

Prison contractor takes your taxes but pays none

Marty Trillhaase/Lewiston Tribune

First, Corrections Corporation of America gouged the Idaho taxpayer on the front end.

Now the people whose management of the Idaho Correctional Center near Boise gave you the "gladiator school" are gouging the taxpayer at the back end, too.

Earlier this month, CCA acknowledged it has billed the state of Idaho for 4,800 hours of prison staffing it didn't provide. That works out to 57 missing 12-hour shifts for each of the seven months under review.

CCA blames its Idaho employees, but the same thing happened in CCA-operated prisons in Florida. Scrimping on staffing is one way CCA maximizes its profit margin, and it goes a long way toward explaining why ICC's inmates are brutalized at three times the rate of people held in prisons the state manages.

It illustrates why guards stood by while inmates savagely beat fellow prisoner Hanni Elabed into a brain-damaged pulp. It shows why another attacked inmate, Marlin Riggs, was able to win an undisclosed settlement check from CCA. It tells you why an American Civil Liberties Union class-action lawsuit on behalf of ICC inmates won a series of concessions from the prison contractor, including a promise to follow the contract it had signed much earlier with the state of Idaho. It suggests why the Idaho Department of Correction asked the Idaho State Police to investigate whether CCA is following the terms of that contract. And it illuminates why a second inmate-generated lawsuit alleges CCA keeps order at ICC by leaving prison gangs in charge.

As business models go, it works. Running state prisons, federal installations and county jails provided CCA with a net income of nearly \$157 million last year.

Now it has new plans.

The New York Times reports that CCA will reconstitute itself as a real estate investment trust. Operating on the premise that it "rents" cell space to its clients, CCA will take advantage of an Eisenhower-era tax provision to open a huge income tax loophole and then jump in.

According to the Times, it's worth \$70 million a year to CCA.

Legally evading taxes is what keeps a division of accountants, lawyers and lobbyists busy on behalf of big corporations. But every dollar CCA collects came out of a taxpayer's pocket.

Since it no longer pays taxes, CCA has more in common with a government department or a nonprofit than it does with General Electric or General Motors.

Except the government is accountable to the taxpayer. Every dime it spends is public. So are the salaries it pays. Open meeting and public records laws apply.

Nonprofits operate within parameters. Their tax documents are publicly accessible. So are the salaries of its leadership.

CCA is opaque.

And its critics contend this tax scheme could leave Idaho in bed with a financial basket case.

According to the Private Corrections Institute, CCA last attempted a REIT conversion in the late 1990s. In time, its stock collapsed from \$60 to \$1 a share. Before CCA reversed the REIT, the corporation had launched a 1-for-10 reverse stock split to avoid being dropped from the New York Stock Exchange.

Shareholder lawsuits led to a \$104 million settlement.

CCA is looking out for itself.

But who is looking out for Idaho?

Not the politicians who scoop up the prison contractor's campaign cash or associate with its well-connected lobbyists. Among them is Gov. C.L. (Butch) Otter, who accepted \$19,000 from CCA during his two successful gubernatorial campaigns.

You'd think by now someone would insist Idaho sever its \$29 million contract with CCA.

Or at least demand a full-scale investigation into whether this private prison model works for Idaho.

Why not permit Correction Director Brent Reinke to show whether his agency can manage ICC at least as cheaply - and more effectively - than CCA?

Instead, the only sound you hear is the cash register at CCA. Idaho just approved another 3 percent boost in its contract. - M.T.