Private Prison Companies Encourage Mass Incarceration by Owning Facilities

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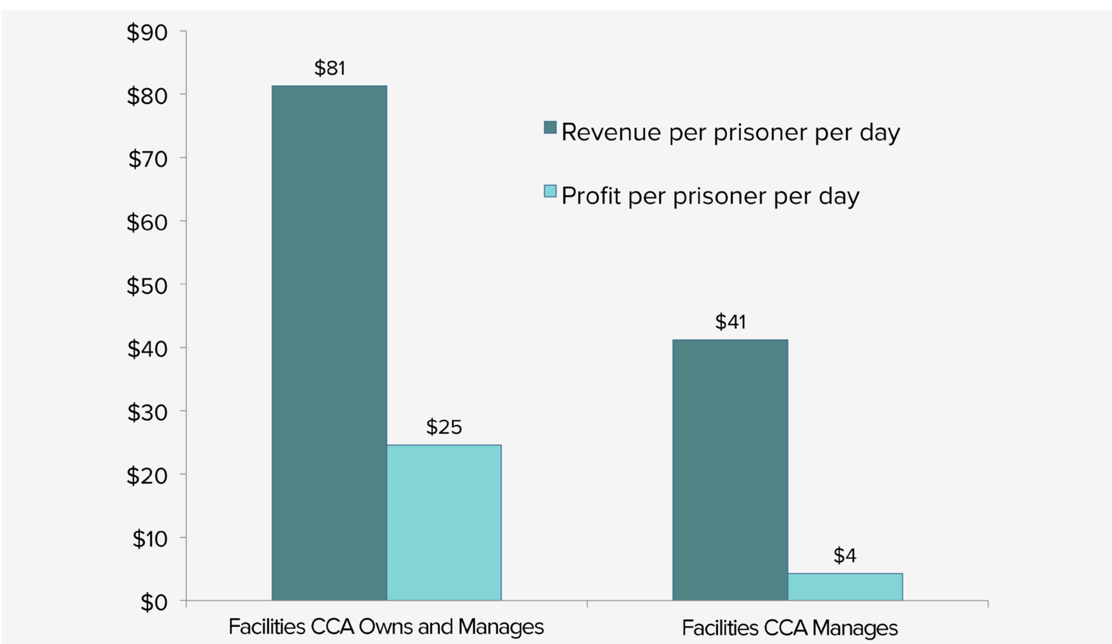
When private prisons sit empty, they incur operating expenses for the private company that owns the facility without generating revenue.[1] As a result, once a private prison company loses a contract at one of their facilities, they seek out other people to incarcerate from state corrections departments, the federal Bureau of Prisons (BOP), sheriffs' offices, Immigration and Customs Enforcement (ICE), and the U.S. Marshals Service (USMS). **History shows that America's two largest prison companies, Corrections Corporation of America (CCA) and GEO Group, have successfully marketed their empty facilities to incarcerate new people.**

Facility ownership is a profitable business strategy for private prison companies. As GEO Group's CEO George Zoley explains, "Managed only facilities have the lowest margin of financial performance available..., so as a [Real Estate Investment Trust] we've grown primarily because of the ownership and leasing of facilities and that's where our primary focus remains."[2] CCA's financial disclosure forms show that the company receives both larger profits and profit margins by incarcerating people in facilities they own and manage compared to incarcerating people in facilities they only manage. (See **Figure 1**.)[3]

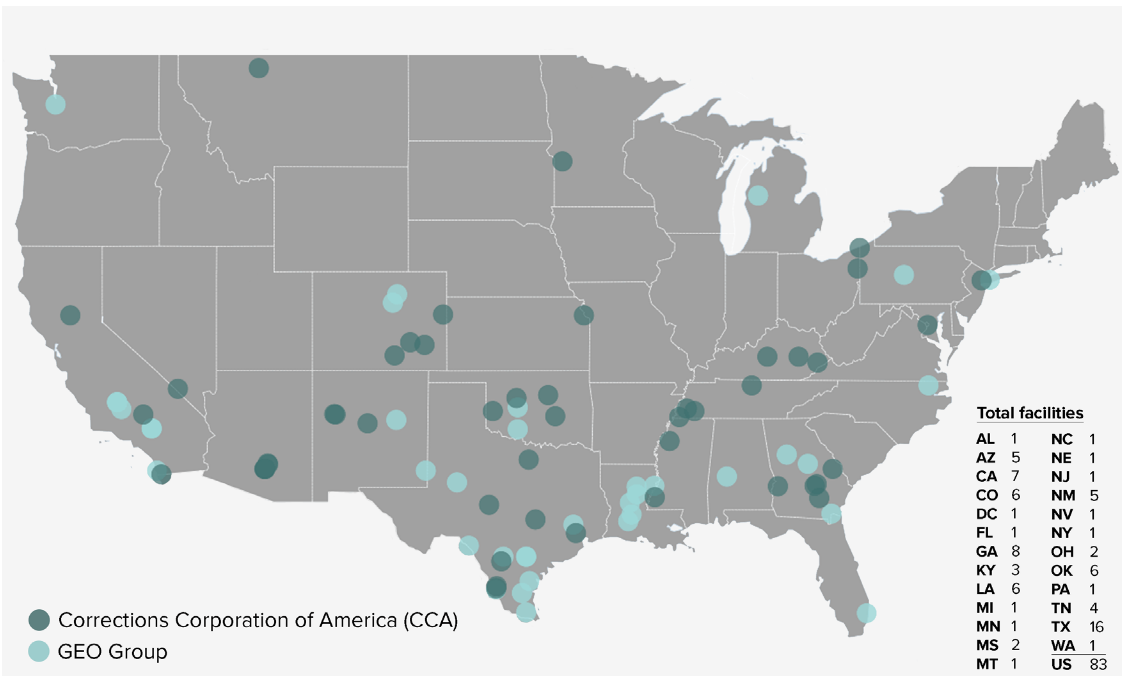
Figure 1
CCA collects large profits from facilities it owns.



By owning prisons, CCA and GEO Group have become embedded in America's criminal justice system. Compared to operation contracts, contracts for the use of facilities that GEO Group or CCA own are more difficult for governmental entities to cancel since exiting the contractual relationship would decrease the overall bed capacity available. While private prison companies pitch filling the facilities they own as short-term solutions to overcrowding, too often public officials become dependent on the space. Thereafter private prison companies have greater leverage in their negotiations with the government, which can discourage policymakers' efforts to reduce prison populations.

As of December 2015, CCA owned 47 facilities with a capacity of 68,000 prisoners, and GEO Group owned 36 facilities with a capacity of 44,000 prisoners.[4] (See **Figure 2**.)[5]

Figure 2
CCA and GEO Group own facilities across the country.



Below are a few examples that illustrate how CCA and GEO Group have filled empty facilities, contributing to mass incarceration.

CCA: Youngstown, Ohio

- 2001: Washington, D.C., removed its prisoners from the Youngstown facility.[6]
- 2003: **"The Company is currently pursuing new management contracts to utilize the available beds at this facility."** – CCA report to investors[7]
- 2004: CCA secured a contract with the BOP to incarcerate immigrants at the prison.[8]

CCA: Sayre, Oklahoma

- 2003: All prisoners in Sayre were transferred to another facility.[9]
- 2004: **"We have all along, and continue to aggressively market that (Sayre) facility. We're doing this on a daily basis, and the goal is to definitely refill that facility."** – CCA spokesman Steve Owen[10]
- 2006: CCA began incarcerating people from Colorado, Vermont, and Wyoming at the prison.[11]

CCA: California City, California

- 2010 (January): The BOP removed its prisoners from the California City facility.[12]
- 2010 (January): **"We are… pursuing other opportunities for our California City facility."** – CCA report to investors[13]
- 2010 (September): CCA signed an agreement to incarcerate prisoners for ICE and USMS at the facility.[14]

GEO Group: McFarland, California

- 2003 (December): California removed its prisoners from the McFarland facility.[15]
- 2003 (December): **"We are actively pursuing various alternatives for the facility."** – GEO Group annual report[16]
- 2005: GEO Group signed a new contract with California to reopen the prison.[17]

GEO Group: Baldwin, Michigan

- 2005: Michigan canceled its contract to incarcerate prisoners at the Baldwin facility.[18]
- 2008: **"We…are currently marketing the beds to federal and state agencies around the country."** – GEO Group report to investors[19]
- 2010: GEO Group obtained a contract to incarcerate California prisoners at the facility.[20]

GEO Group: Mesa Verde, California

- 2010: GEO Group acquired Cornell Companies, which controlled a vacant prison in Mesa Verde.[21]
- 2014: "**We're actively marketing the facility to both state and federal agencies."** – GEO Group Senior Vice President John Hurley[22]
- 2015: GEO Group secured a contract with ICE to incarcerate detained immigrants at the prison.[23]

While CCA and GEO Group market their existing empty facilities, the companies simultaneously seek opportunities to acquire additional real estate. By rehabilitating old prisons or building new facilities, these companies increase their real estate portfolios while increasing long-term contract opportunities. CCA's presentation to investors for the first quarter of 2016 states that more than 200,000 beds in public facilities are at least 75 years old, implying that the facilities will need to be replaced in the short- to medium-term.[24] (See **Figure 3**.)[25] By positioning itself as the company to provide these new facilities, CCA increases its involvement in the criminal justice system for the long-term.

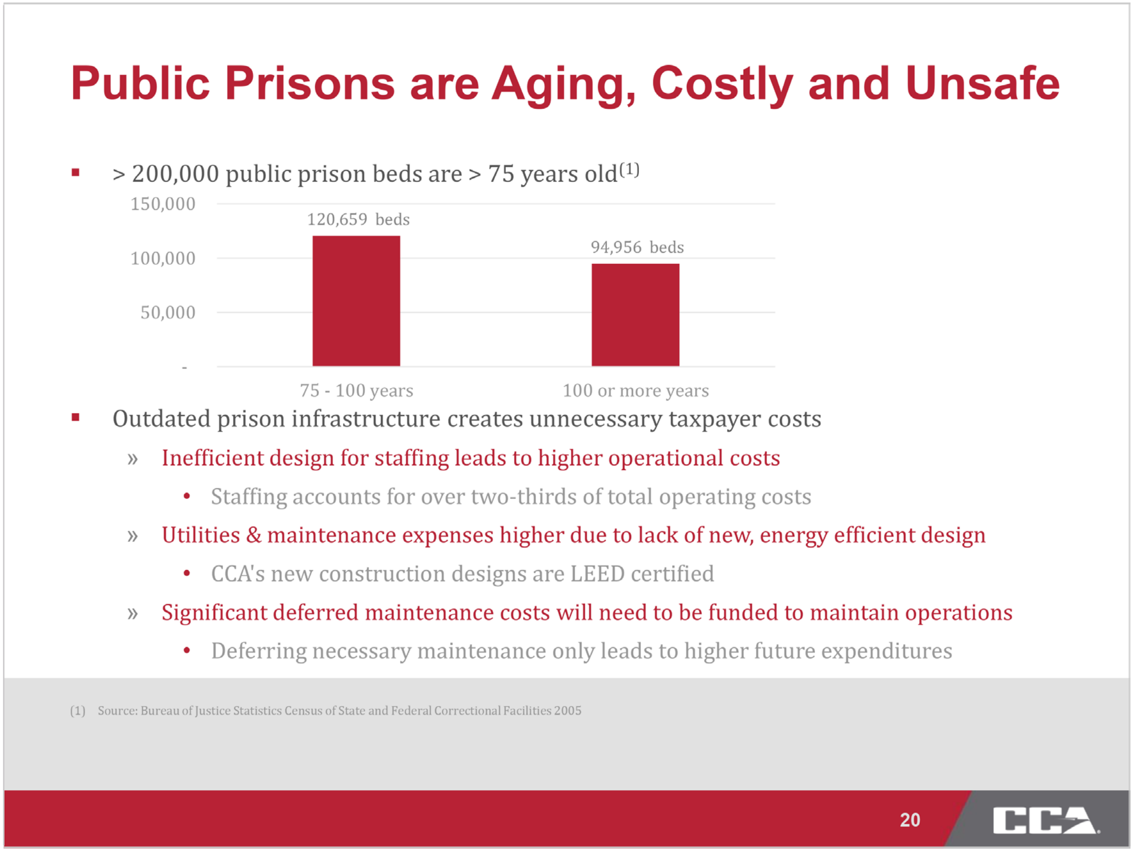


Figure 3
CCA's report to investors reveals the strategy behind owning prisons.

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This fact sheet is part of **Programs Not Profits**, a multi-year campaign promoting the replacement of private corrections industry profits that hurt incarcerated people, correctional officers, and taxpayers, with publicly funded and managed programs that provide job training, mental health care, and substance abuse treatment. Get involved at programsnotprofits.org.

Notes

1 For example, in 2015 CCA incurred approximately $7.3 million in operating expenses at seven idle facilities: Corrections Corporation of America, “Form 10-K,” fiscal year ended 31 December 2015.

2 The GEO Group, “Q2 2015 Earnings Conference Call,” 4 August 2015.

3 Corrections Corporation of America, “Form 10-K,” fiscal year ended 31 December 2015.

4 CCA: Corrections Corporation of America, “Form 10-K,” fiscal year ended 31 December 2015. Note: The numbers reported in this brief could include some facilities that CCA leases but does not own because CCA classifies its facilities that are controlled via a lease as facilities that are owned. To the best of In the Public Interest’s knowledge, facilities that CCA controls through a lease are excluded from the numbers reported in this brief. GEO Group: The GEO Group, Inc., “Form 10-K,” fiscal year ended 31 December 2015.

5 Facility locations obtained from CCA’s and GEO Group’s 10-K forms and cross referenced with their websites. Corrections Corporation of America, “Form 10-K,” fiscal year ended 31 December 2015. Also see The GEO Group, “10-K,” fiscal year ended 31 December 2015. Also see Corrections Corporation of America, “See CCA’s Nationwide System of Correctional Centers,” downloaded from www.cca.com/locations, 20 March 2016. Also see The GEO Group, Inc., “Locations,” downloaded from www.geogroup.com/maps/index/1, 20 March 2016.

6 Corrections Corporation of America, “Form 10-K,” fiscal year ended 31 December 2001.

7 Corrections Corporation of America, “Form 10-K,” fiscal year ended 31 December 2003.

8 Corrections Corporation of America, “Form 10-K,” fiscal year ended 31 December 2004.

9 Corrections Corporation of America, “Form 10-K,” fiscal year ended 31 December 2005.

10 Ron Jackson, “Watonga may gain Arizona Inmates,” *The Oklahoman*, 24 February 2004.

11 Corrections Corporation of America, “Form 10-K,” fiscal year ended 31 December 2006.

12 Corrections Corporation of America, “Form 10-K,” fiscal year ended 31 December 2009.

13 Ibid.

14 Corrections Corporation of America, “Form 10-K,” fiscal year ended 31 December 2010.

15 The GEO Group, Inc., “Form 10-K,” fiscal year ended 28 December 2003.

16 Ibid.

17 The GEO Group, Inc., “Form 10-K,” fiscal year ended 1 January 2006.

18 The GEO Group, Inc., “Form 10-K,” fiscal year ended 31 December 2006.

19 The GEO Group, Inc., “Form 10-K,” fiscal year ended 28 December 2008.

20 The GEO Group, Inc., “Form 10-K,” fiscal year ended 2 January 2011.

21 The GEO Group, Inc., “The GEO Group and Cornell Companies Announce $685 Million Merger,” 19 April 2010. To the best of In the Public Interest’s knowledge, Cornell Companies leased the Mesa Verde facility from CentraCore Properties Trust, which is a subsidiary of GEO Group. When GEO Group acquired Cornell Companies, GEO Group assumed control of the Mesa Verde facility. For more information, see The GEO Group, Inc., “The GEO Group to Acquire CentraCore Properties Trust” (press release), 20 September 2006. Also see Cornell Companies, Inc., “Form 10-K,” fiscal year ended 31 December 2009. Also see “Credit Agreement dated as of August 4, 2010 between The GEO Group, Inc., as Borrower, the Lenders referred to herein and BNP Paribas, as Administrative Agent,” filed by GEO Group to the Securities and Exchange Commission on 10 August 2010.

22 The GEO Group, third quarter 2014 earnings call, 6 November 2014.

23 The GEO Group, Inc., “Form 10-K,” fiscal year ended 31 December 2014.

24 Corrections Corporation of America, “First Quarter 2016 Investor Presentation,” May 2016.

25 Ibid.