Police, Prisons, and Profits: How Minnesota’s Largest Banks Make Money from Misery

On July 19, 2016, the Saint Paul Federation of Teachers, along with the Minneapolis Federation of Teachers, and Neighborhoods Organizing for Change (NOC) led a march and rally that drew over 1,000 people to downtown Minneapolis. This march protested the killing of St. Paul Public Schools graduate and fellow employee Philando Castile by a police officer earlier that month. Marchers rallied in front of US Bank headquarters to draw attention to the connection between America’s racist system of policing and mass incarceration and the banks and financiers who profit from it. These systems have had a devastating effect on the communities where are students live – and they impact our schools by destabilizing the lives of students and competing for funding that could be spent on our schools.

The War on Drugs and the Rise of Mass Incarceration
The Reagan Revolution of the 1980s brought cuts in taxes for the rich and cuts in programs (housing, healthcare, and education) for the poor. Along with attacks on unions, this created startling new levels of inequality. During the same time, our nation began the so-called “War on Drugs.” Since then, there has been a massive increase in the number of people in prison. This has meant billions of dollars in public funding to build new facilities and numerous private corporations to profit from them -- from constructing the prisons to providing services to inmates and their families to actually owning and operating the prisons. None of this could happen without the involvement and financial backing of Wall Street, private equity firms, and the nation's largest banks, including US Bank and Wells Fargo.

Profit from Police Brutality:
U.S. cities have spent billions of dollars over the last 10 years on legal settlements to victims of police violence and their families. When cities use bonds to pay police brutality settlements, taxpayers have to cover the payout to the victims as well as the interest to bondholders, who are typically wealthy investors. Cities also have to pay large fees to the banks involved in issuing the bonds. US Bank has served as the trustee for a number of cities that have issued bonds to pay police misconduct settlements.

Profit from Overly Aggressive Policing:
In its report on the Ferguson, Missouri Police Department, the U.S. Department of Justice flagged that the department and the courts were more interested in revenue collection than public safety. Ferguson is not alone. Local and state governments are so desperate for funds and want to avoid raising taxes, that they use traffic tickets and fines as a cash cow to balance their budgets on the backs of the poor. US Bank operates the online payment system in states such as Minnesota and Wisconsin and for the cities and counties in those states. US Bank receives a fee for each transaction. When people can't pay the ticket or fine, the state or local government piles on additional fees and surcharges, and in some states this results in people ending up in jail.

Profit from Prison Construction:
The prison population in Minnesota and throughout the U.S. has skyrocketed. In 1981, there were less than 2,000 people in Minnesota prisons. Today that figure is over 10,000. There is a huge racial disparity in incarceration rates. In Minnesota, African-Americans are 6% of the state's population, but 36% of the state prison population. Native Americans make up just 1% of the state's population but account for 9% of inmates in Minnesota. This disparity is not due to a greater rate of criminal activity, but due to a higher rate of arrest. For example, whites use marijuana at a higher rate than African-Americans, but the marijuana arrest rate for African-Americans is 4 times higher than arrest rate of whites. US Bank has been deeply involved in helping state and local governments secure the needed financing for new prisons. Since 2003, US Bank has served as the trustee for numerous bond offerings that raised over $1.1 billion to build prisons.
Profit from Private Prisons:
Overcrowding in Minnesota jails led the state legislature to consider re-opening an Appleton, MN prison owned by the Corrections Corporation of America (CCA), the largest for-profit prison operator in the country, with 70 facilities in 19 states and Washington, DC. The city of Appleton originally built the prison in 1992 by issuing bonds, for which US Bank served as the trustee. US Bank and Wells Fargo have been very involved in providing financing to private prisons. Wells Fargo owns over 1 million shares, valued at $36 million, in CCA. US Bank and Wells Fargo have been involved in providing about $3 billion in financing to CCA since 2003. Wells Fargo is the trustee for $800 million in securities issued since 2009 by the GEO Group, the second largest private prison operator in the U.S. Wells Fargo was one of the lenders of a $1 billion credit line issued in 2013 to GEO.

Other Kinds of Profits:
Securus Technologies is one of the nation's largest prison phone companies, providing inmate telecommunications services to 2,200 correctional facilities. Wells Fargo lent Securus $40 million in 2008. JPay is owned by Securus Technologies. It has contracts with 33 state Departments of Corrections to provide money transfers for 1.6 million inmates -- 70% of the U.S. prison population. For the families of nearly 40% of those inmates, JPay is the only way to send money.

ACE Cash Express, the second largest payday lender in Minnesota, is also one of the main places where families can go to pay by cash in order to deposit money into inmates' accounts for phone calls or other services or to send packages to inmates. ACE has a long history of receiving financing from US Bank and Wells Fargo. ACE charges a $10.95 fee to load money into a CashMate account, which is used for inmate telephone services or other transaction services.

The militarization of local policing has occurred largely to carry out hyper-aggressive enforcement of the War on Drugs, which has unfairly targeted people of color and had a devastating effect on many communities. US Bank and Wells Fargo have been involved in financing two of the largest manufacturers of armored vehicles designed for law enforcement. Wells Fargo has served as the trustee for $550 million in securities issued since 2010 by The Armored Group, which makes SWAT trucks, Ballistic Armored Tactical Transport (BATT) patrol vehicles, and prisoner transport vans. US Bank provided $36 million and Wells Fargo provided $116 million lines of credit to Oshkosh Defense in 2015. Oshkosh designed and built the Tactical Protector Vehicle (TPV), with optional sniper turret, for local law enforcement agencies.

To read the full report, prepared by Minnesotans for a Fair Economy, and to see sources for all of the information in this document, visit: http://www.spft.org/wp-content/uploads/2016/07/Police-Prison-and-Profits.pdf

After watching the video, discuss the following questions:
1. As an educator, how have you seen policing and mass incarceration impact your students and their families?
2. How have you seen policing and mass incarceration impact your school, and your school's surrounding community?
3. Reflect on the beliefs you heard shared by educators in the video. What personal beliefs and values do you hold that aligned with those you saw shared in the video?
4. What personal beliefs and values were challenged by those beliefs expressed in the video?
5. Do you think it is important that we, as a union, continue to speak up about these issues and their impacts on students and schools? If so, what ideas do you have for ways we could move this work forward?