



Understanding and Confronting the Prison-Industrial Complex

An Overview for Philanthropists



ABOUT THE REPORT

As part of its commitment to learning, Robert Wood Johnson Foundation engaged Arabella Advisors to conduct a study of the intersections between the private US prison system and the work of foundations. The views expressed in this report do not necessarily reflect the views of the foundation.

ABOUT ARABELLA ADVISORS

Arabella Advisors helps foundations, philanthropists, and investors who are serious about impact create meaningful change. We help our clients imagine what's possible, design the best strategies, learn what works best, and do the work necessary to turn their visions into reality. To learn more, visit www.arabellaadvisors.com.



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Introduction

PHILANTHROPISTS can help address over-incarceration in America and the serious harm it does to communities by supporting efforts to better understand and confront what criminal justice experts call “the prison-industrial complex,” the network of companies that currently profit from the US prison and detention system. Through their endowments, philanthropists may be unwittingly invested in corporations within the prison-industrial complex whose efforts are at odds with funders’ charitable missions and commitments to social, economic, and racial equity. This report provides a high-level overview of the prison-industrial complex for philanthropists, identifies several opportunities for potential intervention, and begins to outline possible strategies that concerned funders and impact investors can use to help curtail its growth and influence—and thereby work to end the current era of mass incarceration. We hope that the report will prove helpful to funders that are concerned about the ways in which their unintentional investments in the prison-industrial complex may undermine their values and priorities and seek to understand how they can remediate those harms.

We recognize that ending the era of mass incarceration will require much more than is outlined here. It will require fundamental reforms to our criminal justice system, including changes to unjust, unfit, and overly punitive sentencing policies and drug laws, as well as reforms of prosecutorial and policing practices that correlate with soaring prison populations. It will require funding for programs designed to build communities, reduce crime, and break down the pathways and practices that currently channel far too many people into prisons, jails, and other detention centers. It will require more support of racial justice and equity, work in which many funders are increasingly engaging.

We also recognize, however, that ending the era of mass incarceration will require a better understanding of ways to effectively confront the prison-industrial complex: the network of thousands of companies that are currently involved, in various ways, in the detention, incarceration, and confinement of human beings across the United States. As we describe in more detail below, this network extends across a wide range of sectors and includes a variety of actors, from companies accused of egregious and exploitive practices to others that may simply be supplying services to prisons to still others that may not even realize that prison labor is part of their supply chains. This network is part of what enables, perpetuates, and helps to shape

our nation’s prison and detention system and represents a potential entry point for disrupting and beginning to change that system.

Curtailing the influence of the prison-industrial complex and holding the worst actors accountable will require a broad array of governmental, nonprofit, and corporate actors. Philanthropists can play a role in tackling this part of the mass incarceration problem by using their endowments and grant-making capital to increase understanding of the prison-industrial complex, expose and stigmatize flagrant practices going on within it, and counter the political influence of those seeking to preserve and extend the current system of mass incarceration.



Mass Incarceration and the Prison-Industrial Complex

MASS INCARCERATION in the United States harms both individuals and communities, with particularly devastating effects on communities of color, and it often does so without advancing the public safety objectives that incarceration purports to serve. With 2.3 million people in confinement and nearly three percent of the population under some form of correctional supervision, the United States imprisons far more of its people than any other country.¹ Over-incarceration disproportionately impacts economically distressed communities and is a significant driver of racial inequality. Those convicted of felony offenses—primarily blacks and Latinxs—suffer profound, long-term collateral consequences, including, but not limited to, lost voting and civil rights and legalized discrimination in employment, housing, and access to public benefits.

Despite the significant harm it does to communities, mass incarceration is big business. Skyrocketing incarceration rates in the United States have turned the criminal justice system into a multi-billion dollar industry, with federal, state, and local governments spending \$80 billion on incarceration in 2013 alone.² In an effort to achieve cost savings, departments of

correction at the local, state, and federal levels have handed billions of dollars in contracts to private firms. This has led to a network of thousands of companies that profit from mass incarceration, ranging from the companies that operate private prisons to the subcontractors that provide prisons with telecommunications, transportation, food vending, and many other goods and services.

Activists and others charge numerous companies within this complex of engaging in egregious and exploitive practices. Some companies have also played a role in advocating for the public policies that have driven mass incarceration and increased immigrant detention. Others are companies that profit from conducting business within and across the network.

Racial composition of the incarcerated population in the United States*

| RACE/ETHNICITY | % OF US POPULATION | % OF US INCARCERATED POPULATION | NATIONAL INCARCERATION RATE |
|----------------------|--------------------|---------------------------------|-----------------------------|
| White (non-Hispanic) | 64% | 39% | 450 per 100,000 |
| Hispanic | 16% | 19% | 831 per 100,000 |
| Black | 13% | 40% | 2,306 per 100,000 |

SOURCE: PRISON POLICY INITIATIVE, USING US CENSUS DATA.

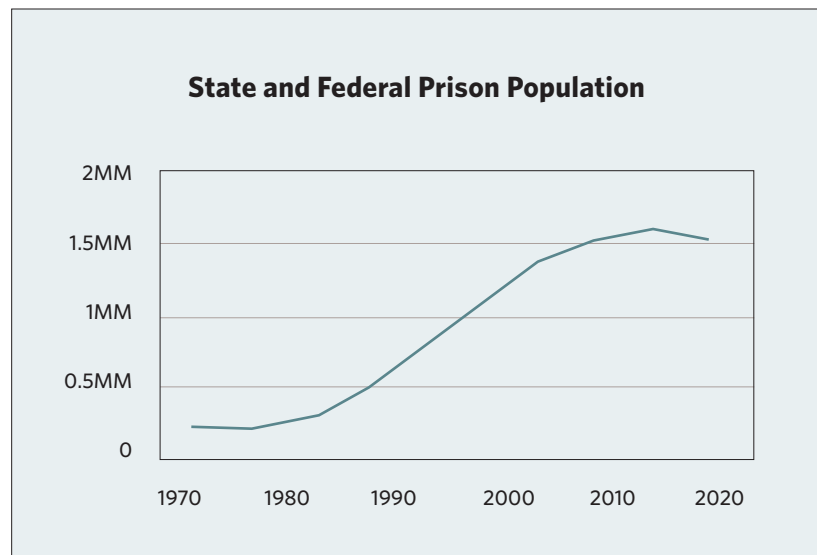
*Does not add up to 100%

¹ Wagner, Peter. "Mass Incarceration: The Whole Pie 2018." Prison Policy Initiative. 14 March 2018. [\[Link\]](#)

² Executive Office of the President of the United States. "Economic Perspectives on Incarceration and the Criminal Justice System." April 2016. [\[Link\]](#)



Over the last 40 years, due to a surge in tough-on-crime laws such as three-strikes laws, mandatory minimums, and truth-in-sentencing laws, the number of people incarcerated in the United States has quintupled.



*DOES NOT INCLUDE US JAIL POPULATION. SOURCE: BUREAU OF JUSTICE STATISTICS

Opportunities for Philanthropists to Help Drive Change

Much work remains to be done, and we see several areas where philanthropists can play valuable roles in beginning to confront the prison-industrial complex.

- **Support research to map the network of companies involved in the prison-industrial complex in greater detail.** Such mapping can raise awareness of the prison-industrial complex, identify and expose its harmful practices, and empower advocates to counter the influence of those seeking to advance policies tied to profits rather than to preserve and protect communities.

- **Support organizations and initiatives that are working to counter the advocacy efforts of politically active corporations that profit from mass incarceration.** Various companies within the prison-industrial complex provide money to lobbying groups that strengthen and perpetuate policies that help drive mass incarceration. Those working for better policies need financial support to overcome potential opposition from groups that benefit from the continuation of “business as usual” in the sector.

- **Divest from egregious actors and invest in positive solutions.** As in other sectors, divestment can help isolate and stigmatize

entities that are engaged in harmful practices, and can potentially motivate other corporations to cease doing business with them unless and until they reform how they operate. Meanwhile, investment in positive solutions can begin to help rebuild damaged communities.

- **Consider investor activism and capital market strategies.** Donors and investors may also want to use their capital and influence to take equity positions in companies that are associated with the prison industry from which they can raise awareness and push companies toward reform from within.



There is no heavy hitter among philanthropists who's saying, 'We are not going to support the prison-industrial complex and neither should you.' It would have a huge impact to have even 10 big foundations on board."

NATIONAL JUVENILE
JUSTICE EXPERT

An Overview of the Prison-Industrial Complex

The Prison-Industrial Complex Spans Multiple Sectors

The prison-industrial complex is an extensive network of thousands of public and private corporations, many of which have profited directly from the dramatic increase in the number of people detained in the United States since 1980. The most well-researched and reported-on companies profiting from the prison system are private prison operators, including the GEO Group (formerly the Wackenhut Corrections Corporation) and CoreCivic (formerly the Corrections Corporation of

America). These corporations build, own, and operate private prisons, immigration detention centers, halfway houses, and other forms of detention.

Other actors within the prison-industrial complex include companies that supply goods and services to prisons, jails, immigration detention centers, and community corrections programs; companies within the for-profit bail industry; and companies that use or profit from prison labor.

Not every company necessarily warrants outcry or action. For



example, companies that provide food or construction services to publicly run prisons and are not engaged in any unfavorable practices may not be good targets for advocates or funders. More research—including on how companies profit, the effects of their services, and whether or not they use political influence to perpetuate mass incarceration—is needed to understand the full impact of every company's involvement in the prison-industrial complex.

To facilitate our own research and analysis, we identified 14 sectors in which various companies that make up the prison-industrial complex operate:

- **Prison operations and management companies** oversee private prisons, halfway houses, or immigration detention facilities. They may or may not build or own the detention facility.
- **Community-based corrections companies** manage tracking and surveillance systems for people diverted from prisons or placed on probation.

- **Case management technology firms** provide software systems to track arrest, probation, incarceration, and medical records of current and former inmates.

- **Prison construction and maintenance companies** build prisons and other detention centers and provide maintenance, engineering, and utility services.

- **Telecommunication companies** provide communication services to prisoners, such as phones or video visitation systems.

- **Health care providers** provide medical services and pharmaceuticals to prisoners and medical equipment to prisons.

- **Food and commissary companies** provide food, cafeteria supplies, and vending machines and stock prison commissaries.

- **Prisoner transportation firms** provide transportation services to prisoners and visitors.

- **Products and equipment suppliers** provide furnishings, IT and communications equipment,

and security equipment and technology.

- **Prison personnel agencies** provide prisons with staff members, including guards, and with staff training and management systems.

- **Bail bond agents** provide bail loans to people who cannot afford their bail.

- **Bail bond insurance companies** provide insurance to bail bondsmen that backs their bail bonds.

- **Financial service providers/banks and corporate investors** provide financing to private prison operators to construct and equip prisons, and to facilitate prisoner money transfers.

- **Prison labor programs** provide services, raw materials, and technology for prison education, rehabilitation, and vocational programs (does not include companies purchasing goods and services created with prison labor).



THE PRISON-INDUSTRIAL COMPLEX AT A GLANCE

2.3 million
people
are in confinement
in the United States.

SOURCE: PRISON POLICY INITIATIVE



\$5.1 million
The combined
total that
private prison
owners
CoreCivic and
the GEO Group
spent to lobby
local, state,
and federal
governments
in 2016



SOURCE:
CORRECTIONS
ACCOUNTABILITY
PROJECT

\$15

The amount some prisoners
are forced to pay for a 15-minute
phone call



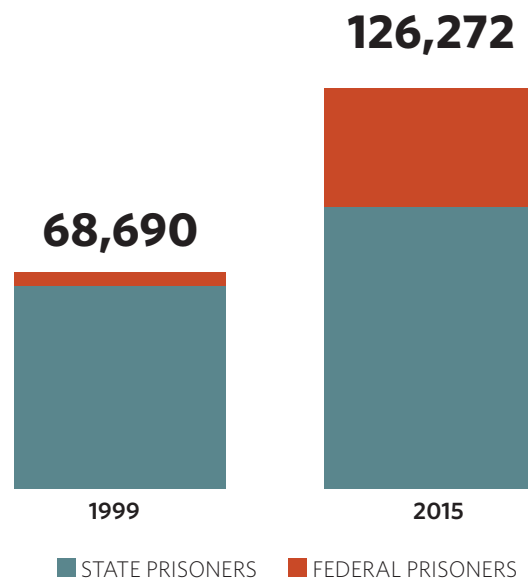
SOURCE: THE INTERCEPT

3,100+

corporations
profit from mass
incarceration.

SOURCE: CORRECTIONS
ACCOUNTABILITY PROJECT

Number of prisoners held in private prisons



SOURCE: PEW RESEARCH CENTER



Bail is a
\$2 billion
per year industry.

SOURCE: THE ATLANTIC



Strategic Intervention Points Within the Prison-Industrial Complex

To help philanthropists begin to approach this intricate network of corporations strategically, we have identified four categories of actors that cut across the previously mentioned sectors. The categories represent meaningful, potential intervention points to reduce the harm done by the prison-industrial complex. The first two categories are of actors whose priorities need to be countered, corrected, and changed most immediately:



1. Egregious actors: Companies whose profit-seeking activities enact undue financial burden or physical harm on incarcerated people.



2. Undue influencers: These actors, including corporations and correctional trade associations, use lobbying dollars and campaign contributions to protect privatization, oppose criminal justice reform, and shape criminal justice policy in ways that benefit their business interests.



We know CoreCivic and the GEO Group throw a lot of money around. We know they have been working hard to get in good graces with this administration, and that they are also very involved at the hyper-local level."

ADVOCACY ORGANIZATION
EXECUTIVE

The next two categories represent crucial players upon which the current system depends. Actors in these categories may or may not recognize the roles they play in the system, and some could become partners in driving change within it. They are:




3. Financial sources and underwriters: These actors are providing the financial fuel for the companies that are operating private prisons, immigration

detention centers, and other detention facilities, and for the bail bond industry.



4. Socially responsible public companies: Many notable public companies are doing business with the prison industry despite public commitments to corporate social responsibility (CSR). Consumer products and services companies that have built brands based on their commitment to social responsibility may be particularly sensitive to public recrimination for their involvement in the prison industry.

Egregious Actors

 Some companies within the prison-industrial complex financially exploit those involved in the criminal justice system or cut corners in ways that threaten their safety and wellbeing. These companies operate within several of the previously identified sectors and have come under legal and/or media scrutiny for various types of exploitation and/or neglect.

1. Prison Operations and Management

A 2016 Department of Justice report determined that private prisons run by CoreCivic, the GEO Group, and Management and Training Corporation were more



violent, abusive, and dangerous than publicly operated prisons.³ Inmates in these private prisons were also more likely to be placed in solitary confinement or on lockdown than inmates in public prisons; and, they were less likely to receive basic health care. Measures that private prisons pursue to meet the demand for low costs—incentives that state-run prisons don't have to the same degree—may be causing these harsh conditions.

2. Community-Based Corrections

As more states have allowed for-profit operators to run halfway houses, reports of unsafe conditions, neglect, and abusive practices have risen across the country. Cost-cutting has led to substandard hiring and training practices that keep houses staffed with unqualified, poorly paid workers. In Oklahoma, private halfway house operator Avalon Correctional Services operated a house where employees sanctioned fights between residents and recorded them on cell phones. Despite these abuses, Avalon was able to keep its state contracts.⁴ CEC, an operator of halfway houses in New Jersey, experienced an epidemic of escapes across its

houses, as well as sharp increases in violence, drug use, and gang activity.⁵

3. Bail Bond Agents

Bail is now a \$2 billion per year industry serviced by over 15,000 bail professionals.⁶ Across the industry, bail bondsmen charge high fees—up to 15 percent of the total bail amount (with a minimum fee of \$100)—to the most vulnerable and poorest individuals in the criminal justice system, and threaten them with incarceration if they fail to make payments.⁷ Bail bondsmen have broad powers to arrest and jail their debtors that other creditors do not have. Many bail bondsmen have been accused of harassing and even extorting extra fees out of debtors and their families under the threat of incarceration. The bail bondsmen industry is made up of many small, local, privately held companies that receive insurance backing from nine large national or multi-national insurance companies, including Tokio Marine America, Fairfax, Bankers, Endeavour, and others.

4. Telecommunications

The vendors that supply telephone and video visitation services to prisons (such as

Global Tel Link, CenturyLink, and Securus) often charge extremely high rates compared to what those outside of prison typically pay, sometimes more than \$1 per minute.⁸ Many incarcerated individuals, who have little to no income, cannot afford to speak to loved ones for more than a few minutes at a time. In addition, some prisons have moved toward paid video visitation and away from in-person visitation, meaning that some prisoners are now financially unable to communicate with their families at all.

5. Prisoner Transportation

Private prisoner transportation companies, including the giant Prisoner Transportation Services of America (PTS), have received enhanced scrutiny in several states for instances of sexual harassment, escape, injury, and even death.⁹ For example, PTS and Brevard Extraditions Inc. are currently being sued in Virginia by a man who had been arrested in 2016. The man's lawsuit alleges that these companies put people in unsanitary and unsafe conditions, in violation of their constitutional rights, because of a financial incentive to pick up as many detainees as possible.¹⁰

³ "Review of the Federal Bureau of Prisons' Monitoring of Contract Prisons." Office of the Inspector General, US Department of Justice. August 2016. [\[Link\]](#)

⁴ Jones, Corey. "12 Ex-Avalon Tulsa Inmates Sue Facility, ODOC with Allegations of 'Gladiator-Style' Fights, Drug Ring." *The Tulsa World*. 10 April 2015. [\[Link\]](#)

⁵ Dolnick, Sam. "At Halfway House, Bedlam Reigns." *The New York Times*. 17 June 2012. [\[Link\]](#)

⁶ White, Gillian. "Who Really Makes Money off of Bail Bonds?" *The Atlantic*. 12 May 2017. [\[Link\]](#)

⁷ "How Much Does Bail Cost?" AboutBail.com. Accessed: 25 September 2018. [\[Link\]](#)

⁸ Law, Victoria. "\$15 for 15 minutes." *The Intercept*. 16 June 2017 [\[Link\]](#)

⁹ Jan, Tracy. "Privately Run Prisoner Transport Company Kept Detainee Shackled for 18 Days in Human Waste, Lawsuit Alleges." *The Washington Post*. 24 April 2018. [\[Link\]](#)

¹⁰ Ibid.



In recent years, smart, strategic [private prison] corporations are following the market. That means they are now in the probation space, which had been almost exclusively nonprofit. These corporations have bought the better nonprofit treatment providers.”

ADVOCACY
ORGANIZATION
EXECUTIVE

6. Health Care Providers

Advocates have accused two of the largest providers of prison health care in the country, Wexford Health Sources and Corizon Health, of delivering poor-quality care. In a report to a federal judge in Idaho, advocates charged that Corizon Health provided poor care and neglected the health needs of prisoners

in several Idaho prisons.¹¹ Additionally, several class-action lawsuits have accused Corizon of withholding care to some prisoners and providing inadequate care to others, including those with cancer and diabetes, causing suffering and death.¹² A current class-action lawsuit in Illinois accuses the state’s corrections department of significant lapses in care that put patients at “risk of pain, injury, and death.”¹³ The suit implicates Wexford Health Sources, which has been the state’s prison care contractor since 2011.¹⁴

7. Prison Labor Programs

Many companies contract with prison labor outfits to produce products or services at low cost. In some states, prisoners earn minimum wage, but in others, they earn only 16 cents per hour or nothing at all.¹⁵ Some corporations contract directly with local, state, and federal prisons for prison labor, while others have prison labor in their supply chains and may not even know it. Prison labor in the United States, especially within state prisons, where the bulk of the nation’s prisoners are held, is an opaque industry. Generally, state prisons are not required to disclose the corporations they work with, and corporations are

not required to disclose their supply chains.

Undue Influencers



Our research also identified how some players within the prison-industrial complex have used significant political muscle to convince state and federal officials to adopt policies that promote mass incarceration. More recently, these players lobbied to defend privatization and shape criminal justice reform policies in ways that benefit their business models. Political activity in this industry manifests in four main ways:

1. Lobbying

Many of the largest corporations in the prison-industrial complex hire lobbyists at the federal and state levels to advance their interests. To get a sense of how politically active the industry is, Arabella identified the 22 largest publicly traded or private equity-owned corporations that are either fully dependent on the prison-industrial complex for their revenue or own subsidiary businesses that are fully dependent. According to their lobbying disclosures, the members of this group spent a total of \$33.2 million lobbying the federal government between 2015 and

¹¹ Dutton, Audrey. “Saint Al’s Sues Idaho Prison Contractor Over \$14M in Medical Bills.” *The Idaho Statesman*. 27 April 2018. [\[Link\]](#)

¹² Clarke, Matt. “Numerous Lawsuits Filed Against Corizon.” *Prison Legal News*. 3 August 2017. [\[Link\]](#)

¹³ Walsh, Dylan. “Does Bad Health Care Constitute Cruel and Unusual Punishment?” *The Atlantic*. 17 June 2017. [\[Link\]](#)

¹⁴ *Ibid.*

¹⁵ Goodrich, Julie and Mari Schwartzer, et al. “Prison Labor in the United States: An Investor Perspective.” *NorthStar Asset Management*. May 2018. [\[Link\]](#)



2017.¹⁶ According to their own reports, in 2016 alone, the GEO Group spent \$3.3 million and CoreCivic spent \$1.8 million to lobby states and the federal government (including members of the Senate and the US House of Representatives, the Department of Justice, the Department of Homeland Security, and other agencies).¹⁷ The GEO Group and CoreCivic publicly stated that they do not lobby for or against policies or legislation that would determine the length or reason for an individual's incarceration or detention. However, they do lobby legislators to pass laws that will keep people detained longer and push for government investment in

new forms of private detention from which they can profit.

2. Campaign Contributions

Corporations connected to the prison-industrial complex also make contributions to state and federal policymakers to build political influence. Drawing on data from the Corrections Accountability Project, we estimate that the 500 companies that are completely dependent on the prison-industrial complex gave at least \$2.5 million to political candidates in 2016.¹⁸ These totals do not include contributions to independent political action committees (PACs) or 501(c)(4)s supporting political candidates.

In total, the Corrections Accountability Project identified 3,100 corporations with business interests in the criminal justice system (ranging from complete to minor involvement) that gave a combined total of \$175 million in state and federal political contributions in the 2016 election cycle alone.¹⁹

3. Revolving Doors

In addition to lobbying state and federal officials and funneling contributions to candidates, many corporations that do business with the prison industry are keen to hire former legislators and agency officials to extend their influence in government, or conversely, to have the officials hire their staff members. These connections accelerate the growth of private prisons by allowing corporations to build the case for privatization, navigate the contracting process more easily, and, in some cases, avoid strict oversight. Many top corrections officials at the federal level and in several states, including Ohio, Maine, and New Mexico, worked for CoreCivic or the GEO Group before entering public service or moved to the prison industry after leaving government.^{20, 21}

¹⁶ Arabella identified the 22 companies (including parent companies) that are dependent on the prison industry for revenue using the Corrections Accountability Project's "The Prison Industrial Complex: Mapping Private Sector Players." Lobbying expenditures data come from www.OpenSecrets.org.

¹⁷ Corrections Accountability Project. "Immigration Detention: An American Business." June 2018. [\[Link\]](#)

¹⁸ Data on direct contributions to candidates pulled from FollowtheMoney.org and aggregated by Arabella Advisors. Data courtesy of the Corrections Accountability Project. (Accessed June 29, 2018)

¹⁹ Ibid.

²⁰ Katz, Eric. "Federal Official Boosted Use of Private Prisons; Now He Has a Top Job at One." *Government Executive*. 29 August 2018. [\[Link\]](#)

²¹ Clarke, Matt. "Private Prison Companies Use Political Influence to Increase Incarceration." *Prison Legal News*. 15 November 2012. [\[Link\]](#)



“
**One-third of
prisoners in some
states are housed
in county jails,
and sheriffs’
associations and
individual sheriffs
are shameless
about lobbying to
their own benefit.
They want
more prisoners in
their jails.”**

ADVOCACY ORGANIZATION
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4. Support for Advocacy and Trade Associations

While some companies in the prison-industrial complex may not directly lobby on criminal justice issues, they consistently sponsor powerful advocacy groups and industry trade associations that have been vocal proponents of policies that foster mass incarceration policies. The conservative American Legislative Exchange Council (ALEC) has worked with corporate sponsors to pass numerous policies that have helped drive incarceration to historical levels and that have increased the detention of immigrants. Throughout the 1990s, CoreCivic (then Corrections Corporation of America) was a corporate sponsor of ALEC and held a place on ALEC’s Criminal Justice Task Force. During this time, ALEC successfully pushed model legislation creating tougher sentencing laws in dozens of states, driving steep increases in incarceration rates throughout the 1990s and 2000s. Additionally, the American Bail Coalition, a longtime partner of ALEC, helped to draft model legislation to expand the bail industry, resulting in three states legalizing “post-conviction” bail. Under this new practice, which exposes thousands of new people to the bail industry, bail bond companies can pay court-imposed fines on

behalf of the individuals, who then must repay the bail bondsman and pay additional surcharges.

Additionally, many corporations in the prison-industrial complex sponsor corrections industry trade associations, which have a history of advancing policies that drive mass incarceration. According to a 2015 report by the advocacy group In the Public Interest, in 2014, corporate vendors to the prison industry contributed at least \$3 million to five of the largest professional corrections associations: the American Correctional Association, the American Jail Association, the Association of State Correctional Administrators, the Corrections Technology Association, and the National Sheriffs’ Association.²² These groups typically support platforms designed to maintain and expand the prison-industrial complex—policies that serve the interests of the associations’ corporate members. For example, the National Sheriffs’ Association’s policy platform advocates for stronger immigration enforcement policies, which would result in higher levels of immigrant detention, and has received corporate sponsorship from many companies in the prison-industrial complex, such as Aramark, Global Tel Link, Wexford Health Sources, TriTech Software Systems, Pay Tel, and Accredited Surety and Casualty Company Inc.²³

²² In The Public Interest. “Buying Access: How Corporations Influence Decision Makers at Correction Conferences, Trainings, and Meetings.” August 2015. [\[Link\]](#)

²³ “Corporate Partners.” National Sheriffs’ Association. Accessed: 25 September 2018. [\[Link\]](#)



Financial Sources and Underwriters



Another set of actors is crucial to the system's functioning: its financial sources and underwriters. An expansive network of banks, private equity firms, and insurance companies finance the prison-industrial complex and enable it to operate. These financial backers offer a potential entry point to apply financial pressure on other actors in the industry, including private prison operators, bail bondsmen, and additional companies engaged in malicious practices.

1. Banks

Banks make loans to all creditworthy applicants, often without bias or moral judgment. As such, any effort to curtail bank financing of companies in the prison-industrial complex cannot rely on moral arguments; instead, it must make a credible case that those companies' business practices expose them to litigation and regulatory risks, undermine their prospects for delivering strong financial returns, and make them less creditworthy. This is a difficult path but one that could be worth exploring further, as the two largest private prison operators, the GEO Group and CoreCivic, rely extensively on debt to finance their operations. According to a 2016 report by In the Public Interest, six prominent

Wall Street banks have an outsized role in the system because they extend revolving lines of credit to private prison operators and underwrite the companies' bonds.²⁴ Because the GEO Group and CoreCivic are technically classified as real estate investment trusts (REITs), the lion's share of their profits must be returned to shareholders, leaving little cash on hand for everyday expenditures. They need continuous, massive lines of credit—and could be vulnerable to any credible effort to push banks to withhold their financing.

2. Private Equity

Private equity firms play a strong role in backing hundreds of companies that do business with the prison system. According to Corrections Accountability Project data, 76 private equity firms own 141 companies within the prison-industrial complex, 52 of which are completely dependent on the prison industry for their business.²⁵ The list at right shows the private equity firms that invest in businesses that are entirely dependent on revenue from the prison-industrial complex, such as private prison operations, telecommunications firms, and security services companies. While private equity firms may be less susceptible to public pressure than publicly held financial institutions, there are

Private equity firms that invest in businesses that are entirely dependent on revenue from the prison-industrial complex:

[American Securities](#)

[Apax Partners](#)

[Audax Group](#)

[Beecken Petty O'Keefe & Company](#)

[BlueMountain Capital Management](#)

[Falfurrias Capital Partners](#)

[Frazier Healthcare Partners](#)

[GTCR](#)

[H.I.G. Capital](#)

[Kanders & Company](#)

[Peninsula Capital Partners](#)

[Platinum Equity](#)

[Prophet Equity](#)

[Riverside Ventures](#)

[Spotlight Equity Partners](#)

[Sverica Capital Management](#)

SOURCE: CORRECTIONS
ACCOUNTABILITY PROJECT

potential pathways to engaging them through investor activism that involves large institutional investors. Some of these strategies are described in more detail below.

²⁴ In The Public Interest. "Report: The Banks That Finance Private Prison Companies." 17 November 2016. [\[Link\]](#)

²⁵ Tylek, Bianca. "The Prison Industrial Complex: Mapping Private Sector Players." Corrections Accountability Project. April 2018. [\[Link\]](#)



The largest insurers backing the bail industry, with subsidiaries:

AIA

IFIC Allegheny Casualty Co.

American Surety Company

Bankers Financial Corporation

Bankers Surety

Bail USA

Endeavor Insurance Services

Aladdin Bail Bonds/Two Jinn

Seaview Insurance Company

Fairfax Financial Holdings Limited

The North River Insurance Company

United States Fire Insurance Company

FCS

Lexington National

R&Q

Accredited Surety and Casualty Company

Seneca Insurance Company

Tokio Marine America

HCC Surety Group

United States Surety Company

US Specialty Insurance Company

SOURCE: COLOR OF CHANGE/ACLU

3. Insurance Companies

A small cohort of large insurance companies underwrites the bail industry, allowing tens of thousands of bail bondsmen who charge high fees to vulnerable and economically distressed populations to operate across the country. According to a 2015 ACLU report, many of the largest bail insurers are multi-national corporations for whom bail insurance is a tiny part of their business. For others, especially those companies actively involved in the American Bail Coalition, bail insurance represents a large portion of their business, which insurance companies have worked aggressively to expand.

Socially Responsible Public Companies



Many companies maintain public commitments to CSR related to promoting public health, community development, or similar issues, even as they profit from a system that targets economically distressed communities and perpetuates poverty and incarceration. Using data from the Corrections Accountability Project, Arabella identified large, publicly traded companies with over \$5 billion in annual revenue doing business

with the prison-industrial system. While over 100 companies that do business with prisons maintain public CSR commitments that outline their dedication to improving communities, it is not clear to what degree they profit from mass incarceration or for how long they have been doing so. More research is needed on companies that identify themselves as socially responsible to understand the extent of their investments in the prison industry. Additionally, advocates and researchers have identified several high-profile, brand-name companies with strong corporate social responsibility policies that sell products created by or provide services performed by prison labor programs. Because prison labor systems lack transparency, it is hard to know if these companies use prison labor on a regular basis, in what amounts, and for what products or services.

By setting up supply chain-monitoring systems, socially responsible companies could root out prison labor from their suppliers or continue to source from prisons while demanding higher standards for working conditions and better wages for prisoners—in other words, an end to exploitive practices.



Next Steps for Concerned Philanthropists

Given the scale of the system of mass incarceration and the extensive network of actors profiting from it, philanthropists will ultimately need a multi-pronged, multi-year, multi-actor approach to effectively confront the prison-industrial complex—one that uses both their endowment capital and grant making to mobilize public, political, and financial pressure for reform. Developing such a multi-pronged, multi-year intervention strategy is beyond the scope of this report. However, in surveying the landscape, we have identified several steps that concerned funders and investors can begin to take even today.

Support Additional Research on the Prison-Industrial Complex

Philanthropists can bolster efforts to challenge the prison industry by funding research in several areas. Filling these research gaps is important for developing comprehensive corporate accountability strategies, divestment campaigns, or approaches to investor activism.

- **Political activity.** According to many advocates, those working for reform generally do not have much political muscle to support their work, while corporate actors give millions in political contributions to lawmakers who support tougher criminalization and immigration laws. Advocates still do not know exactly how

money flows between companies that benefit from prisons and elected officials, the extent of these companies' access to politicians, and the specific policies for which they lobby. Gaining a stronger understanding of corporate influence and the ability to identify the elected officials that accept corporate money from the prison-industrial complex is the first step in reducing that influence over time.

- **Prison labor supply chains.**

Prison labor supply chains are complicated and opaque, and the field does not have accurate information on which companies profit from prison labor. These data are somewhat simpler to find at the federal level; finding the data at the state level will require investments in comprehensive supply chain research. This information will help advocates identify high-profile brands that use prison labor and allow them to apply public pressure and demand the brands stop the practice, or insist that prisoners receive a fair wage and safe working conditions.

- **Reports of harm.** Our understanding of the physical and financial harms caused by corporations within the prison industry is incomplete, with information drawn piecemeal from lawsuits, one-off investigations, and reports to advocacy groups. Philanthropists can support advocates' efforts to

document trends in abuse across the prison-industrial complex and monitor the most egregious corporate actors and sectors.

- **Financing networks.** Advocates have begun to explore the complex networks of financial support and underwriting within the prison-industrial complex, but they need more information on how to disrupt financing for the industry's most glaring, influential actors.

- **Policy research.** Philanthropists can support advocates who are researching the most effective oversight and regulatory policies at the state and federal levels that can counter the influence of the prison-industrial complex. Better oversight of contractors and increased disclosure requirements for corporations taking government funds could help identify and eliminate harms within in the prison system.

Divest from Egregious Actors

Divestment movements that have targeted South African apartheid and the fossil fuel industry have demonstrated that these types of campaigns can be an effective strategy for stigmatizing offending industries and reducing their influence, building broader social movements, and making the political environment more amenable to positive policy changes. Philanthropists should



view divestment primarily as a movement-building and political strategy, rather than a means to exert substantial financial pressure on its targets, as most experts believe divestment is unlikely to meaningfully impact corporate bottom lines. The biggest actors in prison divestment to date are universities, municipalities, and faith-based institutions. Philanthropists are still relatively rare in this landscape and can help develop the movement not only by removing prison investments from their own endowments and retirement funds but also by leading a call for divestment pledges from fellow philanthropic institutions.

How Philanthropists Can Advance a Prison Divestment Movement

1. Divest your endowment assets of any holdings in CoreCivic or the GEO Group, two of the most egregious, politically active, and vulnerable companies in the prison-industrial complex.

Philanthropists can act quickly to remove these high-profile private prison companies even while they consider a more comprehensive divestment strategy that includes multiple screens and other corporations.

2. Use social, governance, and environmental screens to exclude companies profiting from the prison-industrial complex from endowment holdings. Philanthropists who

INVEST FOR IMPACT

As a complement to divestment strategies, philanthropic funders can pursue impact investing strategies that channel divested (or other) funds into companies that are working to counter the deleterious impacts of mass incarceration and reduce recidivism, such as businesses that provide employment and economic opportunity for citizens returning from prison.

1 Make mission-related investments in companies that are committed to employing individuals with criminal records. Philanthropists can work with a socially responsible financial services company to customize a portfolio that sets up a positive screen for such businesses.

2 Make program-related investments in innovative companies and organizations working to counter the impacts of mass incarceration. For example, the New Orleans-based Rising Foundations runs a small business incubator for previously incarcerated individuals and provides them with microgrants and zero-interest loans. Similarly, Boston-based New Profit operates the Unlocked Futures accelerator, which invests in businesses created by previously incarcerated people.

3 Make use of pay-for-success financing, also called social impact bonds, to make impact investments in initiatives that aim to reduce incarceration rates. Philanthropists can use these bonds to provide loans to organizations that are working to reduce recidivism by providing behavioral health, job training, and education programs to those who are exiting prisons or the juvenile justice system. Several prominent foundations have recently invested in the Massachusetts Juvenile Justice Pay for Success Initiative, which aims to reduce incarceration rates by supporting hundreds of at-risk young men in the probation system.

want an investment partner to help establish investment screens and root out companies profiting from incarceration can work with socially responsible investment groups like OpenInvest to establish investment accounts that align with their values.

3. Provide grants to advocacy groups that are building a prison divestment movement. To be successful, divestment efforts must be situated within a larger movement that has

communications, research, and grassroots organizing capabilities. Philanthropic funding can help put such infrastructure in place. While several advocacy groups—including Enlace, the Corrections Accountability Project, and the American Friends Service Committee—and student activists at a handful of Ivy League universities have started prison divestment efforts, investments that better broadcast their work could help the movement gather momentum.



Implement Investor Activism and Capital Market Strategies

Investors who are eager to exert financial pressure on companies may be able to achieve greater impact by taking equity stakes in companies connected to the prison-industrial complex and using their standing and creative strategies to push companies to reform. Investor activism proponents who seek to engage and disrupt companies in this way could pursue a variety of objectives: demanding that private prison operators increase pay in prison work programs; forcing companies connected to the prison-industrial complex to disclose full details of their lobbying and political activities and to cease supporting politically active trade associations and industry front groups; pressuring telecommunications companies to stop charging incarcerated individuals excessive fees for video visitation and phone services; pushing for the replacement of corporate board members with directors who are more sympathetic to the interests of the communities impacted by mass incarceration; and demanding that companies reduce their business with and reliance on the prison-industrial

complex. Investor activism can be a powerful tool when it activates large, institutional investors and influences financial analysts and Wall Street opinion makers by demonstrating how a company's practices—due to reputational risks, regulatory pressures, litigation risks, etc.—are reducing shareholder value.

How Philanthropists Can Reform the Prison-Industrial Complex Through Investor Activism

1. Provide grant support to organizations engaged in investor activism targeting the prison industry. Several organizations, including the Human Rights Defense Center and the Interfaith Center on Corporate Responsibility, have engaged in low levels of shareholder advocacy on this issue. Philanthropic capital could catalyze their efforts. Additionally, partnering with big pension funds such as the California Public Employees' Retirement System (CalPERS) and large fund managers such as BlackRock can bring real power to investor activism. These institutional investors own large equity stakes in most public companies, are often the largest investors in

private equity firms, and have a history of shareholder activism on CSR issues.





2. Use your standing as investors to provide proxies and access for advocates seeking to advance shareholder resolutions. While individual philanthropists may not be well positioned to execute a shareholder advocacy campaign, investors can provide nonprofit organizations or other activist investors with their proxy votes to strengthen a shareholder campaign's position.

3. Join with other philanthropists to set up an investment fund that has stakes in the most egregious and politically active companies in the industry. Philanthropists could staff a fund with experienced researchers and advocates who can use the fund's standing as an investor to advance industry reforms from the inside. This could include shareholder resolutions as well as more aggressive shareholder strategies, such as delaying mergers and acquisitions, withholding votes in board of director elections, or pushing for proxy access that allows for direct shareholder nominations to the board to gain concessions from company management.



Matching Types of Actors with Potential Philanthropic Strategies

Each of the categories of companies we identified earlier represents an intervention point to reduce the prison-industrial complex's harm. As such, there is a different set of goals that philanthropists and their advocacy partners can pursue for each category. This chart summarizes those goals and their ultimate impact.

| EGREGIOUS ACTORS  | UNDUE INFLUENCERS  | FINANCIAL SOURCES AND UNDERWRITERS  | SOCIALLY RESPONSIBLE PUBLIC COMPANIES  |
|---|--|--|---|
| GOALS | | | |
| <ul style="list-style-type: none"> - Understand where the most egregious practices within the system are occurring - End egregious and harmful practices | <ul style="list-style-type: none"> - Secure full disclosure of lobbying and political activities - Pressure companies to cease supporting politically active trade associations and front groups | <ul style="list-style-type: none"> - Convince financial backers to stop supporting bad actors within the prison-industrial complex | <ul style="list-style-type: none"> - Gain a better understanding of which brand-name, socially responsible companies benefit from prison labor - Encourage socially responsible companies to end contracts with privately operated prisons, immigrant detention centers, and other facilities |
| STRATEGIES | | | |
| <ul style="list-style-type: none"> - Research on corporate activity to identify egregious practices - Divestment campaigns that stigmatize these companies and create public pressure for regulatory reform - Investor activism to push for reforms from the inside of companies | <ul style="list-style-type: none"> - Opposition research to expose companies' undue influence - Divestment campaigns that help stigmatize these companies - Investor activism to push for disclosure and curtailment of political and lobbying activities | <ul style="list-style-type: none"> - Investor activism that pushes financial backers to condition their financing on reforming egregious practices that pose litigation and other financial risks | <ul style="list-style-type: none"> - Support organizations pushing for comprehensive research into corporate supply chains to identify prison labor - Investor activism and corporate accountability campaigns that push high-profile companies to cut ties with the most harmful elements of the prison-industrial complex |
| POTENTIAL IMPACT | | | |
| <ul style="list-style-type: none"> - Curtailment of the most exploitive and harmful practices in the prison industry | <ul style="list-style-type: none"> - Decline in the political influence of companies in the prison-industrial complex and in their ability to advance policies related to prisons and the criminal justice system that adversely impact communities | <ul style="list-style-type: none"> - Pressure from financial backers to reform the most egregious practices in the industry | <ul style="list-style-type: none"> - Isolation and stigmatization of companies engaged in egregious practices in the industry - Increased public visibility of and attention to harmful practices in the prison industry - Improvement in the standards, working conditions, and wages for prison labor |



Conclusion

ENDING THE ERA OF MASS INCARCERATION will require advocating for fundamental reforms to our criminal justice system, including rolling back tough-on-crime sentencing policies and drug laws and reforming prosecutorial and policing practices that have caused prison populations to soar. It will also require confronting the power and influence of the prison-industrial complex: the thousands of companies that profit from the detention, incarceration, and confinement of human beings in the United States. Philanthropists can continue to invest in and profit from these companies themselves, or they can use their endowments and grant-making capital in creative and strategic ways to expose, stigmatize, and disrupt the industry, neutralizing its harms and its undue political influence in our politics. Taming the prison-industrial complex can help restore the public's ability to shape just and equitable criminal justice and immigration policies. Better policies and more accountable corporations can help reverse the mass incarceration and mass criminalization that undermine freedom and opportunity for millions.

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