

Police, Prison, and Profits:

How Minnesota's Largest Banks Make Money from Misery

Minnesotans for a Fair Economy

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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 South¹ and in the armed squads that were assembled to put down working class strikes and rebellions in the North.²

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.

The War on Poverty was replaced by the War on Drugs, which increased funding for police and prisons. New laws were enacted that let police seize -- and then keep or sell -- property that they allege is tied to a crime. This gave local governments a huge incentive to do their part in the drug war.

The criminal justice system focused on controlling low-income communities, particularly communities of color. This also created an atmosphere in which African-Americans were seen as criminals, or even sub-human, and in which people of color were blamed for their own poverty.

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.³

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.⁴

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.⁵

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

PROFIT FROM BODY CAMERAS

Though best known for its stun guns, Taser International is also one of the largest manufacturers of body camera. A number of large US cities have purchased Taser body cameras, including Chicago, Los Angeles, Miami, Las Vegas, Baltimore, and most recently Minneapolis.⁶

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.

- **Wells Fargo** is one of the largest shareholders in TASER International, owning almost one million shares worth over \$27 million.⁷
- **Wells Fargo** is the third largest shareholder in Digital Ally, another company that makes police body cameras.⁸

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

Samuel Gompers, President, American Federation of Labor, 1915

PROFIT FROM OVERLY 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.⁹

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 Wisconsin and for the cities in those states. US Bank receives a fee for each transaction.¹⁰

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.¹¹

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 representatives on board); Gardena, CA; Lodi, CA; Los Angeles, CA; Newport News, VA; Pasadena, CA; Philadelphia, PA; and Phoenix, AZ.

Wells Fargo is also one of the largest financial donors to police foundations. In addition to the previously mentioned cities, 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, and Washington, DC.

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.¹² Today that figure is over 10,000.¹³

There is a huge racial disparity in incarceration rates. In Minnesota:¹⁴

- 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.¹⁵

Nationally, there are 2.2 million people in prisons and jails, a huge increase from 400,000 people forty years ago.¹⁶ This extreme growth in prison population has meant a corresponding increase in jail construction. **US Bank** has been deeply involved in helping state and local governments secure the needed financing.

- **US Bank** has served as the trustee for numerous bond offerings that raised billions of dollars to build prisons. Below are just some of these deals.

Prison Construction Bonds, for which US Bank served as trustee

Year	Bond Issuer	Principal Amount
2003	Polk County, MN ¹⁷	\$2.5 million
2003	Crystal City, TX ¹⁸	\$13.9 million
2004	Hubbard County, MN ¹⁹	\$8.6 million
2005	Central Falls, RI ²⁰	\$106.4 million
2005	San Luis, AZ ²¹	\$27.8 million
2006	Dade County, FL ²²	\$33.8 million
2006	Los Angeles County, CA ²³	\$217.6 million
2007	Kanabec County, MN ²⁴	\$5 million
2007	Wabasha County, MN ²⁵	\$10 million
2008	Burnet County, TX ²⁶	\$35.8 million
2009	McLennan County, TX ²⁷	\$49 million
2009	Wake County, NC ²⁸	\$154.6 million
2010	La Salle County, TX ²⁹	\$22.9 million
2011	San Luis, AZ ³⁰	\$20.2 million
2011	El Paso County, CO ³¹	\$32.8 million
2014	La Paz County, AZ ³²	\$297.3 million
2015	Riverside County, CA ³³	\$325 million
2015	Ward County, ND ³⁴	\$21.6 million

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.

CCA lobbies for harsher criminal penalties and stricter enforcement of immigration laws. As a private company seeking large profits, CCA under-staffs its prisons and cuts costs so that basic food and medical needs are not met.

The city of Appleton originally built the prison in 1992 by issuing bonds, for which **US Bank** served as the trustee.³⁵

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.³⁶ **US Bank** and **Wells Fargo** have been involved in providing about \$3 billion in financing to CCA since 2003.³⁷
- **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.³⁸ **Wells Fargo** was one of the lenders of a \$1 billion credit line issued in 2013 to GEO.

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 for the GEO Group, which has one facility.

PROFIT FROM INMATE COMMUNICATIONS AND FINANCES

Inmates made about 500 million phone calls last year and paid more than \$6 billion in fees.³⁹

Securus Technologies is one of the nation's largest prison phone companies, providing inmate telecommunications services to 2,200 correctional facilities.⁴⁰

Securus has made 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 often required that county jails that wish to use its services must eliminate options for in person visits.⁴¹

Wells Fargo lent Securus \$40 million in 2008.

"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

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.⁴²

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.
- ACE charges a \$5.95 fee to deposit money into an account with Access Corrections, which is the sole vendor for a number of prisons for electronic fund transfers. Access Corrections charges an additional \$2.95 fee per transaction.
- ACE charges a \$3 fee to pay for an order through Union Supply Direct, which allows family and friends to send packages to inmates in 17 states.
- ACE charges a \$4.95 fee to purchase a MoneyGram 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.

PROFIT FROM THE 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 was 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 flash bang grenades on I-94 in St. Paul.

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.

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.⁴³
- **US Bank** provided \$36 million and **Wells Fargo** provided \$116 million credit line to Oshkosh Defense in 2015.⁴⁴ Oshkosh designed and built the Tactical Protector Vehicle (TPV), with optional sniper turret, for local law enforcement agencies.



NOTES

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- ¹⁸ Crystal City Public Facility Corporation Project Revenue Bonds, Series 2003, CUSIP No. 2291474AC1, issued January 1, 2003
- ¹⁹ General Obligation Correctional Facilities Bonds, Series 2004, Hubbard County, MN, September 1, 2004 Official Statement
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- ²¹ San Luis Facility Development Corporation Senior Lien Project Revenue Bonds, Series 2005, Official Statement
- ²² Miami-Dade County, Florida Public Improvement Bonds General Obligations of Miami-Dade County, Series CC, DD and EE,
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- ²⁶ Burnet County Public Facility Corporation, Project Revenue Bonds, Series 2008, Official Statement, dated January 14, 2008
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