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## New chief leads CCA amid scrutiny

Despite challenges, climate for growth remains strong

### Executive Q&A: Damon Hininger

Damon Hininger was named president and chief operating officer of private prison operator Corrections Corporation of America late last month.

He takes a key leadership role in Nashville-based CCA at a time when its industry is under close scrutiny — and sometimes ensnared in lawsuits — for what prison reform activists see as poor treatment or even abuse of inmates.

One celebrated case in Nashville, the death of prisoner Estelle Richardson under suspicious circumstances in a Metro detention center in 2004, continues to have repercussions today with calls to further investigate a case that local criminal authorities say is a cold one — although not a closed one. CCA settled a civil lawsuit linked to Richardson's death two years ago.

Meanwhile, CCA operates as the nation's largest for-profit prison company and has plans to add nearly 10,000 more prison beds at new facilities being built or expanded in five states. It has more than 17,000 employees nationwide and holds more than 75,000 inmates. Next year, CCA will open a 2,040-bed prison in Trousdale County in rural Tennessee.

Hininger, who started as a corrections officer for CCA in 1992 at a jail in Leavenworth, Kan., discussed the company's expansion plans and legal challenges in an interview with Business Editor Randy McClain.

#### **What's the status of the new prison CCA plans to build in Trousdale County?**

It will come online toward the end of 2009. Right now, we're in the middle of preliminary site work, grading and leveling the site. At the end of the day, it will employ over 300 people and it's a \$143 million project.

#### **Critics say building a prison in Trousdale County, where unemployment has been running above 8 percent, isn't true economic development because the jobs that facility will create for guards and other staff members aren't necessarily good-paying ones. How do you respond to that?**

That's an often-used critique of our company and our industry — that for us to do well (as a private prison operator) we have to offer low pay. But the reality is we're navigating a competitive marketplace and we have to pay a competitive wage to be effective and grow this business. Each facility that we open acts as a steppingstone for future business. If we don't do a good job now, we won't get more (contracts). The starting pay for a correctional officer is driven by demands of the local job market. In San Diego, staff would be paid north of \$40,000 a year; if you go into Texas or Mississippi we are probably in the mid to low \$20,000s a year.

When we pick a site for a facility we have a fairly robust human resources component to determine the going rate for the market but also what other factors may influence the labor pool in the future. Are there other service-type industries coming to the area that could have a positive or negative impact on the work force?

It has to be a balance. You've got to have a big enough labor pool. Just to say that you're going to build in a rural area isn't going to work if you don't have a population base there to sustain a facility.

**What did you make in Leavenworth, Kansas, when you started in 1992 with CCA as a security officer?**

It was just about \$21,000 a year.

**In terms of overall growth, CCA projects adding almost 10,000 prison beds at detention centers in five states in the second half of this year and through the end of 2009. What's fueling that?**

California is a significant opportunity for us. We have a contract with them to get more than 8,000 of their state inmates in our system by next year.

On the federal side, our main customers are the U.S. Marshals Service, the Federal Bureau of Prisons and Immigration and Customs Enforcement. We have a new (federal) contract out in Las Vegas, and we are getting ready to start construction of a 1,072-bed facility there — the Nevada Southern Detention Center.

If you look at the last eight years, the Federal Bureau of Prisons has probably been one of the more consistent customers we've had. They have two potential procurements for another 4,000 beds that we think they'll take some type of action on next year. It would be beds for criminal aliens — non-U.S. citizens, low security.

Immigration and Customs Enforcement, our very first contract with them goes back to our company's founding in 1983. We continue to work with them and in pretty creative ways. Our facility down in Lumpkin, Georgia, in Stewart County has turned into an all-ICE facility.

It has courtrooms for immigration judges and other space for about 60 federal caseworkers who work on deportation issues. We put services on site so there's no transport required to a federal courthouse or to a federal immigration office in Atlanta. Everybody is under one roof and detainees can go through the system very quickly.

ICE is challenged on bed space all over the country, but that picture improves if you have detainees going through the system in 30 days, let's say, instead of on average 60 days.

**Some stock analysts describe CCA's stock as sort of a defensive play for investors since there's a demand for prison space that's constant in good and bad times. How do you see it?**

It is becoming more and more of a challenge for state governments and even the federal government to build new prison capacity considering the fiscal environment they live in. The sheer cost per bed is escalating dramatically. We look for opportunities to wring out cost efficiencies both in size and location.

**When CCA general counsel Gus Puryear's nomination as a federal judge was derailed in Congress this summer, company chairman John Ferguson said the campaign to stop Puryear smacked of get-CCA tactics by opponents of private prisons. Was Puryear unfairly attacked?**

Absolutely. I have known Gus since he started with the company. I hold him in such high regard. He has so much integrity as a person, and he is someone with great intellect who would have contributed a lot to the position. The criticism (claims that Puryear and CCA routinely hide details of violence in company prisons) was unfair towards Gus and very unsubstantiated. I was appalled by it.

**Locally, the company settled a \$60 million civil lawsuit over the death of inmate Estelle Richardson two years ago — a mentally troubled woman who died in the summer of 2004 in Metro jail amid charges of abuse by CCA guards. Are there any prison lawsuits today against the company that could affect CCA's material financial position?**

I'd say, no, I don't think there's anything out there that would have a material impact on the company. You are going to have those potential cases, but I think we have done a really good job, especially in the last few years with our education department, really training our field personnel and keeping up with industry best practices. We work very closely with the Federal Bureau of Prisons, and one thing I am very proud of is that I think our wardens are very much in touch and integrated with the wardens in the public sector ... they have the same sort of security threats and populations to deal with.

**Do you have training to help guards identify high-risk medical situations in prison?**

I think we have done a very good job and continue to improve on training of correctional officers on awareness, looking for (trouble) signs and coordinating with the medical side. We really try to have a good global standardized training program throughout our company so there are core foundation blocks in every location. We also do some customized training by location because medical needs vary depending on the population — whether it's a men's or women's prison, for instance.

**CCA recently lost a round in Davidson County Chancery Court when a judge ruled the state public records law applies to the company because the public has a right to know if its jails are run properly. Will the company appeal that ruling and why?**

Yes, we will appeal. It would be a redundant system. Something that our critics put out there that is inaccurate is ... that governments have no idea what's going on in our facilities. The reality is just the opposite. We were talking about our prison down in Lumpkin, Georgia, earlier. If you go there today, I'd bet you'd find probably 50 government employees in that facility, walking through the housing units (with) unfettered access to every nook and cranny of that facility, every operating record and all the leadership.

The reality is that government has complete awareness of exactly what we're doing in all of our facilities.