

# Police, Prison, and Profits:

How Minnesota's Largest Banks Make Money from Misery

St. Paul Federation of Teachers

**Issue Brief, July 2016**

**Philando Castile. Alton Sterling. Eric Garner. Michael Brown. Trayvon Martin. Tamir Rice. Freddie Gray. Jamar Clark.**

The endless stream of African-Americans killed at the hands of police officers has made it clear that the police do not exist to protect and serve our communities. They were not created to stop crime. Today's police forces have their roots in the patrols that were created to catch runaway slaves in the South and in the armed squads that were assembled to put down working class strikes and upheavals in the North.

Growth of police state

Mass Incarceration

There are numerous private corporations that profit from prisons and so have a direct self-interest in the continued increase in new prisons and increased prison populations – from constructing prisons to providing services to inmates and their families to actually owning and operating the prisons.

These corporations could not operate without the financial backing of Wall Street, private equity firms, and some of the nation's largest banks, including **US Bank** and **Wells Fargo**.

***"What does labor want? We want more school-houses and less jails; more books and less guns."***

**Samuel Gompers, President of the American Federation of Labor, 1915**

## **W PROFIT FROM POLICE BRUTALITY**

U.S. cities have spent over \$1 billion in the last 10 years on legal settlements to victims of police violence and their families.<sup>1</sup>

Many cities, such as Chicago, IL, cannot afford to pay these settlements and are forced to borrow money by issuing bonds. In 2014 alone, Chicago issued almost \$100 million in bonds to pay for legal costs related to police misconduct cases.<sup>2</sup>

When cities use bonds to pay these 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** and **Wells Fargo** have both served as the underwriters and trustees for a number of cities that have issued bonds to pay police misconduct settlements.<sup>3</sup>

These bonds end up taking money away from the public services our communities need.

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## **PROFIT FROM BODY CAMERAS**

Though best known for its stun guns, Taser International is also one of the largest manufacturers of body camera.<sup>4</sup> A number of large US cities have purchased Taser body cameras, including Los Angeles, Miami, Las Vegas, Baltimore, and most recently Minneapolis.

Taser shares have gained 145% over the past two years, more than doubling since the fatal shooting of Michael Brown by a police officer in Ferguson, MO.<sup>5</sup>

**Wells Fargo** owns 1 million shares of TAsER Intl, worth over \$27 million.<sup>6</sup>

Wells Fargo is the third largest shareholder in another company, Digital Ally, that makes cameras that can be worn on a police officer's shirt.<sup>7</sup>

## PROFIT FROM AGGRESSIVE POLICING

In its report on the Ferguson, MO Police Department, the U.S. Department of Justice flagged that the department and the courts were more interested in revenue collection than public safety.<sup>8</sup>

Ferguson is not alone. Local and state governments are so desperate for funds and want to avoid raising taxes, so 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 Wisconsin and for the cities in those states. US Bank receives a fee from the individual for each transaction.<sup>9</sup>

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 losing their right to vote or even ending up in jail.<sup>10</sup>

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## Funding the Police State

Many police departments have started "police foundations" -- non-profit, tax exempt agencies which raise money for the police departments to use for programs, equipment, etc. that the departments are not getting through public funding.

The Foundations have Boards of Directors made up of people other than police, but they rely on the police chief and department to establish program priorities and to tell the Foundations what they want. The Directors are chosen because of their potential ability to generate financial support for the department's projects.

**Wells Fargo** representatives serve on police foundation boards of directors in a number of cities, including:

- Atlanta, GA
- Charlotte, NC (3 reps on board)
- Gardena, CA
- Lodi, CA
- Los Angeles, CA
- Newport News, VA
- Pasadena, CA
- Philadelphia, PA
- Phoenix, AZ

**Wells Fargo** is one of the largest donors to police foundations. In addition to the previously listed departments, Wells Fargo has given to at least another 11 police foundations, including:

- Alexandria, VA
- Charlottesville, VA
- Greensboro, NC
- Salt Lake City, UT
- San Diego, CA
- Seattle, WA
- St. Louis, MO
- Tempe, AZ
- Tucson, AZ
- Tustin, CA
- Washington, DC

## PROFIT FROM PRISONS

The prison in population in Minnesota and throughout the U.S. has skyrocketed. In 1981, there were less than 2,000 people in Minnesota prisons.<sup>11</sup> Today that figure is over 10,000.<sup>12</sup>

There is a huge racial disparity in incarceration rates in Minnesota.<sup>13</sup>

- 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.

The extreme growth in Minnesota's prison population has resulted in overcrowding, and in 2016 the Minnesota legislature considered re-opening a prison in Appleton, MN owned by the Corrections Corporation of America (CCA).

### Slave Labor Then and Now

Slavery generated the profits and wealth that helped establish some of the largest modern corporations. For instance, Wachovia Bank (now owned by **Wells Fargo**) owned African slaves and accepted slaves as a form of payment.

The ideology of white supremacy was developed to justify the ownership and extreme inhumane treatment of human beings.

After slavery was abolished, the ideology of white supremacy kept Blacks as a source of cheap labor,

During this time, more prisons were built and prisoners, many of whom were ex-slaves, were leased out to business owners. Prison labor reproduced slavery-like conditions.

This continues even today. Some states, such as Colorado, permit slavery as a legal way to punish someone convicted of a crime, allowing corporations to make prisoners work without pay. This has become a major source of profits for companies such as CCA, which operates three prison facilities in Colorado, and the GEO Company which has one facility.

## PROFIT FROM PRIVATE PRISONS

**US Bank** and **Wells Fargo** are major investors in the private prison industry.

Corrections Corporation of America (CCA), is the largest private prison operator in the country. It lobbies for harsher criminal penalties and stricter enforcement of immigration laws.

As a private company seeking large profits, CCA understaffs its prisons and cuts costs so that basic food and medical needs are not met.

**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.

The GEO Group is the second largest for-profit prison operator in the U.S. behind CCA.

**Wells Fargo** is the trustee for \$800 million in securities issued by GEO since 2009.

**Wells Fargo** was one of the lenders of a \$1 billion line of credit issued to GEO in 2013

## PROFIT FROM INMATE COMMUNICATIONS AND FINANCES

Inmates made about 500 million calls last year and paid more than \$6 billion in fees.

Securus Technologies. provides inmate telecommunications services to 2,200 correctional facilities.

Securus is making huge profits from "video visiting," which allows people to "visit" inmates using a home computer. In order to increase its profits from this technology, Securus has required that county jails that wish to use its services must eliminate options for in person visits.

In 2008, **Wells Fargo** served as the arranger, administrative agent, and lender for a \$40 million credit facility to Securus.

*"Wells Fargo did an excellent job getting to know our business and understanding our business needs. This financing shows a significant amount of confidence in our business model and in our execution."*

- William D. Market, CFO Securus Technologies

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 inmates packages. ACE has a long history of receiving financing from **US Bank** and **Wells Fargo**.

- ACE charges a \$10.95 fee to load money onto a CashMate account, which is used for inmate telephone services or other transaction services.
- ACE charges a \$5.95 fee to load money to an account with Access Corrections, which is the sole vendor for a number of correctional systems for electronic fund transfers. . Access Corrections charges an additional \$2.95 service fee per transaction.
- ACE charges a \$3 fee to pay for order made through Union Supply Direct which allows family and friends to send packages to inmates in 17 states.

JPay, which is owned by Securus Technologies, serves 33 state departments of corrections and more than 1.6 million inmates. The company handles money transfers to 70% of the inmates in U.S. prisons. For the families of nearly 40% of those inmates, JPay is the only way to send money

ACE charges a \$4.95 fee to purchase a MoneyGram at ACE to be used to deposit money into a JPay account. The fees that JPay charges range, depending on the amount deposited, from \$3.95 to \$11.95 for accounts at correctional facilities

## MILITARIZATION OF THE POLICE

Many Americans got their first view of the militarization of local police departments during the events in Ferguson, Missouri in 2014 . This had been a growing trend that had largely gone unnoticed until the televised images of the heavily armed paramilitary police response to peaceful protests were broadcast into our homes.

This trend has been on display at recent Black Lives Matter protests, from police armed with assault rifles outside the 4th Precinct in Minneapolis to their use of flashbang grenades on I-94 in St. Paul.

Private vendors who were used to doing business with the military have come to view police departments as a new market for military equipment and have aggressively marketed their products to law enforcement.

**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.<sup>14</sup>

**US Bank** provided \$36 million and **Wells Fargo** provided \$116 million credit line to Oshkosh Defense in 2015.<sup>15</sup>

Oshkosh designed and built the Tactical Protector Vehicle (TPV), with optional sniper turret, for local law enforcement agencies.

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.



## Recommendations

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<http://www.theatlantic.com/technology/archive/2015/04/the-big-money-in-police-body-cameras/392009/>

<https://www.google.com/search?sourceid=chrome-psyapi2&ion=1&espv=2&ie=UTF-8&q=taser%20international%20stock%20price&oq=taser%20international%20stock%20price&aqs=chrome.0.0j69i61.6331j0j7>

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14 <http://www.armoredautogroup.com/pdf/Prospectus.pdf>

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