MAYOR DANNY FERGUSON'S LETTER

Mayor Ferguson has written the President to express his concerns about the Administration's FY 96 budget proposal to privatize 5 new federal prisons, including one that is scheduled to open this summer in Forrest City, Arkansas. Here are the Mayor's concerns:

1. **Economic Impact of Privatization.** Mayor Ferguson is concerned that the privatization proposal in our budget will dampen the economic impact on the local area. The Justice Department's Bureau of Prisons (BOP) disagrees and believes that any difference in economic impact would be marginal. BOP concedes that starting wages for private sector personnel will be somewhat lower than for similar federal employees, but the overall number of jobs created should be the same. BOP's experience with privatization also suggests that the level of local purchases still should be very similar.

2. **Future Add-Ons to the Forrest City Complex.** Mayor Ferguson also believes that -- after investing a statewide total of $6 million in the Forrest City site -- the Administration's privatization proposal will result in no new prison facilities being added to the Forrest City complex. This is a legitimate concern. As part of OMB and BOP's agreement to privatize certain new federal prisons, only new pre-trial detention and low to minimum security prisons will be privatized, and no new privatized prisons will be located on the same complex as higher level security facilities. Thus, BOP would be precluded from building new medium to high security prisons at the Forrest City site, but could still build other privatized, low to medium security facilities there. Forrest City's opportunity for expansion are narrowed, but not eliminated.

3. **Mixed Signals from Congress and the Administration.** Although BOP has committed to build one facility in Forrest City, it has not requested any funds for expansion. Congress, however, appropriated $6 million in FY 95 to begin expanding the Forrest City site. Thus, while Mayor Ferguson views the expansion of the Forrest City prison as already in the works, OMB and BOP probably view this project as another congressional add-on that is likely to go unspent until Congress forces BOP to spend the money, or BOP can successfully reprogram the funds elsewhere.

I suggest we diplomatically stick by our budget. We could reinforce BOP's arguments that we do not expect privatization to diminish the impact on the local economy; that certain prisons -- if not all types -- could still be added to the Forrest City complex; and that Forrest City will be given every appropriate consideration for future priosn projects.

If we want to go a step further, we could commit to expand the Forrest City complex. We could recognize that Forrest City and Arkansas have gone out on a limb to provide for the expansion of the Forrest City compound; that we have a $6 million appropriation for this purpose anyway; and that we will spend this money and expand the Forrest City complex -- but consistent with the OMB-BOP privatization agreement.

A draft letter is attached for your consideration.

DRAFT LETTER

Dear Mayor Ferguson:

Thank you for your recent letter to the President about the Administration's proposal in the FY 1996 Budget to privatize certain new prisons. The President forwarded your letter to me, and I am pleased to respond on his behalf.

As part of the Administration's effort to streamline government, the FY 1996 Budget includes a proposal to privatize the operation of 5 new prisons, including your own project in Forrest City. This proposal stems from the Administration's larger belief that government should do more to explore the privatization of certain functions. Given the current focus in Washington on redefining and reducing the role of government, I am sure you can appreciate the Administration's efforts to look for new ways to reinvent government.

However, your concerns with the Administration's proposal to privatize the new prison in Forrest City are legitimate, and I want to address them. First and foremost, let me begin by saying that it is my understanding that our privatization proposal should not dampen the local economic impact of the Forrest City prison. Our Bureau of Prisons' (BOP) experience in this area strongly suggest that both public and private prisons should provide a similar boost to the local economy. Second, privatizing Forrest City will not preclude BOP from expanding Forrest City in the future. BOP may still chose to build other private low to medium security level prisons in Forrest City, and I am sure that your project will be given every appropriate consideration.

(Optional paragraph: Moreover, as your letter mentions, Congress already has approved $6 million in FY 1995 monies to expand the Forrest City Prison project. I am sure that BOP intends to spend this money for its appropriated purpose.)

April 27, 1995

MEMORANDUM FOR CAROL RASCO

From: Jose Cerda

Subject: Mayor Danny Ferguson's Letter to the President

This memorandum briefly outlines Mayor Ferguson's concerns regarding the Administration's proposal to privatize the new federal prison in Forrest City, Arkansas. Also, I have included some general suggestions on how to approach the Ferguson letter. Please let me know if you require any additional information on this matter.

1. **The Part of FY 96 Budget Proposal.** As you know, with so many Presidential priorities included in the Justice Department's budget (crime bill, immigration and now terrorism), and federal prison costs rising uncontrollably, it has been nearly impossible for OMB and NPR to either cut spending or reduce FTEs at Justice. Privatization of certain federal prisons was one of the few cost-cutting and FTE-saving provisions that the President could embrace during consideration of Justice's FY 96 budget. The Bureau of Prisons (BOP) strongly resisted privatization, but finally acquiesced when OMB limited its proposal to new pre-trial detention and low to minimum security prisons -- and agreed not to locate the new privatized prisons on the same complexes as higher level security facilities, which would remain federal. Pursuant to this agreement, the FY 96 budget called for 5 new prisons to be privatized; Forrest City was among the selected projects.

2. **Economic Impact of Privatization.** Mayor Ferguson is concerned that the privatization proposal in our budget will dampen the economic impact on the local area. BOP disagrees and believes that any difference in economic impact would be -- at best -- marginal. BOP concedes that starting wages for private sector personnel will be somewhat lower than for similar federal employees, but the overall number of jobs created should be the same. And while federal procurement laws won't be in effect to promote local purchases of necessary products, materials, etc., BOP's experience with privatization suggests that the level of local purchases still should be very similar.

3. **Future Add-Ons to the Forrest City Complex.** Mayor Ferguson also makes the case that the Administration's privatization proposal will result in no new prison facilities being added to the Forrest City complex. This is a legitimate concern. The OMB-BOP agreement would preclude BOP from proposing to build new medium to high security prisons at the Forrest City site, but it would allow for the construction of other privatized, low to medium security facilities in the future. Thus, the OMB-BOP agreement narrows -- but does not eliminate -- Forrest City's opportunity for expansion.

4. The Big Picture: Caught Between Congress and the Feds. At the heart of Mayor Ferguson's troubles is the fact that Forrest City and the State of Arkansas have invested $6 million in the hopes of getting BOP to build a large, multi-level security facility, and that that facility now may not be built. Although I believe the Mayor's expectations were a bit too optimistic, they were not totally unreasonable. Afterall, BOP did agree to build one facility in Forrest City, and Congress did $6 million for expansion in FY 95 (conference report accompanying the final FY 95 Commerce, Justice, State appropriations bill). From OMB and BOP's perspective, however, the Administration neither requested nor committed to build any additional facilities in Forrest City. Thus, while Mayor Ferguson has viewed an expanded Forrest City prison as a done deal, OMB and BOP probably view this $6 million project as another congressional add-on that will remain in play during the upcoming budget, rescissions, appropriations and re-programming process.

5. Some Suggestions. Given that the White House (OMB) fought hard to get BOP to pursue privatization, I do not think reversing our position on privatization and/or formally amending the FY 96 budget is a viable option. However, depending on our level of concern and willingness to get involved, there are other things we can say and do. The following options come to mind.

<u>First, we could diplomatically stick by our budget</u>. We could simply reinforce BOP's arguments and say that we do not expect privatization to diminish the impact on the local economy; that certain prisons could still be added to the Forrest City complex; and that Forrest City will be given every appropriate consideration for future projects.

<u>Second, we could stick by our privatization plans, but agree to expand the Forrest City complex</u>. We could recognize that Forrest City and Arkansas have gone out on a limb to expand the Forrest City compound; that we have a $6 million appropriation for this purpose anyway; and that we are committed to spend this money and expand the Forrest City complex -- but consistent with the OMB-BOP privatization agreement.

<u>Third, we could quietly give up on trying to privatize Forrest City and look to spend the $6 million appropriation in a way that meets both the needs of BOP and Forrest City</u>.

Personally, I would recommend some variation of option two or three, depending on whether we want to err on the side of privatization or Arkansas. Frankly, there's little value in sticking one hundred percent to the budget proposal. Three things can happen if we stick by the budget and choose not to spend the expansion money: (1) Congress -- either through additional appropriations language or political pressure -- will try and make us spend the money (In fact, Senator Bumpers has already written to BOP); (2) the Administration will try to reprogram the money to other priorities in Justice; or (3) the money goes unspent until either Congress or the Administration blinks and outcome (1) or (2), respectively, comes to pass.

Again, please let me know if you require any additional information. I'm sure that OMB and Justice's BOP would be interested in whatever we chose to do or say -- if anything -- on this matter. Also, it may be wise for Mack to consult Counsel's office.

April 27, 1995

MEMORANDUM FOR CAROL RASCO

From: **Jose Cerda**

Subject: **Mayor Danny Ferguson's Letter to the President**

This memorandum briefly outlines Mayor Ferguson's concerns regarding the Administration's proposal to privatize the new federal prison in Forrest City, Arkansas. Also, I have included some general suggestions on how to approach the Ferguson letter. Please let me know if you require any additional information on this matter.

1. The Part of FY 96 Budget Proposal. As you know, with so many Presidential priorities included in the Justice Department's budget (crime bill, immigration and now terrorism), and federal prison costs rising uncontrollably, it has been nearly impossible for OMB and NPR to either cut spending or reduce FTEs at Justice. Privatization of certain federal prisons was one of the few cost-cutting and FTE-saving provisions that the President could embrace during consideration of Justice's FY 96 budget. The Bureau of Prisons (BOP) strongly resisted privatization, but finally acquiesced when OMB limited its proposal to <u>new</u> pre-trial detention and low to minimum security prisons -- and agreed not to locate the new privatized prisons on the same complexes as higher level security facilities, which would remain federal. Pursuant to this agreement, the FY 96 budget called for 5 new prisons to be privatized; Forrest City was among the selected projects.

2. Economic Impact of Privatization. Mayor Ferguson is concerned that the privatization proposal in our budget will dampen the economic impact on the local area. BOP disagrees and believes that any difference in economic impact would be -- at best -- marginal. BOP concedes that starting wages for private sector personnel will be somewhat lower than for similar federal employees, but the overall number of jobs created should be the same. And while federal procurement laws won't be in effect to promote local purchases of necessary products, materials, etc., BOP's experience with privatization suggests that the level of local purchases still should be very similar.

3. Future Add-Ons to the Forrest City Complex. Mayor Ferguson also makes the case that the Administration's privatization proposal will result in no new prison facilities being added to the Forrest City complex. This is a legitimate concern. The OMB-BOP agreement <u>would preclude</u> BOP from proposing to build new medium to high security prisons at the Forrest City site, but it <u>would allow</u> for the construction of other privatized, low to medium security facilities in the future. Thus, the OMB-BOP agreement narrows -- but does not eliminate -- Forrest City's opportunity for expansion.

4. The Big Picture: Caught Between Congress and the Feds. At the heart of Mayor Ferguson's troubles is the fact that Forrest City and the State of Arkansas have invested $6 million in the hopes of getting BOP to build a large, multi-level security facility, and that that facility now may not be built. Although I believe the Mayor's expectations were a bit too optimistic, they were not totally unreasonable. Afterall, BOP did agree to build one facility in Forrest City, and Congress did $6 million for expansion in FY 95 (conference report accompanying the final FY 95 Commerce, Justice, State appropriations bill). From OMB and BOP's perspective, however, the Administration neither requested nor committed to build any additional facilities in Forrest City. Thus, while Mayor Ferguson has viewed an expanded Forrest City prison as a done deal, OMB and BOP probably view this $6 million project as another congressional add-on that will remain in play during the upcoming budget, rescissions, appropriations and re-programming process.

5. Some Suggestions. Given that the White House (OMB) fought hard to get BOP to pursue privatization, I do not think reversing our position on privatization and/or formally amending the FY 96 budget is a viable option. However, depending on our level of concern and willingness to get involved, there are other things we can say and do. The following options come to mind.

<u>First, we could diplomatically stick by our budget</u>. We could simply reinforce BOP's arguments and say that we do not expect privatization to diminish the impact on the local economy; that certain prisons could still be added to the Forrest City complex; and that Forrest City will be given every appropriate consideration for future projects.

<u>Second, we could stick by our privatization plans, but agree to expand the Forrest City complex</u>. We could recognize that Forrest City and Arkansas have gone out on a limb to expand the Forrest City compound; that we have a $6 million appropriation for this purpose anyway; and that we are committed to spend this money and expand the Forrest City complex -- but consistent with the OMB-BOP privatization agreement.

<u>Third, we could quietly give up on trying to privatize Forrest City and look to spend the $6 million appropriation in a way that meets both the needs of BOP and Forrest City</u>.

Personally, I would recommend some variation of option two or three, depending on whether we want to err on the side of privatization or Arkansas. Frankly, there's little value in sticking one hundred percent to the budget proposal. Three things can happen if we stick by the budget and choose not to spend the expansion money: (1) Congress -- either through additional appropriations language or political pressure -- will try and make us spend the money (In fact, Senator Bumpers has already written to BOP); (2) the Administration will try to reprogram the money to other priorities in Justice; or (3) the money goes unspent until either Congress or the Administration blinks and outcome (1) or (2), respectively, comes to pass.

Again, please let me know if you require any additional information. I'm sure that OMB and Justice's BOP would be interested in whatever we chose to do or say -- if anything -- on this matter. Also, it may be wise for Mack to consult Counsel's office.

MAYOR DANNY FERGUSON'S LETTER

Mayor Ferguson has written the President to express his concerns about the Administration's FY 96 budget proposal to privatize 5 new federal prisons, including one that is scheduled to open this summer in Forrest City, Arkansas. Here are the Mayor's concerns:

1. Economic Impact of Privatization. Mayor Ferguson is concerned that the privatization proposal in our budget will dampen the economic impact on the local area. The Justice Department's Bureau of Prisons (BOP) disagrees and believes that any difference in economic impact would be marginal. BOP concedes that starting wages for private sector personnel will be somewhat lower than for similar federal employees, but the overall number of jobs created should be the same. BOP's experience with privatization also suggests that the level of local purchases still should be very similar.

2. Future Add-Ons to the Forrest City Complex. Mayor Ferguson also believes that -- after investing a statewide total of $6 million in the Forrest City site -- the Administration's privatization proposal will result in no new prison facilities being added to the Forrest City complex. This is a legitimate concern. As part of OMB and BOP's agreement to privatize certain new federal prisons, only new pre-trial detention and low to minimum security prisons will be privatized, and no new privatized prisons will be located on the same complex as higher level security facilities. Thus, BOP would be precluded from building new medium to high security prisons at the Forrest City site, but could still build other privatized, low to medium security facilities there. Forrest City's opportunity for expansion are narrowed, but not eliminated.

3. Mixed Signals from Congress and the Administration. Although BOP has committed to build one facility in Forrest City, it has not requested any funds for expansion. Congress, however, appropriated $6 million in FY 95 to begin expanding the Forrest City site. Thus, while Mayor Ferguson views the expansion of the Forrest City prison as already in the works, OMB and BOP probably view this project as another congressional add-on that is likely to go unspent until Congress forces BOP to spend the money, or BOP can successfully reprogram the funds elsewhere.

I suggest we diplomatically stick by our budget. We could reinforce BOP's arguments that we do not expect privatization to diminish the impact on the local economy; that certain prisons -- if not all types -- could still be added to the Forrest City complex; and that Forrest City will be given every appropriate consideration for future prison projects.

If we want to go a step further, we could commit to expand the Forrest City complex. We could recognize that Forrest City and Arkansas have gone out on a limb to provide for the expansion of the Forrest City compound; that we have a $6 million appropriation for this purpose anyway; and that we will spend this money and expand the Forrest City complex -- but consistent with the OMB-BOP privatization agreement.

A draft letter is attached for your consideration.

DRAFT LETTER

Dear Mayor Ferguson:

Thank you for your recent letter to the President about the Administration's proposal in the FY 1996 Budget to privatize certain new prisons. The President forwarded your letter to me, and I am pleased to respond on his behalf.

As part of the Administration's effort to streamline government, the FY 1996 Budget includes a proposal to privatize the operation of 5 new prisons, including your own project in Forrest City. This proposal stems from the Administration's larger belief that government should do more to explore the privatization of certain functions. Given the current focus in Washington on redefining and reducing the role of government, I am sure you can appreciate the Administration's efforts to look for new ways to reinvent government. Your letter, however, raises some legitimate concerns with the Administration's proposal, and I would like to address them.

First and foremost, let me say that I do not believe the Administration's privatization proposal will dampen the local economic impact of the Forrest City prison. I understand that the Bureau of Prisons' (BOP) experience in this area strongly suggest that both public and private prisons should provide a similar boost to the local economy, and that the number of new jobs created should be the same.

Second, it is also my understanding that privatizing Forrest City will not preclude BOP from that site in the future. BOP may still chose to build other private low to medium security level prisons in Forrest City, and I am sure that your site will be given every appropriate consideration. (Optional sentence: *In fact, as your letter mentions, Congress already has approved $6 million in FY 1995 monies for this purpose, and I see no reason why BOP would not comply with Congress' intent on this matter.*)

Again, thank you for writing to the President on this matter. I know that you have done much to promote the Forrest City prison project, and the Administration is committed to working with you in implementing its privatization proposal.

TELECOPIER COVER SHEET

OFFICE OF MANAGEMENT AND BUDGET

TRANSPORTATION, COMMERCE, JUSTICE & SERVICES DIVISION

TO: Jose

FROM: Ken Schwartz
Alan Rhinesmith
David Haun
Louisa Koch
Brad Kysar

Sharon Barkeloo
Jim Boden
Chris Brown
Ann Burget
David Childs
Teresa Collins
Daniel Corbett
Alice Davis
Meg DiBari
Jim Duke
Anita Ford
Martha Gagné
Jack Kelly
Lin Liu
Larry Magid
Yvonne McCoy
Steve Mertens
Jonas Neihardt
Kim Newman
Barbara Retzlaff
Jeeyang Rhee
Donna Rivelli
Adrien Silas
Steve Swain
Dan Tangherlini
Desiree Thompson
David Tornquist
Vernetta Tanner
Trish Watson
Rebecca Wayne

PHONE:

Number of pages
(include this page)

SUBJECT:
Per our discussion

REMARKS:

Phone:
202/395-4892
202/395-5704
202/395-3914
202/395-5090

The phone number for this Xerox 7020 machine is 395-7238

PW-Hold

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

CC:
Official - TCJS/J-GSA
Chron - TCJS/J-GSA
DO Records 47505
DO Chron
Ms. Rivlin (2)
Ms. Wong
Mr. Halter
Mr. Arthur
Mr. Lew
Mr. Damus
Mr. Litan
Mr. Schwartz
Mr. Haun
Mr. Kyser
TCJS/J-GSA:TLC:4/21/95

MEMORANDUM FOR MACK McLARTY

FROM: ALICE RIVLIN

SUBJECT: Privatization of Operations for the New Forrest City, Arkansas, Prison

You requested an analysis of the note from the Mayor Ferguson of Forrest City, Arkansas, on the privatization of operations of a new Federal prison under construction in Forrest City.

Background

A major initiative in the 1996 Budget for the Department of Justice was the privatization of prison operations for all new low and minimum security prisons and pre-trial detention facilities that have already been funded and are under construction. The proposal saves over 4,000 Federal jobs. It also will result most probably in some dollar savings that were not quantified in the 1996 Budget due to Federal inexperience in this area and the political vulnerability of the estimates.

The policy was developed by OMB and proposed to the Department of Justice. Justice first objected to the proposal, but then agreed on the following conditions: (1) the Bureau of Prisons (BOP) would not privatize any existing facilities, (2) BOP would privatize the operations of all new pre-trial detention facilities and all new minimum and low security facilities opening in 1996 and beyond, and (3) BOP would not privatize the operations of any new medium or high security facilities, including any portion of any new prison complex opening in 1996 and beyond containing those security levels. BOP felt strongly on the last point, stating that staff within a facility should not be a mixture of Federal employees and contractors due to a number of potential problems, including lines of authority and disparate wage and benefit arrangements.

The privatization of Federal prison operations was raised with and endorsed by the President.

The 1996 Budget identifies five new facilities opening in 1996 for which the operations will be contracted out:

Facility	Projected Opening Date	Beds
Taft CA Minimum Security Facility	March 1996	512
Taft CA Low Security Facility	March 1996	1,536
Brooklyn NY Detention Center	May 1996	1,229
Forrest City AR Low Security Facility	July 1996	1,536
Yazoo City MS Low Security Facility	September 1996	1,536
Total		6,349

The Forrest City Federal Prison

The note from Mayor Ferguson of Forrest City, Arkansas, implies that the Federal Government is falling short of its commitment to build a Federal prison complex in that area that is significantly larger than the facility scheduled to open in 1996. No such commitment has been made. It also faults the privatization of prison operations for Forrest City, stating that it reduces incentives to build three additional units. This is only partially correct.

The commitment was made -- and funds have been appropriated -- for one low security facility. The land acquisition and improvements were taken on by the State of Arkansas and Forrest City in anticipation of a larger, multi-level security facility that has not been agreed to or requested by BOP. However, $6 million was included as an "add-on" through appropriations action by Congress for FY 1995 to finance one half of a minimum security camp, requiring a subsequent $7 million in completion funds.

Under the current agreement with the Department of Justice, BOP would not privatize the operations of any new facility that would have medium or high security prisons attached to lower security facilities. However, the Forrest City facility could be expanded to have additional pre-trial, minimum, or low security components attached to the current new facility. Under this scenario, the operations of the entire complex could be privatized.

BOP has received a similar request for more information on the Forrest City privatization from Senator Dale Bumpers. Attached is a copy of the BOP response.

Attachment

Federal Bureau of Prisons

Office of the Director

Washington, DC 20534

March 9, 1995

The Honorable Dale Bumpers
United States Senate
Washington, D. C. 20510-0401

Dear Senator Bumpers:

Thank you for your letter of February 13, 1995 concerning the President's 1996 Budget which proposes the privatization of several federal prisons. You had several questions regarding the new policy and this letter provides information on each of the issues you raised.

- What will likely be the effect on wages and hiring practices at the facility?

Based on our limited experience, I would anticipate that the initial wages of entry level correctional officers would be somewhat lower than that paid to Bureau of Prisons (BOP) entry level correctional officers. However, this will be determined by which company is awarded the contract. I really am not in a position to provide potential salary projections. Regarding hiring practices, we would anticipate that the level of local hiring would be the same as that which the BOP would undertake.

- Will there be any change in the number and type of jobs created at the facility?

I do not anticipate that there would be any substantial difference in the numbers and types of jobs.

- Will the timetable for opening the facility be affected? If so, how?

Our current plans are that the timetable will not be affected.

- What requirements, if any, will a private operator face with respect to dealing with local vendors in the Forrest City area? How do these differ from the requirements faced by a facility run by the Bureau?

The BOP currently attempts to maximize its purchase of supplies and materials in the local area, consistent with the requirements of the Federal Acquisition Regulation. We will not be able to direct any potential contractor as to where its supplies and materials are purchased. However, I believe that normal business economics will result in continued maximum use of local suppliers.

- To what extent has privatization been implemented in federal prison facilities? How have wages, jobs, local vendors, etc., been affected at these facilities? Have those facilities performed as well as those operated by the Bureau?

For many years, the BOP has used the private sector for our halfway house program. Over the past several years, the BOP, on a limited basis, has begun to use private companies to operate some secure institutions. We currently have approximately 2,200 inmates in private secure facilities. Our knowledge base comes more from general experience and impressions, since detailed analytical studies have not been undertaken. Our impression is that starting wages are lower, the number of jobs approximately the same, and the level of local purchases is similar. We have had mixed impressions concerning the facilities' performance. Some of the facilities have operated without any discernible problems.

It is important to note that private corrections as an industry has been in existence a little over a decade. The industry has matured significantly in recent years and there are several large experienced companies who have the ability to meet our requirements. I believe the prisons identified in the President's 1996 Budget can be privatized and operated in a safe and effective manner. Our objective will be to see that they are operated to our regular standards for BOP institutions.

- Since the proposal is limited to "the majority of pretrial detention, minimum and low security Federal prisons" what effect will privatization have on prospects for future higher security facilities at Forrest City? How will it be determined which of the lower security facilities will be privatized and which will not be privatized?

The proposal currently pending before the Congress calls for the privatization of all future pre-trial, minimum- and low-security correctional facilities, with the exception of minimum- and low-security prisons that are attached to higher security Federal prisons (e.g., medium or high). Consequently, the privatization of the prisons currently planned in Forrest City would preclude higher security facilities being located there. The possibility would exist for future additional minimum and low security prisons, if they were required based upon our inmate population needs and, of course, approved by the Congress.

- Which other pretrial detention, minimum and low security facilities now under construction have not been targeted for privatization?

Consistent with the above explanation, minimum and low security facilities now (or soon to be) under construction at complexes in Beaumont, Texas and Coleman, Florida will not be privatized since they are part of a complex containing medium and high security institutions. In addition, satellite minimum security institutions that are adjacent to medium or higher security facilities will not be privatized. These would include minimum security satellite camps at the medium security Federal Correctional Institutions under construction in Edgefield, South Carolina and Beckley, West Virginia, as well as a minimum security satellite camp for the United States Penitentiary that we plan to build in Pollock, Louisiana.

I am committed to ensuring that we continue to operate our Federal correctional facilities in a safe and effective manner and believe that carrying out the privatization plan described above will permit us to do so. I am available at your convenience to discuss our plans with you in greater detail or to answer any questions you may have. I also want to thank you for the strong support that you have given the Bureau of Prisons over the years.

Sincerely,

Kathleen M Hawk

Kathleen M. Hawk
Director

MACK McLARTY

APR 14 199?

April 14, 1995

To: ~~Carol Rasco~~ Jose - Pls. give me memo of your thoughts COB 4/21.

I would appreciate any insight you can provide on this matter.

Thanks.

cc: Roz: tickler

Attachments

THE WHITE HOUSE

WASHINGTON

April 14, 1995

MEMORANDUM FOR ALICE RIVLIN

FROM: MACK McLARTY

SUBJECT: ANALYSIS OF FORREST CITY PRISON MATTER, AS REQUESTED BY THE PRESIDENT

The President asked us to analyze the letter he received from Danny Ferguson, Mayor of Forrest City. I would appreciate it if you would have the proper people at OMB do this and send the analysis to me.

Thanks.

Mac

Attachment

bcc: Carol Rasco

April 4, 1995

Mack:

The President's note to you reads:

Please call me re this.

The hand-written note to the President from Danny Ferguson, Mayor, Forrest City, reads:

The budget OMB submitted proposes privatizing the Federal prison in Forrest City. The State put almost $1 million into the land, and the City has put $5 million in this, all local funds via a 25% increase in water/sewer rates. Only the 1st unit of the 4-unit complex has been funded, and the BOP (off the record) feels that privatizing this first unit will reduce incentives to build the other 3 units. If we only get 1 unit, our $5 million investment (as well as the State's $1 million) will not repay, as the economic benefit will only be a fraction of what was proposed in the full complex. Our wish list - (1) Forrest City facility remain BOP operated as originally proposed; (2) additional units funded (2nd unit is projected to be $13 million - $6 million has been funded & design is complete -- can't go to bid unless remaining $7 million is appropriated.

Forrest City made tremendous sacrifices & investments to get this Federal prison complex as originally proposed. We would deeply appreciate your getting this complex back on track.

Best of luck, and we will always remain strong supporters of you and your Presidency.

...

THE PRESIDENT HAS SEEN
4/4/95

Mark
Pls call me
re: this
B

PLS CALL
ME RE: THIS.

Mr. President,

The budget OMB submitted proposes privatizing the Federal prison in Forrest City. The State put almost $1 million into the land, & the City has put $5 million in this all local funds via a 75% increase in water/sewer rates. Only the 1st unit of the 4-unit complex has been funded, and the BOP (off the record) feels that privatizing this first unit will reduce incentives to build the other 3 units. If we only get 1 unit, our $5 million investment (as well as the State's $1 million) will not repay, as the economic benefit will only be a fraction of what was proposed in the full complex.

Our Wish List - (1) Forrest City facility remain BOP operated as originally proposed (2) additional units funded (2nd unit is projected to be

$13 million – $6 million has been funded & design is complete – can't go to bid unless remaining $7 million is appropriated.

Forrest City made tremendous sacrifices & investments to get this federal prison complex as originally proposed. We would deeply appreciate your getting this complex back on track.

Best of luck, and we will always remain strong supporters of you and your Presidency.

Danny Ferguson, Mayor, Forrest City

[illegible] & Lisa

[illegible] & make all those 3 and 4 [illegible]!

Love ya!

Tell Hillary & Chelsea hello & give them a big hug.

[illegible]