

BIG

HOUSE

BIG

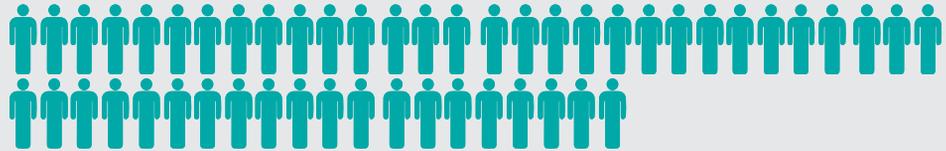
BUSINESS

A Spotlight on the
US Prison System

MASS INCARCERATION

BY THE NUMBERS

1.5
MILLION



The number of people in federal or state prisons and jails in the US; nearly 7 million Americans total are under adult correctional supervision, including those currently incarcerated, on parole, or on probation



40%

African-American men represent 40% of the prison population, despite African-Americans making up only 13.2% of the total US population

3X

Per capita expenditures on correction — at all levels of government — more than tripled between 1980 and 2010



25%

The percentage of the world's prison population that is incarcerated in the US, despite the total US population comprising only 5% of the world's total population



77%

The percentage of former prisoners who are rearrested for another crime within five years of being released

\$57-65

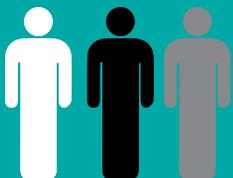
BILLION

The estimated loss in economic output to the US economy due to how difficult it is for ex-offenders with felony convictions to find a job



60,000

The annual per-inmate cost to taxpayers of keeping each inmate in permanent isolation at Colorado's Supermax federal penitentiary



INCARCERATION RATES FOR MALES BY RACE:

1 in 17 for white men | 1 in 6 for Hispanic men
1 in 3 for African-American men



CAPITALIZING ON INCARCERATION

THE RISE OF THE PRIVATE PRISON SYSTEM IN THE U.S.

BRIEF HISTORY

The United States has built a criminal justice system that relies heavily on incarceration. In the last 30 years, the number of inmates serving life sentences in the US has more than quadrupled. This growth is a reflection of the evolution of the philosophy and practice in our justice system that skews heavily towards imprisonment, where punishment and isolation take precedent over reformation, and a single sentence can mean a lifetime of disenfranchisement.

Throughout the first half of the 20th century, the US prison population remained steady. Less than 50 years ago, in 1970, the state and federal prison population was less than 280,000. Since then, the US has seen a sharp upward trend, with prison population numbers growing to more than 1.5 million by 2014. With the implementation of mandatory minimums stemming from the crackdown on drug offenses in the 1980s, the country's prison population soared. In 1986, people released after serving time for a federal drug offense had spent an average of 22 months in prison. In comparison, by 2004, people convicted on federal drug offenses were expected to serve almost three times that length: 62 months in prison, on average.

In the early 1980s, federal correctional facilities began to be unable to accommodate the growing number of inmates. Private business interests saw an opportunity for expansion, and the private sector's involvement in the prison system grew from a simple contracting relationship to complete ownership, operation, and management of private prisons.

The Corrections Corporation of America (CCA) established itself in 1984, and that same year, the federal government first contracted out the entire operation of a prison in Hamilton County, Tennessee, to CCA. Now the three largest private companies are responsible for 6 percent of state prisoners and 16 percent of federal prisoners, with the two largest private prison companies (CCA and the GEO Group) raking in over \$3 billion in revenue in 2014.

THE COST OF INCARCERATION

Crime and high rates of incarceration impose tremendous costs on society, with lasting negative effects on individuals, families, and communities. While crime rates in the US continue to fall steadily, acutely high rates of imprisonment, particularly among nonviolent offenders, are leading policymakers and experts to question whether the cost of incarceration exceeds the social benefits. Today, state expenditures on corrections cost taxpayers an estimated \$50 billion annually.

The private prison system was established with the express goal of minimizing government costs. However, prisons operating as for-profit businesses, where revenue is directly tied to increased occupancy, has created a stakeholder with significant political influence that also has a monetary interest in preventing reduced sentencing or efforts to reduce incarceration rates. Many are calling this a moral and economic failure. Mass incarceration seemingly harms all but one group — the private prison industry. ▲

PRIVATE PRISONS BY THE NUMBERS

\$3.3 BILLION: The combined 2014 revenue of the two largest private prison companies in the US

\$45 MILLION: The amount of money that has been spent by the three largest private prison companies (Corrections Corporation of America, The GEO Group, and Management and Training Corp.) on campaign donations and lobbying at the state and federal level over the last decade

130: The estimated number of private prisons in the US

131,000+: The number of inmates housed by private prison facilities in the US in 2014

90% - The growth rate in the private prison population since 1999

50%: The estimated percentage of immigrants detained by the federal government who are housed in private prisons

7: The number of states that housed at least 20% of their inmate populations in private prison facilities in 2014

90%: The most frequent occupancy guarantee requirement (a quota for how many prisoners must be in the facility at any given time) that private prisons demand. Three private prisons in Arizona have 100% occupancy rates.

THE TWO LARGEST PRIVATE PRISON OPERATORS IN THE U.S.

THE GEO GROUP

- Founded: 1984 (Then known as Wackenhut Corrections Corporation, a division of The Wackenhut Corporation. In 1994, WCC became a publicly traded company, and in 2003, the company rebranded to become The GEO Group.)
- Manages more than 66 correctional and detention facilities in the US, with more than 73,000 total beds
- 2014 Total Revenue: \$1.69 billion
- 2014 Net Income: \$143.9 million (65% of which is derived from US correctional and detention facilities)

THE CORRECTIONS CORPORATION OF AMERICA

- Founded: 1983
- Manages more than 65 correctional and detention facilities in the US, with more than 90,000 total beds
- 2014 Total Revenue: \$1.64 billion (operates only within the US)
- 2014 Net Income: \$195 million

FROM THE CORRECTIONS CORPORATION OF AMERICA'S 2014 ANNUAL REPORT:

“Our primary business strategy is to provide prison bed capacity and quality corrections services, offer a compelling value, and increase occupancy and revenue, while maintaining our position as the leading owner, operator, and manager of privatized correctional and detention facilities.”

“Our industry benefits from significant economies of scale, resulting in lower operating costs per inmate as occupancy rates increase. **We are pursuing a number of initiatives intended to increase our occupancy and revenue.** Our competitive cost structure offers prospective government partners a compelling solution to incarceration.”



AT A GLANCE

 **Location:** Las Vegas

 **Founded:** 2011

 **Team Members:** 25

 **Structure:** For-profit



Frederick Hutson, CEO and co-founder of Pigeonly

PIGEONLY

THE BUSINESS CASE FOR SERVING THE INCARCERATED

While serving a 51-month prison sentence, Frederick Hutson identified an underserved population and a major market opportunity: inmates.

Studies have revealed that one of the most effective ways to reduce recidivism is to keep inmates in close contact with their friends and family on the outside. However, the prison system does very little to facilitate these connections. Enter Pigeonly, a Las Vegas-based startup with a suite of services to help prisoners stay in touch.

Though email and social media have become two of the primary ways that

people communicate in the outside world, most prisoners do not have access to these services. Pigeonly offers users the ability to send printed photos, online articles and websites, letters, and greeting cards to inmates — just as most of us typically do over the Internet. Pigeonly takes care of the printing and mailing and uses its unique inmate locator database to ensure that the materials reach their recipient, even if the inmate gets transferred to another facility.

Additionally, prisons typically contract with only one phone company, which means prisoners have long been

subject to very high long-distance rates for calls to the outside. Pigeonly's voice service uses VOIP to provide local numbers to inmates, substantially reducing the cost of a phone call, saving families money and making frequent conversations more affordable.

Each month, the company's customers use more than 2 million phone minutes and send more than 250,000 photos. With over \$5 million in venture capital investments to-date and a prisoner population of over 1.5 million in the US, the model shows tremendous potential to scale. ▲ Photo: Pigeonly

ENTREPRENEURSHIP

THE SECRET INGREDIENT IN DECREASING RECIDIVISM

BY ANTHONY GROMKO

While most of us agree that the current state of our prison system is deplorable, not enough of us understand how we might participate in effective solutions. The mandatory minimum sentencing for drug related offenses since the War on Drugs began has fueled the systemic injustice of mass incarceration. According to The Sentencing Project's fact sheet on trends in incarceration, the number of incarcerated individuals in state and federal prisons in the US as of 2014 was over 1.5 million, a more than sevenfold increase since 1974. We have created a thriving industry that is a "system of racial and social control," as Michelle Alexander puts it, and it's diminishing our humanity. While there is no "silver bullet" solution to the complexity of this problem, there are a range of models that are effectively disrupting and impacting the system. If we could all find our own part to play in finding viable solutions, the cumulative effect could yield a transformation. One of these possible solutions happens to be the most fundamental, and deals with how we grow, stretch, and change.

In his 1947 student paper, "The Purpose of Education," Martin Luther King Jr. reminds us, "Intelligence is not enough. Intelligence plus character — that is the goal of true education. The complete education gives one not only power of concentration, but worthy objectives upon which to concentrate. The broad education will, therefore, transmit to one not only the accumulated knowledge of the race but also the accumulated experience of social living."

I have facilitated educational programming within the state prison

system in the Pacific Northwest over the past eight years, and it's clear to me that there are many prisoners who are both extremely intelligent and full of character. The challenge, as Dr. King suggests, is to offer worthy objectives for their education. There are significant challenges unique to this population — the range of distractions and demands experienced by prisoners, in addition to limited nutrition and lack of sleep, can make concentration difficult

However, if the will to change is there, then educational programming offers a way out — it offers an inmate who is ready to work hard the chance to break the cycle. According to Lois Davis, a senior researcher at the RAND Corporation, in a 2015 interview with NPR, "We looked at 30 years of research... and what we found was that, if an individual participates in any type of correctional education program — whether it be adult basic ed, GED preparation, college education or vocational training — they had a 13 percentage point reduction in their risk of being re-incarcerated."

While broad educational programming and job skills training are effective, they often do not address the personal and cognitive factors an inmate needs to develop in order to successfully transition to the "real world" beyond the bars and walls. This is where entrepreneurship training can be effective. This type of training focuses on a person's mindset and value systems, and offers them a strategy for approaching some of the greatest challenges they will face in their "new life." It can help formerly incarcerated individuals think beyond knowledge

acquisition and employment skills. The entrepreneurial propensity, as discussed by professors Robert Barbato, Robert Lussier, and Matthew Sonfield, can be measured as "a need for self-achievement, a preference for avoiding unnecessary risks, a desire for feedback on the results of one's efforts, an aspiration for personal motivation, and a desire to think about and plan for the future." Developing these characteristics produces a profound change and creates new pathways for re-imagining one's future.

One of my students was able to develop an entrepreneurial mindset while incarcerated, and started to build resiliency well before she was released back into her community. Regina was incarcerated for ten years, and during that time became an expert in braille transcription through a vocational training program offered at the state prison. The program was her worthy objective that opened a new pathway and offered hope for achieving independence on the outside.

Once Regina finished her certifications, she joined my class, an entrepreneurship and small-business management skills course, and was determined to figure out how to start her own braille transcription business. She understood the what, braille transcription, but wanted to know the how: creating her own business model. After taking two iterations of the course, she had crafted a comprehensive business plan and was able to clearly articulate a vision for how she was going to achieve this. We said our goodbyes at graduation and held each other accountable for staying in touch.

THE CONCEPT IN PRACTICE

A SOCIAL IGNITION

PROMOTING ENTREPRENEURSHIP
AFTER INCARCERATION

 **Location:** Portland, OR

 **Founded:** 2012

 **Team Members:** 2

 **Structure:** Nonprofit, working to expand to a hybrid structure

 **Impact:**

- 35 graduates of The Ignition Option entrepreneurship series
- 0% recidivism to date
- 5 businesses being developed by graduates
- 90% employment rate

A Social Ignition works with men to assist them with successfully integrating into the world post-incarceration by building confidence and creativity through business. The organization teaches an entrepreneurship series, The Ignition Option, inside prisons, bringing community business leaders in to discuss topics ranging from the power of choice and teamwork to finance and marketing. After completing the course, all members are invited to join The Long Haul, a program that provides individual weekly coaching to participants to work on their entrepreneurial ventures, employment readiness, and the personal challenges that are inevitable during such a dramatic transition.

According to founder Sonja Skvarla, "People often assume men with criminal records are scary, can't be trusted, and are generally bad people with intentions to do harm to you. I have learned it matters little what you tell people; it matters what they experience. So I invite people to come to prison with me and experience the men I work with firsthand. Inevitably, that opens their mind to what people with felonies are like and breaks down stigmas."

Six months after that, she was released, and held up her end of the bargain.

I remember receiving her phone call then. Regina was on a bus, and I remember her saying how nervous she was about starting a business. She had no family or support network on the outside, and this venture would be her only source of income. She was relying on her education and training during incarceration. A month or so later, I received the kind of voicemail you save for as long as you can: she told me that after years of learning and planning while incarcerated, she had finally established the Abundant Braille Center, and had landed her first contract from the Washington State School for the Blind. For me, it was a moment of appreciation for the resiliency of the human spirit, and the power of education and service. For her, it was a new life, and one in which she had created great purpose. ▲

Regina procured her first international contract in Canada in 2014, and was recently certified by the Royal Society for the Blind in Australia. She can be reached at regina@abundantbraille.com.

Anthony Gromko worked with Mercy Corps Northwest teaching entrepreneurship and small business management at the Washington Corrections Center for Women. He is now faculty with Washington State University Extension, leading community sustainability projects around urban areas in western Washington. Anthony also teaches an elective course at Pinchot University, "Business Solutions to Poverty," which examines how business can address issues of poverty, economic development, and social inequality.

