

August 2006

FINANCING OPTIONS - CORRECTIONAL FACILITIES

This memorandum provides information on the options available for financing inmate housing projects at the Department of Corrections and Rehabilitation.

BOND LIMITS

North Dakota Century Code Section 54-17.2-23 limits the amount of lease payments paid from the general fund for a biennium to 10 percent of an equivalent one-cent sales tax based on the projected sales, use, and motor vehicle excise tax collections presented to the Legislative Assembly at the close of the most recently adjourned regular legislative session. According to representatives of the North Dakota Building Authority and based on the Office of Management and Budget August 2006 revenue forecast for the 2007-09 biennium, the general fund limit for bond payments will increase from \$20.3 million to \$22.7 million. This will increase the amount of bonding that may be approved by the 2007 Legislative Assembly, while remaining within the bonding limit guideline, from \$37.5 million to \$46.6 million with two-year interest capitalization or \$51.2 million with three-year interest capitalization. Debt service payments on this issue would begin in the 2009-11 biennium. Outstanding bonds issued by the North Dakota Building Authority total \$138,505,000 as of June 30, 2006.

BOND ISSUANCE

The North Dakota Building Authority estimated the following debt service requirements to finance a construction or renovation project for the Department of Corrections and Rehabilitation assuming a project cost of \$38.8 million, an interest rate of 4.73 percent, and a two-year period for capitalizing interest:

Biennium	Principal	Interest	Total
2009-11	\$3,505,000	\$3,929,299	\$7,434,299
2011-13	3,825,000	3,609,199	7,434,199
2013-15	4,180,000	3,254,487	7,434,487
2015-17	4,575,000	2,856,254	7,431,254
2017-19	5,025,000	2,407,519	7,432,519
2019-21	5,530,000	1,903,686	7,433,686
2021-23	6,095,000	1,337,901	7,432,901
2023-25	6,725,000	706,029	7,431,029
2025-27	3,621,079	0	3,621,079
Total	\$43,081,079	\$20,004,374	\$63,085,453

NOTE: Current bond payments to be made from the general fund in the 2007-09 biennium total approximately \$20 million.

PURCHASE OPTIONS FOR PRIVATE FACILITY

Corrections Corporation of America (CCA) offers a lease/purchase option to states for facilities constructed by CCA. The state can specify terms for the lease/purchase option in a request for proposal. The cost for this option is built into the inmate per diem rate for the facility. The per diem rate is also determined by several other variables, including the location of the facility, facility design, services provided, and legal indemnification. Because of the many variables to consider in the construction of a facility, CCA is unable to provide comparative cost information.

CARE AND CUSTODY OF INMATES

At a previous committee meeting, the Department of Corrections and Rehabilitation provided information relating to requirements, standards, and services related to the care and custody of inmates in North Dakota facilities that would also be required if the state were to contract with a private facility. Corrections Corporation of America was asked to provide the following information relating to those requirements:

- Identify the areas where CCA can provide services or meet the established criteria.
- Identify areas where CCA cannot provide services or cannot meet the established criteria, the reasons for this, and any alternatives and costs to satisfy the service need or criteria.
- Identify the areas included in a base per diem rate and an estimate of the base rate.
- Identify areas that would result in additional service costs and an estimate of the related per diem cost.

The Corrections Corporation of America response is attached as an appendix.

ATTACH:1