



ALASKA'S CITIZENS LOCK OUT PRIVATE PRISONS

PUBLIC OPINION BLOCKS PRIVATIZATION ATTEMPTS

By
LINDA CASEY

November 6, 2008

NATIONAL INSTITUTE ON MONEY IN STATE POLITICS

This publication was made possible with support from:

Carnegie Corporation of New York, *Strengthening U.S. Democracy*
Ford Foundation, *Governance Performance and Accountability*
The Pew Charitable Trusts, *State Policy Initiatives*
Rockefeller Brothers Fund, *Program on Democratic Practice*

OVERVIEW

Since the mid-1990s — through six legislative sessions and three gubernatorial administrations — Alaska’s lawmakers have made more than a half dozen attempts to privatize prisons. These attempts have met with unfavorable public opinion. To date, the strength of public opposition has prevailed, and all private prison proposals have been defeated.

But the state needs prison beds, and a lack of them means that state prisoners are being sent to other states.¹ In 2004, the issue was addressed with the passage of Senate Bill 65, which authorized construction of a 1,500-bed prison in Matanuska-Susitna Borough. But it is not a private prison. Construction began in August 2008, but none of the design or construction of the facility is being performed by the private-prison interests that have been involved in the push for privatization of prisons since the early 1990s. Instead the facility’s construction will be controlled by the Mat-Su Borough and operated by the state of Alaska.²

BACKGROUND

Starting in the 1990s, five donors formed a variety of partnerships in an effort to promote the private prison idea in Alaska:

- **Veco Corporation**’s interests in private prisons go back to 1997 when the oil field services company partnered with **Allvest Inc.**, a privately owned halfway-house business, to form Corrections Group North. The partnership’s goal was to promote a 768-bed private prison in South Anchorage. The plans fell apart when citizens voted 2-to-1 against it.³
- In 2001, Alaska builder **Neeser Construction** joined Veco, Allvest’s owner Bill Weimer, the Texas private-prison firm of **Cornell Companies** and the Kenai Natives Association in an effort to build an 800-bed private prison in Kenai. Kenai Peninsula voters stopped the project, in spite of legislative approval with the passage of HB 149.⁴
- A private-prison design team was formed in 2003, consisting of Neeser Construction and the architectural firm of **Koonce, Pfeffer and Bettis**.⁵

In recent years, the wrangling over the pros and cons of private prisons in Alaska has quieted. In 2005, “... lobbying helped turn legislative sentiment ...”⁶ mainly because several members of the Alaska State Legislature who are private-prison advocates, as well as a number of private-prison interests, became the focus of an ongoing political corruption investigation.

¹ Tom Kizzia, “Push for Private Prison Was Downfall,” *Anchorage Daily News*, Aug.12, 2008, available from <http://www.adn.com/weimar/story/490975.html>, accessed Sept. 9, 2008.

² David Hulén, “Private Prison History,” *Anchorage Daily News*, Aug. 11, 2008, available from <http://community.adn.com/node/128844>, accessed Aug. 21, 2008.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Tom Kizzia, “Push for Private Prison Was Downfall,” *Anchorage Daily News*, Aug.12, 2008, available from <http://www.adn.com/weimar/story/490975.html>, accessed Sept. 9, 2008.

PRIVATE-PRISON INTEREST CONTRIBUTIONS TO ELECTED OFFICIALS

An examination of Alaska's contribution records between 1996 and 2006 shows five firms with private-prison interests and their employees gave nearly \$1.4 million to campaign committees of lawmakers, the governor and to the two state political parties.

PRIVATE-PRISON INTEREST CONTRIBUTIONS TO ELECTED OFFICIALS & STATE PARTIES, 1996–2006

ELECTION	LAWMAKERS	GOVERNOR	STATE PARTY*	TOTAL
1996	\$205,090	\$0	n/a	\$205,090
1998	\$126,977	\$20,775	n/a	\$147,752
2000	\$189,399	\$0	\$89,025	\$278,424
2002	\$208,090	\$24,701	\$46,750	\$279,541
2004	\$210,322	\$0	\$69,500	\$279,822
2006	\$120,020	\$100	\$44,950	\$165,070
TOTAL	\$1,059,898	\$45,576	\$250,225	\$1,355,699

* The Institute did not collect state party campaign finance reports prior to the 2000 election cycle.

The lion's share of that money — 92 percent — came from individuals who either owned or worked for the companies.

CONTRIBUTIONS BY PRIVATE-PRISON INTERESTS TO ELECTED OFFICIALS AND STATE PARTY COMMITTEES, 1996 – 2006

PRIVATE-PRISON INTEREST	COMPANY CONTRIBUTIONS	OWNER OR EMPLOYEE CONTRIBUTIONS	TOTAL
Veco Corp.	\$93,500	\$972,823	\$1,066,323
Koonce, Pfeffer & Bettis	\$0	\$108,075	\$108,075
Neeser Construction	\$0	\$70,976	\$70,976
Allvest Inc.	\$11,950	\$46,675	\$58,625
Cornell Companies	\$0	\$51,700	\$51,700
TOTAL	\$105,450	\$1,250,249	\$1,355,699

VECO CORP

Veco Corp. itself gave \$93,500; its executives and employees gave more than 10 times that amount. The top five individual contributors overall were Veco Corp. employees or executives.

Between 1996 and 2004, Veco executive **Mark J. Allen and his wife, Jeannette**, contributed \$169,000, with \$108,500 attributed to Mark Allen, \$59,000 to Jeannette and \$1,500 to the couple. The Allens gave \$124,000 to 57 lawmakers, with \$112,500 going to Republicans. In addition, they gave \$2,000 to Democratic incumbent Gov. Tony Knowles in 1998 and \$3,000 to the successful Republican gubernatorial candidate, Frank Murkowski, in the 2002 election. The Allens also gave \$40,000 to the Alaska Republican Party between 2000 and 2004. No contributions were reported from the Allens in 2006.

Bill J. Allen, chairman and CEO of Veco, gave \$158,582 to lawmakers between 1996 and 2006. Republican lawmakers received \$97,682 and Democratic lawmakers received \$11,550. Between 2000 and 2006, he gave \$46,850 to the Alaska Republican Party. In 1998, Allen gave Democratic Gov. Knowles' re-election campaign \$1,000. In 2002, he gave the Republican Frank Murkowski's and Loren Leman campaign \$2,000.

From 1996 to 2006, Veco President **Peter Leathard along with his wife, Roberta**, gave \$89,800 to Republican lawmakers and \$5,250 to Democratic lawmakers. However, only four of the 203 contributions to legislators were attributed to the couple together. Peter Leathard gave \$1,000 to Gov. Knowles' re-election campaign in 1998 and \$2,000 to Frank Murkowski and his running mate, Loren D. Leman, in 2002. From 2000 through 2006, Peter Leathard gave \$40,000 to the Alaska Republican Party.

Roger J. Chan, Veco's vice president and chief financial officer, gave \$120,750 between 1996 and 2006. Republican lawmakers got \$74,250; Chan gave Democratic legislators \$4,500. He gave Gov. Knowles \$1,000 in 1998, and Murkowski and Leman \$1,500 in 2002. Like his Veco colleagues, Chan gave only to the Alaska Republican Party, contributing \$39,500 between 2000 and 2006.

Veco executive **Richard L. (Rick) Smith and his wife, Barbara**, gave \$77,957 to Republican legislators. Only one \$500 contribution (out of the 184 contributions Smith made) is attributed to both Smiths. Rick Smith gave \$1,000 to Gov. Knowles in 1998 and \$1,500 to the Murkowski-Leman team in 2002. He also gave \$20,500 to the Alaska Republican Party between 2000 and 2006.

Veco Corp. and a number of high-profile Alaskans have been in the news recently. These were elected officials on the receiving end of contributions from Veco's executives and employees. One Alaskan to attract recent headlines is Republican Gov. Sarah Palin, who became Sen. John McCain's vice presidential running mate. Gov. Palin took \$5,000 from Veco executives in her unsuccessful bid for lieutenant governor in 2002, but during her 2006 race she stayed true to her campaign vow to not take money from Veco.⁷

Republican Gov. Frank Murkowski, an opponent to increasing prison beds by utilizing private companies, received \$19,201 during his 2002 election campaign.

Other Republican lawmakers who received contributions from Veco Corp. and its employees have been in the news, but under less honorable conditions — having been charged or already jailed on charges of bribery and conspiracy in the ongoing public corruption investigation involving Veco. Former House Speaker Pete Kott and former Rep. Victor H. Kohring were both convicted of accepting bribes from Veco and are currently serving time in federal prisons.⁸ Veco Corp. and its employees gave Rep. Kott \$26,820 between 1996 and 2004. Rep. Kohring received \$33,509 between 1996 and 2006.

⁷ Tom Kizzia, "Knowles Long Past Honeymoon with Veco:1990s," *Anchorage Daily News*, Oct. 1, 2006, available from <http://www.redorbit.com/modules/news/tools.php?tool=print&id=676754>, accessed Aug. 25, 2008.

⁸ "Cowdery Indicted in Corruption Probe," *KTUU.com*, July 10, 2008, available from <http://www.ktuu.com/Global/story.asp?s=8658135>, accessed Aug. 25, 2008.

Others indicted on corruption charges include Sen. John Cowdery, who received \$37,800 between 1998 and 2004, and Rep. Bruce Weyhrauch, who got \$6,000 between 2002 and 2004, from Veco.⁹ U.S. Congressman Don Young and former Alaska Senate President Ben Stevens,¹⁰ whose father is the recently convicted U.S. Sen. Ted Stevens, were also recipients of Veco contributions.¹¹ The younger Stevens received \$13,490 from Veco during his 2002 senatorial campaign.

Former Republican Rep. Tom Anderson is serving time for trading legislative favors for money he received from the private-prison firm, Cornell Industries.¹² Rep. Anderson got \$11,500 in Veco company contributions.

KOONCE, PFEFFER AND BETTIS

Mark E. Pfeffer, founder of architect and design firm Koonce, Pfeffer and Bettis, gave \$96,775 between 1998 and 2006. Democratic legislators got \$20,600 and \$63,825 went to Republicans. He gave \$1,000 each to Gov. Knowles in 1998 and Murkowski-Leman in 2002. He also contributed \$9,500 to the Alaska Republican Party.

NEESER CONSTRUCTION

Gerald E. Neeser, president of the construction company bearing his name, is responsible for 90 percent of the contributions from Neeser Construction executives and employees. Neeser gave \$64,125 between 2000 and 2006 with \$53,625 going to Republicans — \$48,125 of that to legislators.

Gov. Sarah Palin and Lt. Gov. Sean R. Parnell received \$1,100 in their successful 2006 campaign — \$1,000 from Gerald Neeser, the owner of Neeser Construction, and \$100 from a Neeser employee.

ALLVEST INC.

The company Allvest Inc. gave \$11,950, less than 26 percent of what the company's employees contributed.

William C. Weimar (recently indicted), and his wife, Beverly, gave \$25,150 to lawmakers between 1996 and 2000. Weimar is the president and owner of Allvest Inc. and was the 11th person charged with conspiracy and fraud. He pled guilty to federal charges that he had given contributions (that went unreported), with strings attached, to former Republican Sen. Jerry Ward who served in the Senate from 1996 to 2000.¹³

James F. (Frank) Prewitt, who was also a consultant and lobbyist for Cornell Companies, gave \$21,000 between 1998 and 2002. Prewitt gave \$15,000 to lawmakers and \$5,000 to the Alaska Republican Party.

⁹ Ibid.

¹⁰ David Hulen and Rich Mauer, "The Alaska Political Corruption Investigation," Aug. 3, 2008, available from <http://209.85.173.104/search?q=cache:GsusrIwyNjgJ:community.adn.com/adn/node/112569+U.S.+Congressman+Don+Young+and+former+Alaska+Senate+President+Ben+Stevens&hl=en&ct=clnk&cd=2&gl=us>, accessed on Oct. 29, 2008.

¹¹ Erika Bolstad and Richard Mauer, "Alaska's Ted Stevens Found Guilty On All 7 Counts," Oct. 28, 2008, available from <http://www.miamiherald.com/news/politics/AP/story/744558.html>, accessed Oct. 28, 2008.

¹² Dan Joling, "Alaska Puts Brakes on Corruption Probe," *AlaskaLegislature.com*, Oct. 17, 2007, available from http://aklegislature.com/stories/101707/leg_20071017024.shtml, accessed Aug. 25, 2008.

¹³ Lisa Demer and Richard Mauer, "Businessman Weimar Paid Candidate to Push Prison," *Anchorage Daily News*, Aug. 12, 2008, available from <http://www.adn.com/politics/story/490989.html>, accessed Aug. 18, 2008.

Robert F. Cronen, an Allvest executive, gave \$9,550 during the 1996 and 1998 election, with \$8,550 going to lawmakers — \$6,550 of that to Republicans. Cronen also gave \$1,000 to the Knowles/Ulmer re-election campaign.

CORNELL COMPANIES

Texas resident **Harry J. Phillips, Jr.**, chair and CEO of the private prison firm, Cornell Companies, gave \$7,500 to Republican lawmakers during the 2002 and 2004 election cycles.

Cornell Sr. Vice President **Marvin Wiebe and his wife, Pam**, of Ventura, Calif., gave \$5,000 to Republican lawmakers in 2002 and 2004.

PRIVATE PRISON LEGISLATION

House Bill 149 introduced in 2001

While one body of the legislature approved some bills aimed at advancing privatization of prisons in Alaska, most died in committee. But, finally, after two failed attempts in prior sessions (Senate Bill 179 and HCR 31) House Bill 149 was signed into law by Democratic Gov. Tony Knowles.

Gov. Knowles, elected in 1994 and re-elected in 1998, was opposed to privatizing Alaska's prisons.¹⁴ However, Gov. Knowles signed House Bill 149 in 2001, allowing Cornell and the state to enter into a private-prison lease agreement on the Kenai Peninsula.

HB 149 allowed the corrections firm Cornell Companies, and the state to enter into a private-prison lease agreement on the Kenai Peninsula. And, the bill gave the Alaska Department of Corrections the authority to enter into lease agreements with the Kenai Peninsula Borough for the incarceration of and services to Alaska's prisoners. But the residents of Kenai Peninsula had something else in mind. They forced a local vote, and the project that was the "largest state contract in Alaska history,"¹⁵ was dumped.

HB 149 had met with wide approval in both chambers of the Alaska State Legislature and was signed into law by Gov. Knowles. Just eight of the 20 state senators and four of the 40 house members voted against the bill.

During the 2000 election cycle, private-prison interests gave legislators who later voted in favor of HB 149 nine times more money than they gave to those who voted against it: \$165,349 to \$18,450.

The three sponsors of HB 149, all Republicans — Rep. Charles M. Chenault, Rep. Andrew P. Scalzi and Sen. Jerry Ward — got 13 percent of the money that all supporters of the bill received, for a combined \$21,599. Veco Corp. contributions accounted for \$18,499 of that amount.

¹⁴ Tom Kizzia, "Knowles Long Past Honeymoon with Veco:1990s," *Anchorage Daily News*, Oct. 1, 2006, available from <http://www.redorbit.com/modules/news/tools.php?tool=print&id=676754>, accessed Aug. 25, 2008.

¹⁵ David Hulen, "Private Prison History," *Anchorage Daily News*, Aug. 11, 2008, available from <http://community.adn.com/node/128844>, accessed Aug. 21, 2008.

Sen. Ward collected \$15,099 — \$12,999 of which came from Veco executives and employees. In 2002, redistricting forced Ward to seek an open senate seat. He lost in spite of his incumbency. He had received \$9,850 from Veco Corp.

In 2000, the big donors, accounting for 78 percent of the private prison interests contributions, were Veco Corp. executives and employees who divvied up \$146,899 among 31 legislators.

House Bill 498 and Senate Bill 2012 introduced in 2002

After the brakes were put on plans to build at the Kenai site, another idea surfaced during the 2002 legislative session. The pro-privatization lawmakers came back with a pair of bills — House Bill 498 and Senate Bill 2012 — that proposed a privately operated facility in Whittier, Alaska. HB 498 was approved by the House, but neither bill made it out of the Senate.

Senate Bill 65 introduced in 2004

In 2004, Senate Bill 65 was signed into law by Gov. Frank Murkowski. The bill, called a “compromise” by its sponsor, Republican Sen. Lyda Green, signaled the beginning of a more competitive bidding process for expansion, construction and operation of Alaska’s correctional facilities.¹⁶ Not surprising, SB 65 was opposed by Cornell Companies that, together with the city of Whittier, had agreed to continue to work toward construction of a private facility in that community. Leonard Jones, director of public facilities for the city of Whittier, told the House Affairs Committee that he opposed SB 65 and declared that Cornell Companies had “provided quality programs in the state of Alaska since 1998.”¹⁷

¹⁶ House Finance Committee Minutes, May 9, 2004, available from http://www.legis.state.ak.us/basis/get_single_minute.asp?ch=H&beg_line=00260&end_line=00845&session=23&comm=FIN&date=20040509&time=1113, accessed Aug. 26, 2008.

¹⁷ House State Affairs Committee Minutes, Mar. 13, 2003 available from http://www.legis.state.ak.us/basis/get_single_minute.asp?ch=S&beg_line=00526&end_line=00552&session=23&comm=STA&date=20030313&time=1550, accessed Aug. 26, 2008.