

CIP Americas

Wall Street and the Criminalization of Immigrants

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Over the past four years roughly a million immigrants have been incarcerated in dangerous detention facilities in our taxpayer-financed private prison system. A growing number of news reports and investigations confirm that for many of the people funneled into this system, it is a living nightmare. Children were abused, women were raped, and men died from lack of basic medical attention.

These facilities are run by two Wall Street-backed companies that actively promote the criminalization and incarceration of immigrants in the United States -the Corrections Corporation of America (CCA) and the GEO Group.

The T. Don Hutto immigrant detention facility in Taylor, Texas provides a now well-known example of the abuses that take place within private prisons for immigrants. Beginning in May 2006, the Don Hutto prison was used to house children and their parents who were on a path to deportation. Reports began to surface of widespread abusive treatment of immigrant children by staff of Corrections Corporation of America. [An ACLU lawsuit](#) filed on the basis of documented cases of abuse finally led to the closing of the Don Hutto facility for housing families in 2008. After the children were excluded, the Don Hutto only held women detainees. But the abuses continued. [Evidence has surfaced](#) that a number of women were sexually abused over the past two years in Don Hutto by CCA staff. [Sexual abuse](#), including rape, has been documented in several detention centers.

The other large private prison corporation contracted by the federal government to run immigrant prisons is the GEO Group. The GEO detention facilities have also racked up many reports and complaints of abusive treatment of immigrant detainees and corrupt staff practices that violate the basic human rights of prisoners. Last month we spoke with the sibling of a detainee in a GEO-run facility who was denied basic medical attention for lack of funds to pay. The detainee's family had to raise funds to get their relative medical attention in the facility from GEO. Other GEO [detainees have died](#) from a lack of medical attention.

Another relative of a GEO detainee told us that prisoners who avoid getting on the wrong side of GEO guards could aspire, at most, to a job in the prison that pays 17 cents an hour for doing office work.

GEO recently agreed to pay restitution for its employees' physical abuse of prisoners who were strip searched in Pennsylvania, Illinois, Texas, and New Mexico. In another case, GEO was ordered to pay \$40 million in the wrongful death of a prisoner in its custody in Raymondville, Texas. GEO has also [been sued](#) by seven children who were sexually assaulted by a guard while being held in a GEO facility.

Corrections Corporation of America (CCA), based in Nashville, Tennessee, and the GEO Group, a global corporation based in Boca Raton, Florida are the nation's two largest prison companies. They run highly integrated operations to design, build, finance and operate prisons. GEO rakes in

\$1.17 billion in annual revenue, and CCA tops that at \$1.69 billion. Together these companies are principal moving forces in the behind-the-scenes organization of the current wave of anti-immigrant legislative efforts, which, if successful, would dramatically increase the number of immigrant prisoners in over 20 states.

Following the Money

GEO CEO, George Zoley, was a Bush "Pioneer" who bundled more than \$100,000 in contributions for the Bush-Cheney campaigns in 2000 and 2004. In October 2003, GEO was successful in securing the contract to run the Guantánamo Bay Detention Camp, in Guantanamo Bay, Cuba.

GEO hired the services of lobbyists who had held influential positions in the U.S. Department of Homeland Security, Bureau of Prisons, Office of the Attorney General, and the office of then-Senate Majority Leader, George Mitchell, to lobby their former employers and Congress. Throughout 2005 and leading up to the largest immigration raid in U.S. history in December 2006, GEO and CCA spent a combined total of over \$6 million on lobbying efforts.

On May 1, 2006, while millions of people marched in favor of immigrant rights in 102 cities across the country, GEO and CCA were lobbying the federal government for more business. The marchers, despite their historic turnout and broad citizen base, could not block the growing wave of government support of GEO's and CCA's business plans.

The December 2006 raid, in which over a thousand men and women employed at Swift meat-packing plants in several states were detained, marked a change in the federal government's enforcement of the 1995 immigration law. For the first time, many of those picked up were charged with crimes such as falsifying identity documents or identity theft that carry long prison sentences, rather than misuse of a social security number, a misdemeanor.

This single change in enforcement of existing law created a potential "market" of over 10 million new felons almost overnight, multiplying the lucrative incarceration market for the private prison industry and sending a shock wave through immigrant-related communities across the country. At the time of the Swift raid, USA Today quoted the Reverend Clarence Sandoval of St. Thomas Aquinas Catholic Church in Logan, Utah, as saying, "They are taking mothers and fathers and we're really concerned about the children. I'm getting calls from mothers saying they don't know where their husband was taken."

Through this change in how federal law is enforced, CCA and GEO suddenly had a huge pool of captive clients, and began to rake in millions of dollars in public funds to house, transport, feed and control immigrants.

Predictably, costs to taxpayers skyrocketed. From 2006 to the present, the Immigration and Customs Enforcement Agency (ICE) budget for the identification, custody, transportation, detention and removal of immigrants has increased 51%. The U.S. Marshall budget for the custody and transportation of immigrants over the same period has increased 15%, and the Bureau of Prisons budget for detention of immigrants over the same period has gone up 9%. The billions of dollars in increased expenditures have provided the primary source for the billions in increased revenue for CCA and GEO.

In addition, currently 625 state, county and municipality law enforcement agencies are providing identification, custody, transportation and detention of immigrants through agreements with the U.S. Department of Homeland Security.

According to a federal Government Accounting Office study conducted last year the cost of this program to local taxpayers is unknown because 60% of state and local governments do not keep data on their personnel, equipment, supplies and other costs related to these agreements, and therefore are not reimbursed for those costs. Whatever the exact cost, local taxpayers will feel the pinch as this program is expected to expand to all 3,100 state, county and municipal detention jurisdictions in the nation by the end of 2011. Consequently CCA and GEO can expect to increase their revenues as states and counties increasingly subcontract incarceration responsibilities to these companies.

Last year Seeking Alpha, a website of actionable stock market opinion and analysis popular on

Wall Street, reported that GEO's income from prison health care services ending in March of 2009 topped \$1.0 billion, a 5.8% profit. Seeking Alpha also stated that CCA's profit for the same period in 19 states was over \$1.6 billion, with a profit margin of 9.4%. In an article entitled "Where Delinquencies Make for Good Business" the [same publication](#) noted, "Crime, unfortunately, is a growth industry and GEO Group has proven to be a successful player in the outsourcing trend for governments at many levels." Pushing criminalization of immigrants to cast a wider net in society has been a key part of that "success."

Soon after the Bush Administration implemented the change in law enforcement affecting immigrants, Wall Street advisors publically recommended buying stock in private prison companies like CCA and GEO. At the time, Vice President [Dick Cheney was heavily invested](#) in Vanguard, one of a handful of major shareholders in GEO.

The lobbying paid off for both companies, in huge revenue increases from government contracts to incarcerate immigrants. From 2005 through 2009, for every dollar that GEO spent lobbying the government, the company received a \$662 return in taxpayer-funded contracts, for a total of \$996.7 million. CCA received a \$34 return in taxpayer-funded contracts for every dollar spent on lobbying the federal government, for a total of \$330.4 million. In addition, both companies increased revenues over the same period from detention facility contracts with a number of states.

In 2007, the Immigration and Customs Enforcement Agency (ICE) conducted 30,407 immigration raids in workplaces, neighborhoods, and public gathering sites such as bus stops and commuter train platforms. The number of raids conducted that year was double the 2006 total. The number of immigrants placed behind bars, for what amounts to the crime of having been born in the wrong place, increased from 256,842 in 2006 to 311,169 in 2007.

As a result of fear induced by the raids and other factors, pro-immigrant May Day marches in 2007 were much smaller than those of the previous year. In mid-2007, while many activists and organizers were focused on legislative reform, public protests, eliminating the raids, and trying to help families and friends of those who had been taken away by ICE and other enforcement agencies, GEO and CCA shareholders reaped a huge profit. Both companies issued 2-for-1 stock splits that roughly doubled the value of their shareholders' stake.

Although stockholders profited handsomely as revenues from prison contracts rose for both companies, the increase wasn't large enough to satisfy some of their respective major shareholders. J.P. Morgan Chase, a major owner of GEO, dumped most of its stock and relinquished its leadership position in the company.

One problem for major investors seeking huge gains from the for-profit prison business was that revenue rates couldn't keep rising because federal agencies didn't have enough personnel to arrest and process more immigrants than the expanded number they were now handling. It became apparent that the only way to significantly raise revenue through increasing the numbers of people picked up, detained and incarcerated was to hire more law enforcement personnel.

The private prison industry now needed a new source of low-cost licensed law enforcement personnel. CCA and GEO then turned to state governments as the focus of business expansion. Both companies stepped up efforts to acquire contracts with state and local governments that were entering into lucrative agreements with the Department of Homeland Security to detain immigrants in state and local detention and correctional facilities.

The result of this shift in business focus is exemplified by CCA's role in Arizona's SB 1070 and both CCA's and GEO's roles in other legislative efforts aimed at dramatically increased numbers arrests of undocumented immigrants in over 20 states. Arizona's Governor Jan Brewer, who received substantial campaign financing from top CCA executives in Tennessee and employs two former CCA lobbyists Chuck Coughlin and Paul Sensman, as top aides, signed SB 1070 into law on April 23.

On Friday, July 30, 2010 the Republican Governors Association, which so far this year has received over \$160,000 in contributions from CCA and GEO, and their respective lobbyists, sent out a nationwide solicitation written by Arizona Governor Jan Brewer requesting contributions to fund an

appeal of the partial injunction issued by a judge against SB 1070.

In addition to funds raised by the partisan appeal, Brewer's legal effort has been bolstered by supporting briefs filed with the appeals court by three states— Florida, Texas and Virginia—that have contracts with GEO or with both GEO and CCA. The two prison companies are currently ramping up their political involvement in these states and in several others that have anti-immigrant bills moving through their respective legislatures. In all, twenty states are considering SB 1070-inspired bills, which have been endorsed by their respective Republican gubernatorial candidates, financed in large part by the Republican Governor's Association.

Last November, CCA's top management in Tennessee [contributed](#) the largest block of out-of-state campaign contributions received by Arizona Governor Jan Brewer.[1] CCA, which already has several detention facilities in Arizona and hopes of expanding its immigrant prison business in that state, is expected to gain a huge increase in revenues with the implementation of SB 1070. Currently, Latinos driving out of the city of Tucson in any direction are being stopped at checkpoints, where they are asked to show their papers.

GEO and CCA are now heavily involved in the governor and state legislative races in states where they plan to expand their respective shares of the prison and incarceration market. GEO, for example, backed first-term Republican Governor, Bob McDonnell, in Virginia last year, and has contributed heavily to the Republican Governor's Association and to the Florida Republican Party. In addition to Jan Brewer in Arizona, CCA is contributing to the campaigns of both, Republican Meg Whitman, and Democrat Jerry Brown, for governor in California. CCA is also giving money to Louisiana Governor Bobby Jindal, even though Jindal isn't currently facing an election, and to the Republican Governors Association, which has contributed over \$1.5 million to state races this year.[2]

Since the change of administration in Washington D.C., GEO has expanded its presence there by adding the services of lobbyists who formerly served in high positions in the Obama presidential campaign, the Clinton White House, and the Senate and House Appropriations committees. Currently, GEO retains the services of three Washington D.C. lobbyists who also work for Wells Fargo, GEO's top shareholder. One of GEO's Washington D.C. lobbyists, Barbara Comstock, is also a member of the Virginia state legislature. CCA relies on its officers to do its lobbying in Washington DC,[3] where some board members, such as former Arizona U.S. Senator Dennis DeConcini, are well-connected.

CCA's and GEO's share of the taxpayer-funded immigrant incarceration business has grown substantially since 2006. Today, for example, in California, anyone picked up by ICE in Los Angeles is sent to a CCA facility in San Diego, while those picked up by ICE in Seattle or Portland, OR, are sent to a GEO facility in Tacoma, Washington, because detention facilities owned and operated by the federal government are at 137% capacity, with no room to house more prisoners.

Wall Street's Role

CCA and GEO are owned by major Wall Street institutions, which profit from the immigrant incarceration business as major shareholders.

The most influential investor in CCA is a hedge fund, Pershing Square, which is run by Wall Street investment guru activist investor, Bill Ackman. Ackman also plays a powerful role in Target Corporation and Kraft Foods. Wells Fargo is the most powerful investor in GEO.

Other major investors with the power to influence management in one or the other of the two companies are Vanguard, Lazard, Scopia, Wellington Management, FMR (Fidelity), BlackRock and Bank of America. Each of these major owners is sensitive to public opinion in one way or another. These major investors do not need to rely on either CCA or GEO to make money, since most of their money is invested in enterprises unrelated to private prisons.

By almost any measure, the increased number of deportations of immigrants has not had the desired effects on anyone other than the private prison industry. Unemployment among native-born citizens in the U.S. has skyrocketed as the number of immigrants being deported has risen to over 400,000 a year.

The United States now has more people in prison than any other country on earth. At over 2 million, the U.S. has a half million more people behind bars than China, which has the second highest number of prisoners.

One would like to think that bringing this information to Congress's attention would be enough to compel them to abandon policies that criminalize immigrants. However, that is not likely to happen soon.

This probable reluctance on the part of Congress to act isn't merely because of the substantial campaign contributions that Senators and members of Congress receive from the private prison industry. Most members of Congress have personal investments in one or more of CCA's or GEO's major shareholders.

While it is true that many people are invested in CCA or GEO through their pensions without knowing it, reports on the personal finances of some key members of Congress suggest some of them have more than a casual interest in the fortunes of CCA or GEO.

One example of a Washington DC powerhouse with a substantial financial interest in CCA is Wyoming Senator Mike Enzi, one of a small group of investors in Pershing Square, a hedge fund that holds the most stock in CCA of any of the company's shareholders. Senator Enzi, a senior Republican who sits on the Senate Budget Committee, was awarded a 100% approval rating by U.S. Border Control (USBC), which describes itself as "a non-profit, tax-exempt, citizen's lobby. USBC is dedicated to ending illegal immigration by securing our nation's borders and reforming our immigration policies."

As Congress is currently tasked with finding ways to reduce the burgeoning deficit and alleviate the suffering caused by the economic crisis, shifting priorities from programs that benefit prison companies to much-needed programs that benefit taxpayers only makes sense. Compelling Congress to abandon immigrant criminalization policies is probably going to require, among other things, that citizens convince some combination of our pension funds, Wells Fargo, and a key hedge fund or two, to pull out of the private prison industry and to go elsewhere to make money.

We should be able accomplish this. IBM and Ford, when challenged, found themselves unable to justify their investments in apartheid in South Africa. As a result of a swelling movement of students, faith-based organizations, unions and shareholders, these companies divested in 1986, contributing to the fall of the racist apartheid system and a transition to democracy.

Similarly, Wells Fargo, Pershing Square, and other financial giants shall be hard-pressed to justify investments in the massive suffering caused by the criminalization of immigrants, as a movement comes together to expose the harm done to the public good by their current investments in the immigrant prison industry.

Who knows? Some of these financial institutions might even see the wisdom in investing in companies that produce family-wage jobs.

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Resources:

[1] Arizona campaign contribution reports compiled by the National Institute On Money in State Politics show that CCA's CEO Damon Hininger, CFO Todd Mullenger, CDO Anthony Grande, and then General Counsel, Gus Puryear, contributed to Jan Brewer's campaign.

[2] National Institute on Money in State Politics.

[3] Center for Responsive Politics, Open Secrets.org