

Aug 10, 2020 tennessean.com

CoreCivic pivots to new finance strategy as Nashville officials scramble to take over prison

Private prison giant CoreCivic is seeking to counter negative publicity and reverse its falling stock as the national criminal justice reform debate plays out at a South Nashville prison.

CoreCivic, based in Nashville's Brentwood suburb, announced a financial restructuring this week that will shift profits to paying down debt and investing in new and improved properties while reducing its dependence on credit lenders. The company will revert to a C corporation for the second time in seven years. Its stint as a real-estate investment trust (REIT) will end at the beginning of next year. The change will increase its taxes but allow it to hold onto profits rather than paying them out to shareholders. "We believe our revised structure and strategy, combined with a resilient core business, will result in significantly more liquidity, a stronger balance sheet and lower cost of capital, which will enable us to reduce our reliance on the capital markets," said CoreCivic CEO Damon T. Hininger. "We're excited about the opportunity to create value for our shareholders while growing in even more ways that help those in our care succeed with the next step in their lives." It suspended quarterly dividend payments to shareholders but promised to resume sending those checks later, if possible. The change comes as CoreCivic weathers political scrutiny following controversy about treatment of inmates at privatized prisons. In Nashville, criticism from Metro Council members last month led to a breakdown in the company's relationship with county leaders. CoreCivic walked away from its long-standing contract to run the Metro-Davidson County Detention Facility in South Nashville. Controversy around police brutality and the justice system has fueled uncertainty about the future of private prisons, reflected in lower valuations for those companies. Last year, a number of major banks announced that they will end their relationship with CoreCivic in 2023 due to protests over its role in housing federally detained immigrants. The transition to a C corporation will enable CoreCivic more financial independence and, ultimately, lead to increased stock value, officials believe. CoreCivic officials are focused on reinvesting in better facilities and actively communicating about their various educational and reentry programs to the public. 'This has been handled poorly' CoreCivic has managed the 1,348-bed Metro-Davidson County Detention Facility since 1992, and most recently secured a 5-year, \$100 million contract in 2015. But, in July, Metro Council members Freddie O'Connell and Emily Benedict introduced legislation for the county to take over the detention center by June 2022. "CoreCivic is motivated by turning people into profit," Benedict said then, adding that she believes its business model encourages high incarceration rates. CoreCivic responded by announcing that it would stop operating the facility in October – at least a year and a half before Davidson County Sheriff Daron Hall said he was prepared to take over the prison. "Political leadership in Nashville has made it clear that they would prefer to exit our partnership," Hininger said, in a letter to Mayor John Cooper and council members. "In fact, there is apparently no price they won't pay – including diverting taxpayer dollars from the community at a time they are most needed. We are deeply saddened that Nashville's leaders are playing politics with people's lives." Since then, Hall retained most of CoreCivic's staff and is rushing to make the complex transition. "This has been handled poorly. By no means is this the way to do it," Hall said. "When COVID is the second crisis we've been managing, that tells you how significant it is. This transition takes nearly 75% of our day to make sure we're ready." Taxpayers will be on the hook for at least \$5 million to fund transition costs, which they otherwise would not have had to pay. The state has promised to reimburse the county for "reasonable and allowable costs." But the full price won't be clear until next year after expenses are submitted to the state, Hall said. Hininger said CoreCivic has taken operating losses at the facility since 2018. While CoreCivic's corrections professionals will remain in place, its educational and reentry programs – such as Men of Valor, Wheels for the World, HVAC training, and various classes – will have to be transferred to existing county operations. "I feel good about the safety and security (at the prison)," Hall said. "It's just really pitiful timing for all these things. It's put me in a bad spot because we have a major operation to take over."