

Issue Paper

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INCARCERATION AND ITS COSTS IN MICHIGAN

by

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INTRODUCTION

The Michigan Department of Corrections (MDOC) supervises 122,835 offenders. [Table 1](#) shows that 41.4% of these offenders are incarcerated in Michigan prisons and camps. Although prisoners do not make up the majority of offenders, the cost of their care drives the entire MDOC budget. This paper explains why the prison population has increased, how the prison population drives costs, and how incarceration costs in Michigan compare with costs in other states.

Table 1

OFFENDERS SUPERVISED BY THE MDOC							
	Prisoners in Prisons <u>and Camps</u>	Prisoners/Probationers in Special Alternative <u>Incarceration Program</u>	Prisoners/Parolees in Community <u>Re-entry Centers</u>	Parole Violators <u>in Jail</u>	Prisoners, Probationers, Parolees on <u>Electronic Monitoring</u>	<u>Parolees</u>	<u>Probationers</u>
Number	50,818	434	236	229	1,508	15,916	53,694
% of Total	41.4%	0.4%	0.2%	0.2%	1.2%	13.0%	43.7%

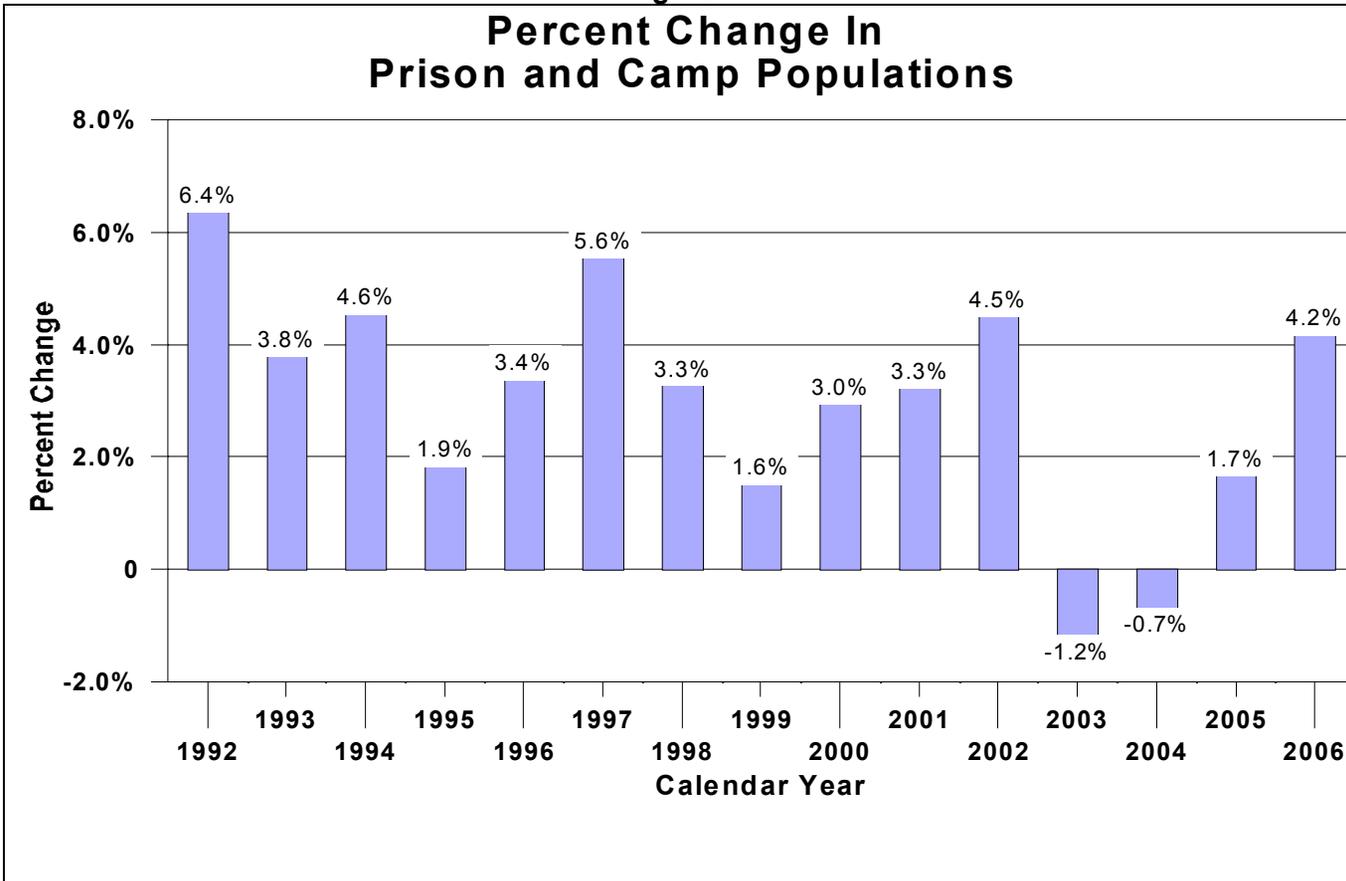
Source: MDOC Client Census Summary Report, May 11, 2007

PRISON POPULATION

By the end of 2006, Michigan's prison population was at a record high. As displayed in [Figure 1](#), after experiencing decreases in 2003 and 2004, the prison population experienced a large increase beginning in early 2006. [Table 2](#) shows that assaultive offenders have consistently increased since 1991, while nonassaultive and drug offenders have fluctuated. Since this table reflects only the crime for each prisoner's longest minimum term, it is possible that the prisoners committed offenses in the other two offense categories. These changes in the prison population occur as a result of a variety of factors, as shown in [Figure 2](#). The prison population begins with its base, which consists of the prisoners who have not entered, left, or returned to prison. Year to year, however, the individuals who make up the base population and the size of the base population change depending on intake, exits, and returns.

Figure 1

Percent Change In Prison and Camp Populations



Source: MDOC Client Census Summary Report

Table 2

**TOTAL PRISON AND CAMP POPULATION
BY OFFENSE TYPE^a**

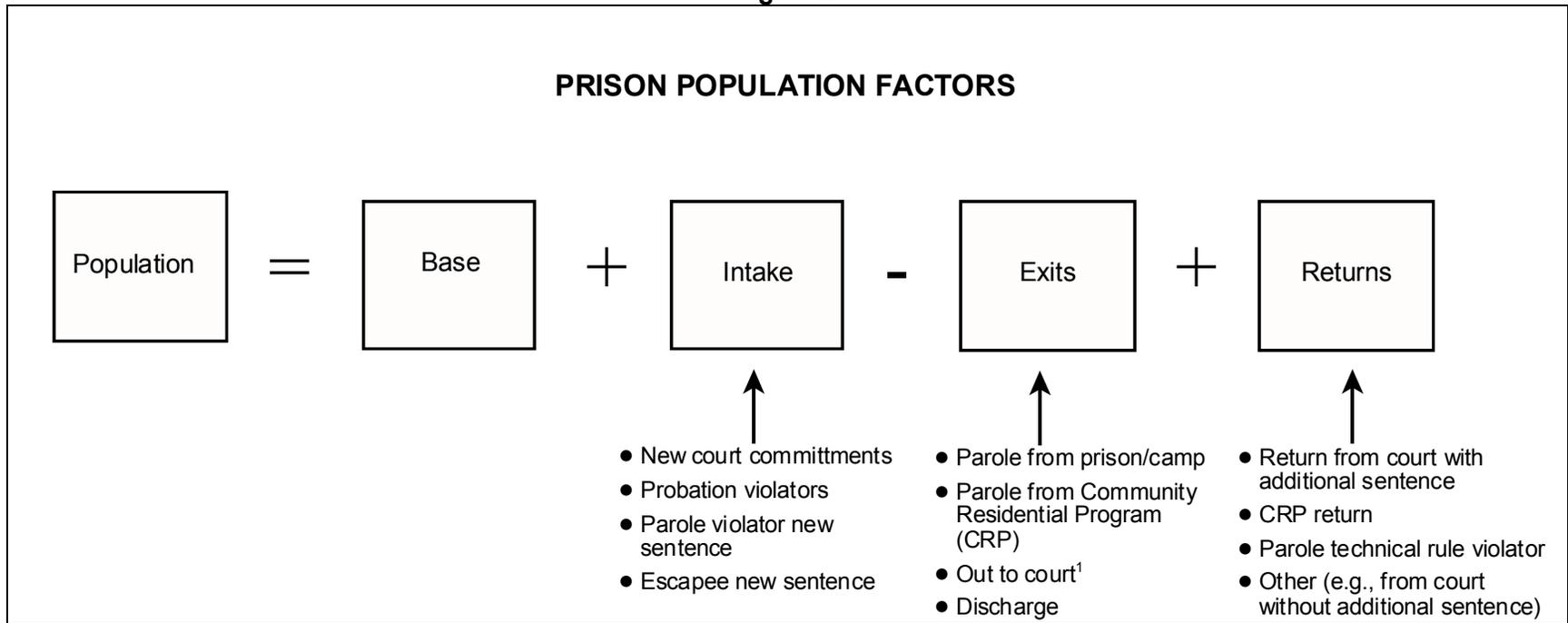
<u>Calendar Year</u>	<u>Total</u>	<u>Nonassaultive</u>	<u>Percent of Total</u>	<u>Drug</u>	<u>Percent of Total</u>	<u>Assaultive</u>	<u>Percent of Total</u>
1991	35,895	9,297	25.9%	5,826	16.2%	20,772	57.9%
1992	38,244	9,648	25.2	6,164	16.1	22,432	58.7
1993	38,553	8,979	23.3	5,632	14.6	23,922	62.1
1994	40,501	11,531	28.5	5,467	13.5	23,138	57.1
1995	41,112	11,061	26.9	5,262	12.8	24,337	59.2
1996	42,362	11,380	26.9	4,038	9.5	25,264	59.6
1997	44,771	12,175	27.2	5,743	12.8	26,618	59.5
1998	45,879	12,114	26.4	5,799	12.6	27,664	60.3
1999	46,617	11,567	24.8	5,734	12.3	28,999	62.2
2000	47,718	11,704	24.5	5,620	11.8	30,165	63.2
2001	48,549	11,564	23.8	5,495	11.3	31,490	64.9
2002	50,591	12,341	24.4	5,485	10.8	32,552	64.3
2003	49,357	11,640	23.6	4,517	9.2	33,004	66.9
2004	48,594	11,089	22.8	4,339	8.9	33,166	68.3
2005 ^b	49,377	11,168	22.6	4,329	8.8	33,880	68.6
2006 ^b	51,454	11,927	23.2	4,457	8.7	35,070	68.2

^a For offenders with multiple offenses, the offense with the largest minimum term is used.

^b Senate Fiscal Agency Estimates

Source: MDOC Statistical Report

Figure 2



¹ Prisoners may be returning from court with or without an additional sentence.

Prison intake consists of new court commitments, probation violators, parole technical rule violators (PTRVs), and parole violators with new sentences (PVNSs). Table 3 shows that prison intake has increased every year since 2003. New court commitments, probation violators, and PVNSs all have contributed to this increase. The number of PTRVs has not been growing at the same rate as other groups have grown because the MDOC attempts to keep these offenders out of prison by diverting them to Community Re-entry Centers and other community programs.¹

Table 3

Michigan Department of Corrections Prison and Camp Intake History					
<u>Calendar Year</u>	<u>New Commitment</u>	<u>Probation Violator</u>	<u>Parole Violator New Sentence</u>	<u>Parole Technical Rule Violator</u>	<u>Total</u>
1994	5,597	1,932	1,229	1,962	10,720
1995	5,073	2,617	812	1,936	10,438
1996	5,002	2,795	1,012	2,603	11,412
1997	5,081	3,149	1,276	2,676	12,182
1998	4,895	3,132	1,322	2,879	12,228
1999	4,329	3,135	1,242	3,192	11,898
2000	4,351	3,331	1,147	3,114	11,943
2001	4,882	3,485	1,176	3,248	12,791
2002	5,349	4,238	1,415	3,324	14,326
2003	4,929	3,707	1,619	2,205	12,460
2004	4,489	3,493	1,770	3,055	12,807
2005	4,870	3,480	1,864	2,864	13,078
2006	5,425	3,646	2,009	3,190	14,270

Source: Michigan Department of Corrections

Increased intake was a significant factor in the 2006 prison population growth. With total intake being nearly 1,200 offenders greater than in 2005, courts sent 555 additional new offenders and 166 more probation violators to prison than they did in 2005. That is the largest increase in new commitments between 1994 and 2006. Intake of new court commitments depends on the number of offenders who receive sentences as well as the rate at which they are sent to prison. Although data are not yet available for 2006, felony dispositions

¹ See "Programs Aimed at Reducing Recidivism by Improving Parole Outcomes", September 2006.
<<http://www.senate.michigan.gov/sfa/Publications/Issues/ParoleOutcomes/ParoleOutcomes.pdf>>

have been increasing every year since 1999. As shown in Table 4, the prison rate of dispositions actually has declined somewhat in recent years, while jail sentences have experienced growth. As new court commitments rose in 2006, it is likely that total dispositions, the prison rate of dispositions, or both, rose in 2006.

Table 4

Felony Disposition History*					
<u>Type of Disposition</u>					
<u>Calendar Year</u>	<u>Prison</u>	<u>Probation</u>	<u>Jail/Probation</u>	<u>Jail/Fine</u>	<u>Total Dispositions</u>
1998	9,886	14,799	9,907	5,424	40,016
1999	9,824	12,820	9,742	5,792	38,178
2000	9,979	12,103	10,948	5,329	38,359
2001	10,796	13,912	11,380	5,747	41,835
2002	12,090	14,396	12,429	6,232	45,147
2003	11,405	14,605	14,304	6,915	47,229
2004	10,901	14,049	14,260	9,053	48,263
2005	11,306	13,955	13,947	10,259	49,467
<u>Type of Disposition as a Percent of Total Dispositions</u>					
<u>Calendar Year</u>	<u>Prison</u>	<u>Probation</u>	<u>Jail/Probation</u>	<u>Jail/Fine</u>	<u>Total</u>
1998	24.7%	37.0%	24.8%	13.6%	100.0%
1999	25.7	33.6	25.5	15.2	100.0
2000	26.0	31.6	28.5	13.9	100.0
2001	25.8	33.3	27.2	13.7	100.0
2002	26.8	31.9	27.5	13.8	100.0
2003	24.1	30.9	30.3	14.6	100.0
2004	22.6	29.1	29.5	18.8	100.0
2005	22.9	28.2	28.2	20.7	100.0
*For offenses by the same offender occurring less than three months apart, data are aggregated and the offense with the most severe disposition and largest minimum term is used.					

Source: Michigan Department of Corrections Statistical Report

Additionally, in 2006, 471 more parolees were returned to prison for technical rule violations or with new sentences than in 2005. This is consistent with the historical intake of PVNSs, which has been increasing every year since 2000. In general, the 2006 increase in total intake, which was greater than anticipated, has its roots in the increased intake of PTRVs and new court commitments. The increased intake of these populations could be attributable to the repercussions of crimes committed by one parolee, Patrick Selepak, during February 2006.²

Prison exits also affect the total prison population. Table 5 shows that total prison exits have been dropping since 2003. With the exception of 2006, this trend is consistent with the prison population as a whole. The drop in discharges in 2006 is necessarily due to fewer prisoners' reaching their maximum sentence during the year. That situation could have occurred as a result of various historical factors, such as trends in crime, parole, sentencing, or disposition rates.

Table 5

Michigan Department of Corrections Prison and Camp <i>Exit</i> History				
<u>Calendar Year</u>	<u>Parole</u>	<u>Discharges</u>	<u>Transfer to CRP^a</u>	<u>Total</u>
1994	8,360	725	3,859	12,944
1995	8,985	851	3,736	13,572
1996	9,382	969	3,664	14,015
1997	8,703	1,051	3,623	13,377
1998	10,439	1,153	3,442	12,201
1999	9,616	1,270	3,195	14,081
2000	9,095	1,420	2,973	13,488
2001	9,920	1,629	2,704	14,253
2002	10,625	1,698	1,962	14,285
2003	11,672	1,714	987	14,373
2004	11,330	1,925	849	14,104
2005	10,213	1,929	308	12,450
2006	10,237	1,780	184	12,017

^aCommunity residential program for non-truth-in-sentencing prisoners.

Source: Michigan Department of Corrections

² Michigan Department of Corrections, Michigan Prisoner Re-entry Initiative Quarterly Status Report, February 1, 2007, p. 39.

While the actual number of offenders released on parole in 2006 was slightly greater than in 2005, Table 6 illustrates that Parole Board decisions to grant parole actually decreased. This is likely another consequence of the crimes committed by parolee Selepak. The Parole Board can parole prisoners under truth-in-sentencing³ after they have completed their minimum sentence. Using the sentencing guidelines minimum sentence range, the judge determines an offender's minimum sentence. Since prisoners granted parole are not immediately released, the number of prisoners granted parole and the number paroled during 2006 differ. The period of time before the prisoner actually moves to parole varies depending on a range of factors, including the prisoner's earliest release date (ERD). The length of time that offenders are a part of the prison population is determined by both their minimum sentences and how long they stay past their ERD. If the Parole Board does not grant parole at the ERD, it may grant parole at any point until the maximum sentence is served. In 2006, the rate of Parole Board decisions to grant parole was the lowest since 2002, and the number granted was the lowest since 2001. The percentage of the total prison population granted parole in 2006 was the lowest since 1994.

Table 6

Parole Decision History				
<u>Calendar Year</u>	<u>Decisions</u>	<u>Granted</u>	<u>Percent Granted</u>	<u>Percent of Total Prison Population Granted</u>
1994	17,056	9,796	57.4%	25.7%
1995	17,598	9,678	55.0	24.9
1996	17,786	10,306	57.9	25.6
1997	17,649	9,751	55.2	23.0
1998	20,212	10,366	51.3	23.7
1999	20,929	10,776	51.5	24.2
2000	22,141	10,478	47.3	22.9
2001	22,810	10,874	47.7	23.0
2002	24,270	11,737	48.4	23.7
2003	24,685	12,793	51.8	26.2
2004	24,060	12,391	51.5	25.5
2005	22,126	12,103	54.7	24.5
2006	22,651	11,677	51.6	22.7

Source: Corrections Data Fact Sheets, Michigan Department of Corrections

³ Under truth-in-sentencing statutes, prisoners are not allowed to be released from a secure facility before their earliest release date. Truth-in-Sentencing applies to assaultive crimes committed on or after December 15, 1998, and all other crimes committed on or after December 15, 2000.

Since various entwined components influence the prison population, an event, new legislation, the MDOC, courts, and other institutions can change its course. For example, the MDOC had not expected an increase in the prison population in 2006, but due to an event, intake rose while decisions to grant parole fell. The event affected the actions of judges, field agents, the Parole Board, the Legislature, and most other individuals or groups that are involved in offender-related decision-making. One of the ways a larger prison population affects the State is its impact on the budget.

COSTS OF INCARCERATION

The MDOC's gross appropriation is currently \$1,884,478,700, 95.7% of which is General Fund/General Purpose funding. With 17,782.0 full-time equated (FTE) positions, about 78.0% of the MDOC gross appropriation is attributable to employee costs, including salaries, insurance, retirement, and workers' compensation costs. These costs have had a significant impact on the MDOC budget. [Table 7](#) shows that funded employee-related economic increases have been greater than the total enacted gross appropriation increase since fiscal year (FY) 2003-04. In order to provide for these economic increases, the MDOC budget has been reduced in other areas.

Table 7

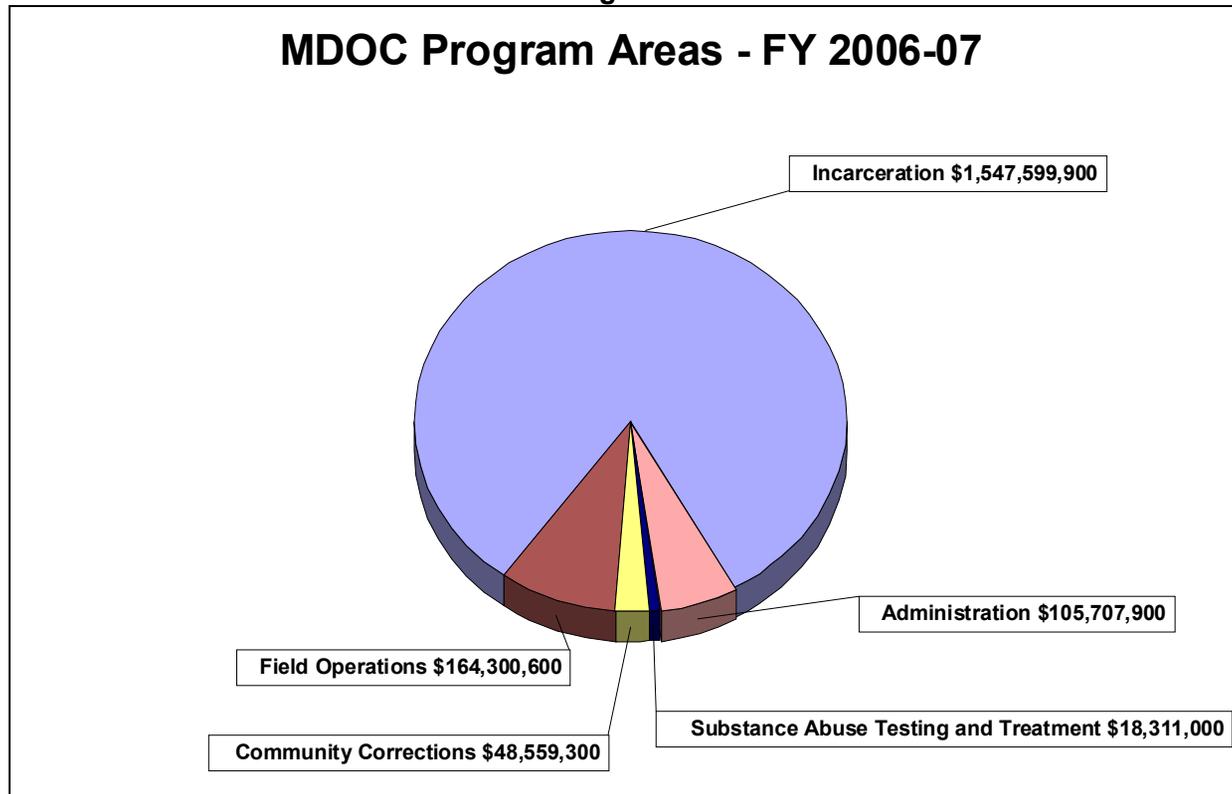
History of <i>Funded</i> Employee-Related Economic Increases								
<u>Fiscal Year</u>	<u>Salary</u>	<u>Insurance</u>	<u>Retirement</u>	<u>Workers' Compensation</u>	<u>Other</u>	<u>Total Employee Economics</u>	<u>% of Enacted Gross Appropriation</u>	<u>Total Appropriation Increase</u>
2002-03	\$17,876,300	\$0	\$2,331,800	\$1,365,600	(\$7,217,100) ¹	\$14,356,600	0.84%	\$17,854,300
2003-04 ²	0	0	0	2,823,000	28,595,600 ³	112,628,900	1.66	37,450,369
2004-05	61,617,600	21,209,900	68,827,200	(2,549,000)	(46,342,500) ⁴	102,763,200	5.75	80,352,719
2005-06	10,590,700	22,831,700	18,362,900	(1,378,000)	46,342,500 ⁴	96,749,800	5.20	91,198,600
2006-07	36,328,100	13,633,100	32,057,900	(1,105,000)	0	80,914,100	4.17	54,867,300

¹This eliminated a lump sum salary payment that had been part of the contract during FY 2000-01 and FY 2001-02.
²Salary, insurance, and retirement increases were unfunded this year, but totaled to \$81.2 million.
³Restored FY 2002-03 shortfall in retirement.
⁴This reduction and subsequent increase of the same amount mark the start and end of employee concessions such as furlough days and banked leave time.

Source: Senate Fiscal Agency

While the prison population does not drive economic increases, 85.8% of all MDOC FTE employees work in the prisons and camps. As shown in Figure 3, incarceration costs, which include employee costs, account for 82.1% of the gross appropriation. These costs include correctional officers and other facility staff, education programming, clinics, vaccinations, hospital and specialty care, mental health care, and food. Currently, the average annual cost of incarceration per prisoner is \$30,417.

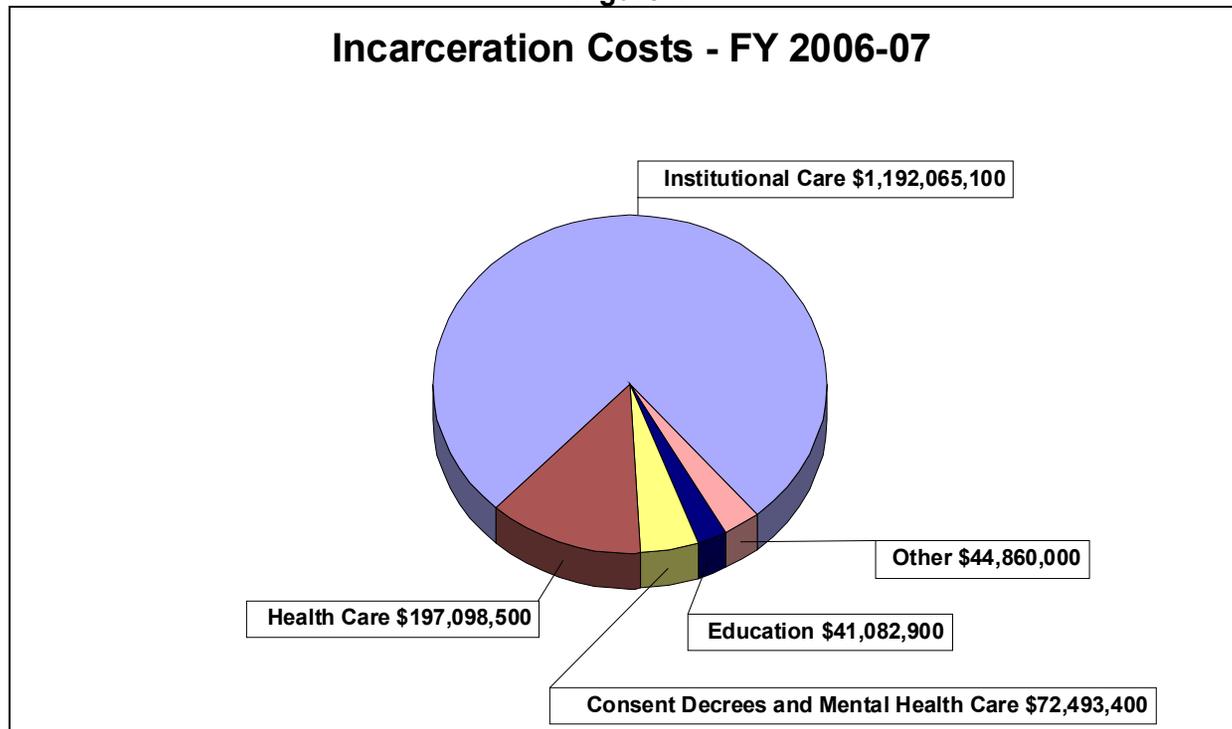
Figure 3



Source: Public Act of 2006, Public Act 3 of 2007, Executive Order 2007-3

As illustrated in Figure 4, institutional care (excluding health care, mental health care, and education) alone accounts for 77.0% of incarceration costs. Low-level security facilities, which start at Level I, typically require fewer employees and less food per prisoner than high-level security facilities require. Therefore, the cost of institutional care alone is lower than the average by 23.2% for a Level I facility, 7.1% for a Level II facility or Level II with a camp, and 0.5% for a multilevel facility or multilevel with a camp. On the other hand, the institutional care cost is higher than the average by 24.5% for a Level IV facility and by about 41.5% for a Level V facility or Level V with a camp.

Figure 4



Source: Public Act 331 of 2006, Public Act 3 of 2007, Executive Order 2007-3

Table 8 shows the history of the gross appropriation and the appropriation for health care. Since FY 1999-2000, the health care cost percentage change has been greater than the change in the gross appropriation. Since that year, the overall year-to-date gross appropriation increase has been \$319,777,900, while the increase for health care has been \$79,898,800. Since FY 1990-91, the gross appropriation has more than doubled, while the appropriation for health care has almost quadrupled. With health care currently accounting for 12.7% of the cost of incarceration and 10.6% of the gross appropriation, health care costs are increasingly affecting the gross appropriation and incarceration costs.

Table 8

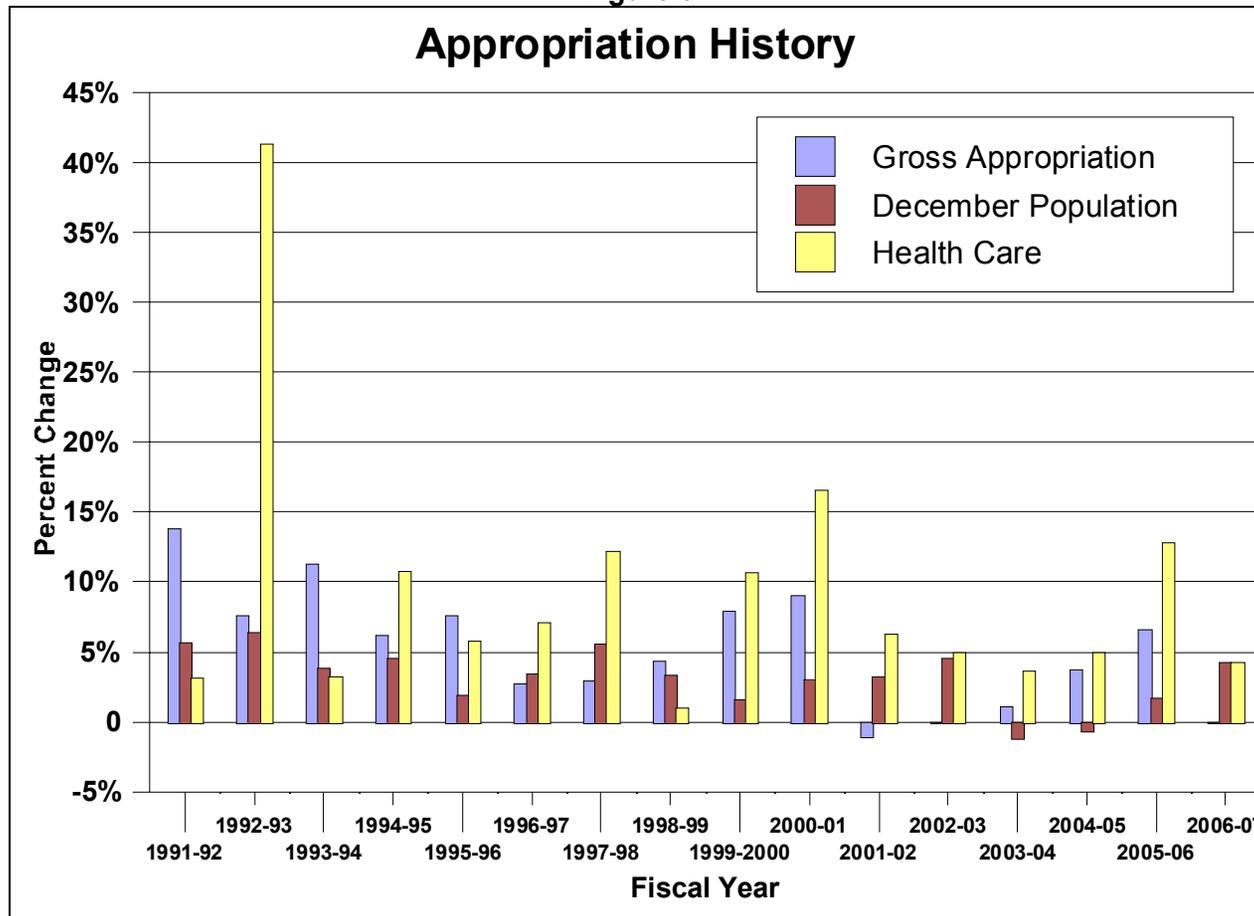
Appropriation History^a				
<u>Fiscal Year</u>	<u>Gross Appropriation</u>	<u>Percent Change</u>	<u>Health Care^b</u>	<u>Percent Change</u>
1990-91	\$844,834,100	N/A	\$50,813,500	N/A
1991-92	961,815,700	13.8%	52,378,700	3.1%
1992-93	1,034,639,100	7.6	74,056,000	41.4
1993-94	1,151,482,100	11.3	76,413,000	3.2
1994-95	1,222,204,800	6.1	84,639,900	10.8
1995-96	1,315,090,800	7.6	89,495,400	5.7
1996-97	1,350,709,533	2.7	95,882,100	7.1
1997-98	1,389,827,700	2.9	107,563,400	12.2
1998-99	1,450,202,500	4.3	108,582,700	0.9
1999-2000	1,564,700,800	7.9	120,151,100	10.7
2000-01	1,706,276,900	9.0	140,086,100	16.6
2001-02	1,688,016,300	(1.1)	148,907,800	6.3
2002-03	1,687,056,831	(0.1)	156,308,800	5.0
2003-04	1,705,829,881	1.1	162,015,700	3.7
2004-05	1,768,907,800	3.7	170,036,500	5.0
2005-06	1,885,554,200	6.6	191,892,800	12.9
2006-07	1,884,478,700	(0.1)	200,049,900	4.3

^aYear-to-Date
^bIncludes health care administration, clinics, hospital and specialty care, and vaccinations

Source: Senate Fiscal Agency

In recent years, the health care appropriation also has increased at a greater rate than the rate of growth in the prison population, or the gross appropriation, as [Figure 5](#) demonstrates. This means that health care costs do not necessarily grow just because more prisoners, for whom the State is obligated to provide health care as determined by the courts, are demanding services. In part, these costs have grown because individual prisoners are requiring more services and the cost of care has risen. The gross appropriation and the prison population increases exhibit a positive correlation, but no real pattern. As discussed previously, this likely relates to the fact that increases in the gross appropriation are largely driven by employee-related economic increases.

Figure 5



Source: Senate Fiscal Agency, and the Michigan Department of Corrections

MICHIGAN PRISON COSTS COMPARED TO OTHER STATES

Overall, as a result of the growing cost of incarceration as well as the growing prison population, incarceration could crowd out other State programs. Relative to its size, Michigan has a large incarceration program. Michigan's proportion of the population incarcerated in state prisons is higher than the national average. Table 9 shows the incarceration rate for each state. In the United States, there are on average 401 state inmates per 100,000 residents. Michigan has the 11th highest incarceration rate at 489 state prison inmates per 100,000 residents.

Table 9

Prison Population and Incarceration by State, 2005					
<u>State</u>	<u>Incarceration Rate Inmates per 100,000 residents</u>	<u>Prison Population</u>	<u>State</u>	<u>Incarceration Rate Inmates per 100,000 residents</u>	<u>Prison Population</u>
1. Louisiana	797	36,083	26. Indiana	388	24,416
2. Texas	691	151,925	27. Wisconsin	380	21,110
3. Mississippi	660	19,335	28. Connecticut*	373	13,121
4. Oklahoma	652	23,245	29. Montana	373	2,625
5. Alabama	591	27,003	30. Oregon	365	13,390
6. Georgia	572	51,904	31. North Carolina	360	36,620
7. Missouri	529	30,803	32. Illinois	351	44,919
8. South Carolina	525	22,464	33. Hawaii*	340	4,422
9. Arizona	521	31,411	34. Pennsylvania	340	42,345
10. Florida	499	86,563	35. Kansas	330	9,068
11. Michigan	489	49,546	36. New York	326	62,743
12. Arkansas	479	13,383	37. New Mexico	323	6,292
13. Nevada	474	11,644	38. New Jersey	313	26,746
14. Idaho	472	6,818	39. Iowa	294	8,737
15. Delaware*	467	3,972	40. West Virginia	291	5,292
16. California	466	168,982	41. Washington	273	17,320
17. Virginia	464	35,344	42. Utah	252	6,269
18. Kentucky	459	19,215	43. Vermont*	247	1,542
19. Colorado	457	21,456	44. Nebraska	245	4,330
20. South Dakota	443	3,454	45. Massachusetts	239	10,385
21. Tennessee	440	26,369	46. North Dakota	208	1,327
22. Alaska*	414	2,781	47. New Hampshire	192	2,520
23. Wyoming	400	2,047	48. Rhode Island	189	2,767
24. Ohio	400	45,854	49. Minnesota	180	8,874
25. Maryland	394	22,143	50. Maine	144	1,905
				United States Average	401

*Includes jail population

Source: Pew Charitable Trusts, Public Safety, Public Spending: Forecasting America's Prison Population 2007-2011

The fact Michigan's incarcerated population is higher relative to its population compared with most other states contributes to the amount relative to the total population this State spends on incarceration. However, incarceration rates play a lesser role in incarceration costs on a per-prisoner basis. Table 10 indicates that Michigan's lowest base minimum hourly salary for a correctional officer is \$0.62 higher than the national average. Being the 19th highest-paying state is the result of various factors, such as union-negotiated contracts and the cost of living in Michigan. Base salaries of Michigan's neighbors, Ohio and Wisconsin, are evidence of the latter. Given that employee costs affect incarceration costs in each state, Table 11 (discussed below) shows the difference between fiscal year 2005-06 incarceration costs in Michigan and states ranked 14 through 24 for base salaries. As base salaries and incarceration costs in general are likely to vary by region, Table 11 also shows the difference between incarceration costs for Michigan and other Midwestern states. For FY 2005-06, the average annual cost of incarceration in Michigan was \$30,555. As previously stated, this cost includes staff, health care, mental health care, and education. To the extent possible, the number used to compare other states to Michigan only includes compatible costs.

Table 10

Base Pay for New Correctional Officers Nationwide				
	State	Base Minimum Hourly Salary^a	Base Salary as a % of Highest Salary Nationwide	Base Salary as a % of Michigan Salary
1.	New Jersey	\$20.92	100.0%	145.8%
2.	Massachusetts	18.95	90.6	132.1
3.	Illinois	18.61	89.0	129.7
4.	Colorado	17.72	84.7	123.5
5.	Nevada	17.45	83.4	121.6
6.	Hawaii	17.45	83.4	121.6
7.	District of Columbia	17.32	82.8	120.7
8.	Alaska	17.00	81.3	118.5
9.	New York	16.50	78.9	115.0
10.	Maryland	16.49	78.8	114.9
11.	Washington	16.20	77.4	112.9
12.	Rhode Island	15.78	75.4	110.0
13.	Arizona	15.71	75.1	109.5
14.	Iowa	15.53	74.2	108.2
15.	Oregon	15.50	74.1	108.0
16.	Connecticut	15.44	73.8	107.6
17.	Ohio	15.27	73.0	106.4
18.	Vermont	14.56	69.6	101.5
19.	Michigan	14.35	68.6	100.0
20.	Wisconsin	14.17	67.7	98.7
21.	Minnesota	14.16	67.7	98.7
22.	Pennsylvania	13.85	66.2	96.5

Table 10 cont.

Base Pay for New Correctional Officers Nationwide				
	State	Base Minimum Hourly Salary^a	Base Salary as a % of Highest Salary Nationwide	Base Salary as a % of Michigan Salary
23.	Wyoming	\$13.80	66.0%	96.2%
24.	Delaware	13.72	65.6	95.6
25.	California	13.59	65.0	94.7
26.	New Hampshire	13.51	64.6	94.1
27.	Florida	13.47	64.4	93.8
28.	Utah	13.26	63.4	92.4
29.	Missouri	13.15	62.9	91.6
30.	Virginia	12.82	61.3	89.3
31.	Nebraska	12.82	61.3	89.3
32.	Alabama	12.80	61.2	89.2
33.	Maine	12.76	61.0	88.9
34.	Montana	12.57	60.1	87.6
35.	North Carolina	12.55	60.0	87.5
36.	Idaho	12.31	58.8	85.8
37.	South Dakota	12.06	57.6	84.0
38.	Kansas	11.81	56.5	82.3
39.	Texas	11.68	55.8	81.4
40.	Arkansas	11.41	54.5	79.5
41.	Tennessee	11.41	54.5	79.5
42.	Georgia	11.35	54.3	79.1
43.	South Carolina ^b	11.24	53.7	78.3
44.	North Dakota	10.67	51.0	74.4
45.	Indiana	10.30	49.2	71.8
46.	Kentucky	10.18	48.7	70.9
47.	Mississippi	10.15	48.5	70.7
48.	West Virginia	9.67	46.2	67.4
49.	New Mexico	8.90	42.5	62.0
50.	Louisiana	8.82	42.2	61.5
51.	Oklahoma	8.54	40.8	59.5
Average Base Hourly Salary		\$13.73		
Median Base Hourly Salary		\$13.47		
^a Lowest salary excluding training wages				
^b Salary is lower if employee is less than 21 yrs. of age, and the salary is higher if employee works in a higher security level facility.				

Table 11

Average Annual Cost of Incarceration Comparison with Michigan Fiscal Year 2005-06 States with Correctional Officer Base Pay Similar to Michigan's			
	<u>State</u>	<u>Percent Difference in Incarceration Cost</u>	<u>Difference in Incarceration Cost</u>
1.	Vermont	36.2%	\$11,047
2.	Wyoming	24.2	7,445
3.	Delaware	24.1	7,369
4.	Pennsylvania	2.6	808
5.	Connecticut	0.9	288
6.	Michigan	0.0	0
7.	Minnesota	(4.3)	(1,315)
8.	Wisconsin	(9.1)	(2,779)
9.	Oregon	(19.3)	(5,907)
10.	Iowa	(19.9)	(6,091)
11.	Ohio	(21.7)	(6,625)
States in the Midwest Region			
	<u>State</u>	<u>Percent Difference in Incarceration Cost</u>	<u>Difference in Incarceration Cost</u>
1.	Michigan	0.0%	\$0
2.	Wisconsin	(9.1)	(2,779)
3.	Illinois	(18.7)	(5,545)
4.	Ohio	(21.7)	(6,625)
5.	Indiana	(33.6)	(10,261)

Sources: Michigan Department of Corrections, Illinois Department of Corrections 2005 Department Data, Delaware Department of Correction, Wyoming Legislature, Pennsylvania Department of Corrections 2007 Budget Presentation, Minnesota Department of Corrections Budget Request, Wisconsin Legislative Fiscal Bureau, Vermont Department of Corrections Facts and Figures FY 2006, Ohio Legislative Service Commission Ohio Facts 2006, Connecticut Department of Correction, Oregon Department of Corrections Quick Facts

Each percentage difference is approximately \$300 higher or lower than Michigan's average annual cost of incarceration. In comparison to states that provide compensation similar to Michigan's, Michigan falls in the middle in terms of incarceration costs. The three states at the top of the list in [Table 11](#) are all small states, with fewer than 4,000 inmates in each. These states may not have been able to reach the economies of scale that Michigan has in terms of purchasing power and efficiencies. Oregon, Iowa, and Ohio are the three states with incarceration costs around 20% lower than Michigan's. There is likely a variety of reasons for this difference. For example, according to the Iowa Legislative Services Agency, Iowa prisons were operating at 120.0% of capacity during 2006.⁴ Likewise, Ohio operates its prisons above capacity.⁵ While operating above prison capacity and crowding facilities can result in security and health problems for both staff and inmates, these actions likely reduce operating costs in the short run. Additionally, a higher proportion of prisoners in these states may be housed in lower security facilities than in Michigan. As discussed above, in Michigan, lower security facilities incur fewer costs because they need fewer employees and use less food.

Compared with Michigan's neighboring states, Michigan has the highest incarceration costs. Indiana's difference may be because it pays new correctional officers 71.8% of what Michigan pays. This is likely due to differences in cost of living and the fact that Indiana state employees are no longer allowed to collectively bargain their contracts. These differences likely reduce fringe benefit costs as well. Wisconsin's prison costs may be lower than Michigan's because, during FY 2005-06, Wisconsin operated its prisons at 130% of capacity.⁶ It is unclear why the costs in Illinois are lower. According to the January/February 2007 issue of Fiscal Focus, the Illinois State Comptroller outlined that state's \$40.7 billion in unfunded pension liabilities. These may be due to the state's underappropriation for pension costs and the underperformance of its pension investments.

CONCLUSION

Overall, due to labor intensiveness, incarceration is an expensive program. Differences in employee costs are likely to be the primary reason that Michigan's incarceration costs differ from those of other states. Whether this means they have a different number of employees due to different proportions of lower-security inmates, inmate-to-employee ratios, or facility layouts, or various employee costs due to different regional, contractual, or statutory requirements, it is difficult to provide a simple explanation of overall discrepancies.

The most effective way to reduce incarceration costs significantly is to have fewer prisoners. This would reduce the number of employees, which would lower the base from which employee costs grow. Additionally, fuel, utility, food, and medical costs would be reduced. If the number of employees or the amount of employee salaries or fringe benefits were reduced, employee cost growth would start from a lower base, but there would be no reduction in other incarceration costs. Conversely, if only nonemployee-related incarceration costs were reduced, the reductions would address only what is already less than a quarter of the prison budget. For example, a 10% cut to nonemployee-related incarceration costs would result in less than a 2.5% cut to incarceration costs. Incarcerating fewer prisoners can be achieved by policies that reduce crime, reduce prison sentences, reduce sentence lengths, and/or increase the parole rate. In the long

⁴ "Fiscal Facts 2006", Iowa Legislative Services Agency, Fiscal Services Division, May 2006

⁵ Ohio Department of Rehabilitation and Correction, Monthly Fact Sheets

⁶ "Informational Paper 57", Wisconsin Legislative Fiscal Bureau, January 2007

run, however, only policies that have the effect of reducing crime will reduce the budget of the MDOC and other governmental criminal justice agencies, and have a positive financial impact on the State as a whole.