENDITURE EXAMPLES	ALLOCATION METHOD
Department-Wide Management and Administrative Costs	Commissioner's Office	Assumed to be 100% fixed cost allocated to facilies based on the number of inmates (census)
	Financial Services	
	Human Resources	
	Security and Training	
	Professional Standards	
	Programs	
	& Others	
Department-Wide Medical, Dental & Pharmacy	Medical - Dental	Assumed 70% variable with inmates and 30% fixed costs for staff, etc.
	Mental Health	
	Pharmacy	
Community Corrections - Transitional Housing	Community Corrections	Allocated to the Transitional Housing Units (C1/C2) based on census
Shared Debt Service	Includes Electronic Medical Records and Staff Scheduling System Capital Projects	Allocated to all facilities based on census
Facility Debt Service	Facility Specific Debt Service as estimated by Treasury including existing Debt Service (as of FY12)	Allocated to specific facility based on capital projects related to the facility. New projects assumes a fixed coupon of 5%
Facility	Concord Men's Prison Excl SPU/RTU	No allocation utilized / based on FY12 actual expenses incurred as reported wtihin each Accounting Unit
	RTU	
	SPU (Includes women)	
	Goffstown	
	Berlin	
	North End House	
	& All Other Facility Costs as Reported	
Additional Cost Notes / Assumptions:	A 2.5% annual inflation factor for all expenses (excl debt service) was assumed - this rate appears reasonable based on the prior/historical cost increases realized by the Department of Corrections.	
	Existing Debt Service as of FY12 "Concord Mens" has all been included within the Concord Men's Facility (nothing allocated to RTU/SPU/Transitional Housing Unit)	
	The new facilities incremental operating costs were based on capital expenditure requests as submitted by the Department of Corrections for the most recent budget.	

* Population figures for the out years of the model are difficult to project since they are so easily affected by outside influences such as legislative changes. The recent impacts on population trends under SB500 and SB52 illustrated wide swings in the prison population in New Hampshire.

Net Cost per Inmate per Year

	2012 Baseline	2033 Projected	Increase
Male	$36,435	$61,050	+68%
Female	$37,573	$74,631	+99%

NH DEPARTMENT OF CORRECTIONS
OPERATIONS MODEL (Excludes Probation & Parole)
Base Expenditures for Model = FY12 Actuals & Related Census

	FY 2012 Base Year	FY19	FY21	FY33
MEN + WOMEN				
FY12 = Ave Census for FY12 / FY13-FY33 = 12/1/12 Census	2,460	2,608	2,608	2,608
TOTAL ANNUAL REVENUE *(if applicable)*	245,505	291,828	306,602	412,346
TOTAL ANNUAL COST :				
Dept-Wide Mgmt & Administrative	12,750,789	15,156,681	15,923,988	21,415,993
Dept-Wide Medical, Dental & Pharmacy	16,484,304	20,419,863	21,453,619	28,852,732
Community Corrections - Trans Housing	1,201,802	1,428,565	1,500,886	2,018,525
Shared Debt Service	0	60,580	56,860	27,160
Facility Debt Service	3,043,394	11,836,809	12,152,662	5,105,425
Facility	56,574,020	72,562,964	77,949,341	104,833,198
Total Department of Corrections Cost	90,054,309	121,465,462	129,037,355	162,253,033
TOTAL NET STATE COST				
TOTAL ANNUAL STATE COST Per Inmate:				
Department-Wide Mgmt & Admn	5,183	5,812	6,106	8,212
Department-Wide Medical, Dental, Pharm	6,701	7,830	8,226	11,063
Community Corrections - Trans Housing	489	548	575	774
Shared Debt Service	0	23	22	10
Facility Debt Service	1,237	4,539	4,660	1,958
Facility	22,998	27,823	29,889	40,197
Total Estimated Cost Per Inmate	36,607	46,574	49,478	62,214
Less REVENUE PER INMATE	(100)	(112)	(118)	(158)
TOTAL NET STATE COST PER INMATE	36,508	46,462	49,360	62,055
Per Diem Cost	*$100*	*$127*	*$135*	*$170*
% Increase Vs FY12 Base		*27%*	*35%*	*70%*
MEN ONLY				
FY12 = Ave Census for FY12 / FY13-FY33 = 12/1/12 Census	2,302	2,415	2,415	2,415
TOTAL ANNUAL REVENUE *(if applicable)*	245,505	291,828	306,602	412,346
TOTAL ANNUAL COST :				
Dept-Wide Mgmt & Administrative	11,931,835	14,035,040	14,745,564	19,831,144
Dept-Wide Medical, Dental & Pharmacy	15,500,179	19,031,067	19,994,515	26,890,400
Community Corrections - Trans Housing	1,039,501	1,282,934	1,368,455	1,840,419
Shared Debt Service	0	56,097	52,652	25,150
Facility Debt Service	3,005,397	7,575,965	8,147,443	3,175,725
Facility	52,640,909	66,372,653	71,445,646	96,086,451
Total Department of Corrections Cost	84,117,821	108,353,757	115,754,275	147,849,289
TOTAL NET STATE COST				
TOTAL ANNUAL STATE COST Per Inmate:				
Department-Wide Mgmt & Admn	5,183	5,812	6,106	8,212
Department-Wide Medical, Dental, Pharm	6,733	7,880	8,279	11,135
Community Corrections - Trans Housing	452	531	567	762
Shared Debt Service	0	23	22	10
Facility Debt Service	1,306	3,137	3,374	1,315
Facility	22,867	27,484	29,584	39,787
Total Estimated Cost Per Inmate	36,541	44,867	47,931	61,221
Less REVENUE PER INMATE	(107)	(121)	(127)	(171)
TOTAL NET STATE COST PER INMATE	36,435	44,746	47,804	61,050
Per Diem Cost	*$100*	*$123*	*$131*	*$167*
% Increase Vs FY12 Base		*23%*	*31%*	*68%*

WOMEN ONLY				
FY12 = Ave Census for FY12 / FY13-FY33 = 12/1/12 Census	158	193	193	193
TOTAL ANNUAL REVENUE *(if applicable)*	0	0	0	0
TOTAL ANNUAL COST :				
Dept-Wide Mgmt & Administrative	818,953	1,121,641	1,178,424	1,584,849
Dept-Wide Medical, Dental & Pharmacy	984,125	1,388,796	1,459,104	1,962,333
Community Corrections - Trans Housing	162,301	145,630	132,431	178,105
Shared Debt Service	0	4,483	4,208	2,010
Facility Debt Service	37,997	4,260,844	4,005,219	1,929,700
Facility	3,933,111	6,190,311	6,503,695	8,746,747
Total Department of Corrections Cost	5,936,488	13,111,705	13,283,081	14,403,744
TOTAL NET STATE COST				
TOTAL ANNUAL STATE COST Per Inmate:				
Department-Wide Mgmt & Admn	5,183	5,812	6,106	8,212
Department-Wide Medical, Dental, Pharm	6,229	7,196	7,560	10,168
Community Corrections - Trans Housing	1,027	755	686	923
Shared Debt Service	0	23	22	10
Facility Debt Service	240	22,077	20,752	9,998
Facility	24,893	32,074	33,698	45,320
Total Estimated Cost Per Inmate	37,573	67,936	68,824	74,631
Less REVENUE PER INMATE	0	0	0	0
TOTAL NET STATE COST PER INMATE	37,573	67,936	68,824	74,631
Per Diem Cost	*$103*	*$186*	*$189*	*$204*
% Increase Vs FY12 Base		*81%*	*83%*	*99%*

In short, the repurposed model developed and submitted to the State provides a comprehensive 20 year projection of the state's cost of operation broken down by facility and major cost category. Utilizing the baseline data, the Consultant created a 20 year projection model that adjusts the costs and revenues by category and facility assuming a 2.5% annual inflation rate. The model also includes adjustments in the appropriate years for each of the projected capital requirements – including both the expected debt service payment and increase in operating costs, if any, associated with each planned project. In the fiscal years that the new facilities are projected to be operational, the inmate census data was adjusted to correspond with the movement of prisoners between facilities, and for the increase in the expected number of total prisoners housed.

The projections result in two detailed reports that were provided to the State:

- 20 Year Detail: This report shows the operating costs by facility by year for the next 20 years in the same format that the baseline FY 2012 data was provided. Much of this worksheet is formula driven and will automatically recalculate if the FY 2012 baseline cost data, capital requirements, debt payments, or census data is modified. This allows the State to conduct comparative what-if analysis for different scenarios.
- 20 Year Summary: This report is a summary of the 20 Year Detail report and displays costs by category of expense and by gender of inmate. The primary difference between this and the detailed report is the summary report does not display the cost projections at the facility level.

Business Case Assessment

The Consultant's business case analysis of privatization in the New Hampshire Department of Corrections (NHDOC) assesses whether it is in the basic interests of the State to privatize a substantial portion of the operations of the state prison system, as called for in the RFP's issued by the State. The Consultant's approach to this analysis sought to establish the degree (if any) to which private operation of correctional facilities may result in less total government spending than the State's management of the current correctional system, given a specified standard of operational performance.

This approach represents a modified version of the privatization assessment methodology developed by the federal Office of Management and Budget (OMB), currently described in OMB Circular A-76. This methodology works backward from the known costs associated with prison system operations, comparing the actual costs to government of its current operations with the projected total system costs of incorporating contracted facilities into its business model.

The A-76 assessment methodology begins first with the definition of current system costs. In order to establish a baseline for comparison, the Consultant developed the financial model discussed earlier, which is a comprehensive cost projection for the state correctional system that identifies current business model expenditures for the next twenty years. The projection makes two key assumptions, 1) that system costs and revenues will grow over time, consistent with a 2.5% annual cost inflation rate; and 2) that the correctional system will require significant capital investments to assure the operational integrity of current state owned facilities and to create new male transitional center and female correctional center capacity. In total, we project these capital investments, summarized in the table below will total $79.7 million (approximately 94 percent of this spending goes to build a new women's correctional facility and four new male transitional centers).

It is important to note here that in using the financial model of current and future state costs certain factors must be factored in including:

1. Determination of fixed versus variable cost dictated by a proposed scenario;
2. Determining what costs would be retained by the state in a proposed scenario;
3. Medical costs that would be required of the state under a proposed contract;
4. Travel cost necessitated under a proposed scenario; and
5. Cost for oversight, quality assurance and contract management.

As has been noted in the table on page 7, other than the need for a new prison facility for women the bulk of the remaining capital costs forecast in the model are for C-1/C-2 transitional housing for men. These costs are included as a means to avoid significant capital investment on additional secure housing for men. Since the state does not often release inmates to other states these transitional facilities need to be sited in New Hampshire.

Summary of Capital Improvement Projects

Financial Model for NH Department of Corrections

Project Title/Name	Square Footage	Estimated Useful Life	REVISED CAPITAL EST. AND SUGGESTED TIMING - January 2013						Incremental Annual Operating Costs
			2014/2015	2016/2017	2018/2019	Compl Date	In Operation	Location	
New 225 Bed Women's Prison (C2-C5 Security)	90,000	50 Years	$ 41,950,000			2017	2018	New Women	1,478,124
New Men's 64 Bed C-1 (Trans Housing) Facility - 1 of 2	23,053	50 Years		$ 8,450,000		2018	2019	Concord	1,043,139
Replace Steam Lines and Install Steam Injector Pumps		25 Years	$ 495,000			2014	2015	Concord	
Repair Bathroom Floors - Hancock Building		20 Years	$ 312,500			2015	2016	Concord	
New Men's 64 Bed C-1 (Trans Housing) Facility - 2 of 2	23,053	50 Years		$ 8,450,000		2018	2019	Concord	1,043,139
Replace Roofs in Gym, Auto Shop, Outside Canteen, and Warehouse		20 Years		$ 1,570,000		2016	2017	Concord	
Replace Two 20,000 gallon Oil Tank & One 5,000 Gal. Diesel Tank		20 Years	$ 130,000			2014	2015	Concord	
Replace Access Road - Berlin facility		20 Years	$ 580,000			2015	2016	Berlin	
Electronic Medical Records System		20 Years	$ 500,000			2015	2016	Dept wide	
Staff Scheduling System		20 Years	$ 120,000			2014	2015	Dept wide	
Men's 64 Bed C-2 (Transitional Work Center) Facility at NCF	23,137	50 Years		$ 7,910,000		2018	2019	Berlin	1,712,877
Men's 64 Bed C-2 (Transitional Work Center) Facility in Concord	23,053	50 Years			$ 8,450,000	2020	2021	Concord	1,712,877
Bathrooms - MCN, MCS		20 Years			$ 755,000	2019	2020	Concord	
TOTAL ESTIMATED CAPITAL REQUIREMENTS			**$ 44,087,500**	**$ 26,380,000**	**$ 9,205,000**				
TOTAL ESTIMATED CAPITAL REQUIREMENTS FY14-FY19					**$ 79,672,500**				

It should be noted that in reviewing the Business Case Assessment it is difficult, if not impossible, to utilize the received proposals for purposes of comparison with existing and forward looking correctional costs. This difficulty stems from the fact that, as described in general terms above, the received proposals lacked certain essential components. As an example, the proposals exhibited insufficiency in the areas of staffing, spacing and their configuration of services and programming. As a result, a comparison of their costs would not be helpful in that there is the potential that they are woefully understated to what it would actually cost for a fully compliant facility.

Overview of Construction Costs for Comparison

Construction Cost Benchmarks

As part of their review the Consultant identified benchmarks for prison construction costs. The Departments requested this information to have a baseline understanding of cost to construct correctional facilities across the country. To accomplish this, the Consultant polled numerous sources of prison construction data to identify where facilities were constructed and the type and cost of construction. The Consultant found limited available data relative to the construction costs for prison facilities completed since the year 2000. The Consultant felt that this is likely due to the fact that after

the prison population boom of the 1980's and 1990's had ended few new prison facilities were constructed by states. In fact, during the last decade several states had begun closing facilities as a way of reducing correctional budgets. As a result, their capital programs have been essentially maintenance and specific need projects. The exception has been the Federal Bureau of Prisons (FBOP) which continued their facility expansion initiative.

The Consultant found data on fourteen construction examples that span from 2000 – 2012. This information is provided in the table which follows. Since much of the data available is aged, inflation factors, regional construction cost indexes and a conversion factor have been applied to each project to provide costs as they could be reasonably be for a similar type project located in Concord, New Hampshire in the year 2012.

The Consultant found wide variance in the average construction cost per bed, even between facilities that house the same classification of offenders. For example, the cost per bed for a maximum security facility constructed in Illinois in 2003 was $97,169.62 while the cost per bed for a Federal Bureau of Prisons (FBOP) maximum security facility constructed in Kentucky was $247,546.57. It should be noted that little or no data is available relative to programs and program spaces in these respective institutions. However, the square feet area per bed can be used as a measure of the probable richness of program activities and space. It is also noted that the costs per square foot tend to increase with higher square feet per inmate, another indication of probable program richness. In the example above, the cost per square foot of the Illinois facility was $249.93 while the cost per square foot of the FBOP facility was nearly 35% higher ($337.45). In total for the fourteen facilities the average construction cost per square foot (adjusted) was $312.03, as is shown in the table below.

	Maximum Security Facilities				Special Population/Special Needs Facilities				Medium Security Facilities			Minimum Security Facilities			
Agency	**State of Delaware Div. of Fac.Mgt.**	**Federal Bureau of Prisons**	**Illinois Capital Dev. Bd.**	**Federal Bureau of Prisons**	**Nebraska DOCS**	**Washington State DOC**	**Colorado DOC**	**State of Florida (GEO-Des/Bld/Operate)**	**Oregon DOC**	**MIDLANT Naval Fac. Eng. Command**	**Bledsoe County Correctional Facility**	**Federal Bureau of Prisons**	**Federal Bureau of Prisons**	**Georgia DOC**	**AVERAGE**
Location	Delaware	Kentucky (Eastern)	Illinois (N. West)	Florida (Central)	Nebraska	Washington (East)	Colorado (Central)	Milton, Florida	Oregon	Washington, D.C.	Tennessee	California (Southern)	Berlin, N.H.	Georgia	
Year completed	2001	2002	2003	2004	2001	2002	2003	2010	2008	2010	2011	2000	2010	2003	
Security level	Max./Close	US Pen. Max./Work	Max. Male	US Pen. Max./Work	Special Mgt.	Special Needs	Special Needs	Sp. Needs/ Mental,	Special Needs & Med.	Medium Male & Female	Medium Male	FCI Minimum Male	FCI Minimum Male	Min/Med/Close/Max	
No. of Beds	900	896	1800	960	960	108	250	2000	1900	400	1444	1864	1230	1024	
No. of cells	600	No data	1600	No data	640	108	250	No data	No data	400	632	971	No data	464	
Total Cost	$ 96,647,000	$146,000,000	$111,355,000	$ 89,487,928	$ 64,400,000	$ 14,600,000	$ 21,870,800	$121,000,000	$190,000,000	$ 70,000,000	$143,810,161	$ 87,188,300	$246,000,000	$ 43,614,436	***$ 103,283,830***
Total sq. ft.	418,686	657,289	795,000	538,190	364,563	56,000	117,200	400,000	600,000	210,000	459,117	645,714	686,766	285,836	***445,312***
Cost per bed	$ 107,386	$ 162,946	$ 61,864	$ 93,217	$ 67,083	$ 135,185	$ 87,483	$ 60,500	$ 100,000	$ 175,000	$ 99,592	$ 46,775	$ 200,000	$ 42,592	***$ 102,830***
Sq. ft.per bed	465.21	733.58	441.67	560.61	379.75	518.52	468.80	200.00	315.79	525.00	317.95	346.41	558.35	279.14	***436.48***
Cost per s.f.	$ 230.83	$ 222.12	$ 140.07	$ 166.28	$ 176.65	$ 260.71	$ 186.61	$ 302.50	$ 316.67	$ 333.33	$ 313.23	$ 135.03	$ 358.20	$ 152.59	***$ 235.34***
Inflation cost factor	53.5%	50.1%	45.2%	36.6%	53.5%	50.2%	45.2%	7.1%	6.5%	7.1%	2.7%	55.6%	7.1%	45.2%	
Regional cost factor	103.5%	96.6%	90.3%	88.8%	87.3%	103.8%	92.2%	85.1%	99.6%	97.3%	84.2%	100.8%	100.0%	88.0%	
Concord, N.H. adjustment factor	94.4%	101.1%	108.2%	110.0%	111.9%	94.1%	106.0%	114.8%	98.1%	100.4%	116.0%	96.9%	100.0%	111.0%	
Concord adjusted cost per s.f. (2012)	**$ 334.54**	**$ 337.25**	**$ 220.03**	**$ 249.91**	**$ 303.51**	**$ 368.60**	**$ 287.10**	**$ 371.95**	**$ 330.66**	**$ 358.47**	**$ 373.12**	**$ 203.64**	**$ 383.63**	**$ 245.96**	***$ 312.03***
Concord adjusted cost per bed (2012)	**$ 155,629.78**	**$ 247,401.35**	**$ 97,180.94**	**$ 140,105.52**	**$ 115,259.51**	**$ 191,127.73**	**$ 134,593.41**	**$ 74,389.12**	**$ 104,418.93**	**$ 188,195.32**	**$ 118,632.90**	**$ 70,543.61**	**$ 214,200.00**	**$ 68,656.23**	***$ 137,166.74***

**Note: Inflation factors used are based on U.S. Department of the Interior Bureau of Reclamation "Structures and Improvements" published in 2012. Regional construction cost indexes used are based on R.S. Means Cost Data 2013. Conversion factors are the New Hampshire regional cost index divided by the regional cost index of the subject project location.*

Confidentiality Concerns Related to Substance of Independent Consultant's Work Product

It should be noted that the vast majority of the Consultant's work, or, more particularly, the vast majority of work product that they provided, are unsuited for public dissemination based upon the confidentiality requirements which attach when bids are not actually awarded. More specifically, RSA 21-I:13-a (II) provides:

> "***No information shall be available to the public, the members of the general court or its staff***, notwithstanding the provisions of RSA 91-A:4, concerning specific invitations to bid or other proposals for public bids, from the time the invitation or proposal is made public ***until the bid is actually awarded, in order to protect the integrity of the public bidding process*** ."[Emphasis added]

In this instance, where the solicitation has been cancelled and an award has not been made, and where the State is still considering its options with regards to soliciting for the same services, information specific to the proposals resulting from the RFPs cannot be released at this time. It is for this reason that the work product of the Consultant which contains specific reference to the substance of the proposals is not available for public disclosure at this time.

III. Cancellation of RFPs and Suggested Next Steps

The immediate next step, taken in conjunction with the release of this report, is the formal cancellation of the solicitation process. This decision, based upon the detail provided above, is made in the best interests of the State. While the released RFPs will not give rise to an executed contract, the Departments believe that the exercise was far from fruitless. As an initial matter, and as noted above, it is the Departments' belief that the financial analysis provided by the Consultant helps to inform the discussion of where to go next. It aids in the upcoming consideration of the manner and method by which to tackle the responsibilities of conducting correctional facilities' operations. In addition to having specific financial information to serve as a foundation for these discussions, the Departments are in a far better position to identify, and if need be, solicit for, the facilities driven needs of correctional operations going forward.

More specifically this process has stressed the importance of defining and clearly specifying the detailed requirements which are associated with constructing and operating a correctional facility given the array of applicable standards. In short, to the extent that a decision is made to re-issue a solicitation to secure the subject services (whether it is for construction or operationally related services), the Departments would recommend specifically spelling out the manner in which compliance with the relevant court orders and consent decrees is assured. Simply stated, leaving matters such as this open to the responding vendor's interpretation is inefficient for purposes of reviewing responses and comparing proposals. In addition, and perhaps more importantly, it is problematic in that the State risks contracting for services that do not meet the prescribed standards.

IV. Conclusion

Pursuant to legislative direction, the Departments released a series of RFPs related to the construction, operation and potential privatization of certain of the State's correctional facilities. Based upon concern over the lack of responses with a clearly articulated understanding of the requirements set forth in the RFPs, particularly the Court Orders and Consent Decrees, a decision was made to cancel the solicitation process. In working with an independent Consultant the Departments harnessed an increased appreciation of current operational costs. Based upon this appreciation of facilities driven costs, and an honest assessment of the cancelled RFP process, the State is in a better position to identify and solicit for its correctional needs, whether operational or strictly construction related, going forward.