Ohio Department of Rehabilitation and Correction

770 West Broad Street
Columbus, OH 43222
614-752-1164

John R. Kasich, Governor www.drc.ohio.gov Gary C. Mohr, Director

Prison Sale Announcement Questions and Answers:

What is DRC doing?
DRC announced changes in ownership and operation of five Ohio prisons that are designed to help improve staff and inmate safety, reduce daily operating expenses and reduce the state's long-term budget costs. Altogether, the changes are expected to provide an estimated $13 million in annual savings and 702 additional beds throughout Ohio's prison system to help ease overcrowding. Specifically, 398 beds will be added at the Marion Correctional Complex and 304 beds will be added at the Lake Erie Correctional Institution.

What are the specifics?
The Lake Erie Correctional Institution in Ashtabula County will be sold to the Corrections Corporation of America for $72.7 million, which will also operate the prison. The company's operating costs will be 8 percent less than estimated state operational costs, generating a projected $3 million in annual savings for Ohio taxpayers. In addition, the facility will add 304 new beds to help ease overcrowding in Ohio's prison system.

Marion County's North Central Correctional Institution and the vacant Marion Juvenile Facility will be operated by Management and Training Corporation, for 6 percent less than estimated state operational costs yielding $3 million in projected annual savings. Reopening the vacant Marion Juvenile Facility and converting it to an adult prison will provide 398 overall new beds, easing overcrowding.

The North Coast Correctional Treatment Facility in Lorain County, which is currently operated by Management Training Corporation, will revert to state operation and be merged with the Grafton Correctional Institution, which is currently operated by the state. The merger will provide an estimated savings of more than $7 million over FY11 expenditures through the consolidation of administrative operations and costs.

Does this reconfiguration meet DRC's budget obligations?
Yes. DRC's baseline budget requirement, in terms of privatization, was $50 million in upfront cash and $6.6 million in annual savings.

The sale of the Lake Erie prison for $72.7 million, the overall annual savings of privatization ($6 million), as well as the realized cost savings of consolidating the Grafton facilities ($7 million) met budget obligations. It also allowed the negotiating team to seek out the best possible financial packages.

The announced outcome is different from the original plan. Please explain why.
DRC estimated it could receive $200 million in cash payments from the sale of five facilities. This amount reflected the replacement value for five prisons. However, agency's budgetary obligation was for only $50 million in upfront cash.

As a result, the RFP was written to provide for flexibility and allow for any number of outcomes in order to obtain the best possible financial deal for the taxpayers. DRC permitted vendors to bid on purchase, operation and management, or just operation and management. The announced contract awards reflect the best negotiated options from those bid scenarios.

The prison sale contract requires the vendor to purchase the facility from the state. The state is then responsible for paying the vendor an inmate per diem and an annual ownership fee. Please explain these fees?
The inmate per diem is the cost to supervise, house, clothe, feed, provide programs, and other services to the state in support of a prison's operations.

The annual ownership fee (AOF) is a fixed cost paid by the state to a prison's owner for facility wear and tear. It is part of a three-pronged contractual structure; sale price and inmate per diem are the other prongs. An AOF is advantageous because it contractually separates the property owner from the prison operator. It allows the state to replace the prison operator in case of problems, without obtaining the approval from the property owner. It provides the state maximum flexibility in dictating how the facility is run as well as financial certainty on capital costs. Without private ownership and the AOF, the state would be liable for the full amount of whatever capital costs the facility incurs.

Why not sell the Marion prisons?
DRC was able to meet its budget obligations with the sale of one prison. This allowed its contract negotiating team to strictly focus on the best possible financial packages for the state. Maintaining state ownership of the Marion complex, and privatizing its management and operation yielded the best financial deal for the taxpayers.

Do you anticipate jobs losses in Marion as a result of privatization?
No. While private prison operators need fewer employees to fill the same security posts, the current vacancy rate at NCCI – 56 vacant correction officer positions and 25 vacant administrative staff positions – will offset job loss and may result in net employee increases.

Will a correction officer currently employed at NCCI be able to find employment at another state run prison if they do not wish to work for the private operator?
Yes. NCCI currently employs 208 correction officers, and DRC has 278 vacant correction officer positions in its North Region.

How does this plan address over-crowding? How many additional beds will be added?
Under this configuration, the DRC gains 702 prison beds. Of those, 398 will be at the Marion complex and 304 will be added at the Lake Erie Correctional Institution.

What will happen if this plan is delayed by court action?
Savings from privatization is built into DRC's operating budget. Delays now will result in a delay of the January 1 implementation date. As a result, the agency will lose over $1 million each pay period that the process is delayed beyond January 1. Minor delays will require budget cuts and possible additional layoffs. Major delays will require prison closures.

How does this plan impact your long-term budget?
Today's announcement stabilizes DRC's budget and allows the agency to tackle long-term goals aimed at reducing prison violence and reforming the way the agency houses and rehabilitates offenders.

Some have raised questions regarding DRC Director Gary Mohr's previous professional relationship with Corrections Corporation of America, a winning bidder. How can the public be assured CCA did not receive an unfair competitive advantage?
This process was conducted in full compliance with all statutory guidelines for the "competitive sealed bid process" in accordance with ORC 125.071. The request for proposals was written by a 30-member multi-agency team. A seven-member team from DRC, the Department of Administrative Services, and the Office of Budget and Management evaluated submitted proposals and recommended contract awards. Comprehensive documentation of their review and evaluation process is available upon request with DAS.

Regarding Director Mohr, the Ohio Ethics Commission advised him before this process began that if he held no financial interest in a company submitting proposals – which he does not – then he would not have a conflict. However, in an effort to avoid the appearance of conflict, Director Mohr took the extraordinary step of completely removing himself from this process. All aspects of the process were carefully conducted as to not involve him in even the most minor of details. In fact, Director Mohr was not advised of the bid awards until the contracts were signed by a DAS official.

###