HIG CAPITAL’S PRISON FOOD AND COMMISSARY STORE RACKET

In buying up and combining two correctional service companies, Trinity and Keefe, HIG Capital’s TKC has an incentive to serve poor quality meals, which have been blamed in part for protests, contract terminations, and increased public health risks.

KEY POINTS

- A prolific investor in prison contractors, HIG Capital owns TKC Holdings, a correctional food-service contractor made up of Trinity Services Group and the Keefe Group. HIG Capital is also invested in jail and prison healthcare provider Wellpath and previously owned prison phone company Securus.

- At facilities where TKC Holdings has both the cafeteria and commissary store contracts, the company has an incentive to reduce the quality of food to encourage customers to buy food items at the Keefe-operated commissary store rather than eating in the Trinity-operated cafeteria, where the cost of meals is covered by the facility.

- Mold, maggots, and dirt plagued Michigan’s Trinity-managed correctional cafeterias, spurring unrest that cost nearly $900,000 in damages and contract termination. Similar management issues have sparked protests at other Trinity-managed correctional cafeterias across the country.

- At the TKC-served U.S. Immigration and Customs Enforcement Laredo Processing Center in Texas, immigrant detainees complained of “inedible food and undrinkable, foul-smelling water.” Detainees performed dangerous work, such as cleaning up sewage, to earn $1 per shift so they could have money in their commissary account to buy water, costing $1.34 per bottle.

- According to a 2017 report by the Centers for Disease Control and Prevention, incarcerated individuals are 6.4 times more likely to fall ill from spoiled or contaminated food than non-incarcerated individuals.

- In January 2019, Mississippi’s Attorney General Jim Hood announced that he had recovered over $3.10 million from Keefe, which was accused of channeling bribes and kickbacks to the Mississippi Department of Corrections commissioner (the scheme occurred prior to HIG Capital’s acquisition of Keefe).
Beyond TKC Holdings, HIG Capital has made several other correctional investments. Previously, HIG Capital helped make Securus Technologies one of the largest correctional telecommunications companies in the US before selling it in 2011. Securus has come under fire for charging incarcerated individuals exorbitant fees for phone calls and money transfers. HIG Capital also owns Wellpath, a prison healthcare provider. One Wellpath subsidiary is facing growing scrutiny from the Department of Homeland Security, Department of Justice, the media, and members of Congress for inadequate staffing and poor medical care at federal detention facilities. Another subsidiary paid millions of dollars in settlements to families of incarcerated individuals who have alleged negligence by the company. More information about Securus and Wellpath can be found at pestakeholder.org

TRINITY’S CORRECTIONAL CAFETERIA REVENUE STRUCTURE

Trinity generates revenue through two models. Trinity is paid based on either the number of meals it provides in a correctional facility or based on the number of people incarcerated. There is no federal data on prison food spending as it is established at the state or individual prison level. But the costs can range from the higher-end like in Ramsey County, Minnesota where a meal costs an average of $1.20 to the lower-end such as Maricopa County, Arizona, where the meals cost between 15 and 40 cents each (see Figure 2 for additional examples) as of a few years ago.

KEEFE’S COMMISARY STORE REVENUE STRUCTURE

Correctional commissary stores enable the incarcerated population to purchase additional necessities and food from an in-house store. Commissary store prices can cost substantially much more than an average retail store. For instance, as of January 2019 at the Adelanto ICE Processing Center in California, Keefe’s commissary charged $3.25 for a can of tuna, four times the price at a nearby Target store.

Commissary firms like Keefe also typically provide commissions from the commissary revenues they generate to the facilities where they do business. Thus commissary firms like Keefe and the public entities and private operators that run the facilities have little incentive to reduce commissary prices. To help

QUESTIONS FOR HIG CAPITAL INVESTORS:

• How will HIG Capital mitigate the headline risk associated with TKC Holdings’ provision of poor-quality correctional food such as contract terminations, riots, and public health risks?

• What is the total cost of any citations or fines HIG Capital’s TKC Holdings has incurred in the past 5 years? How does HIG Capital aim to reduce these costs?

• What policies has TKC Holdings implemented to prevent staff from paying officials bribes or kickbacks?

• Why has HIG Capital’s TKC Holdings spent millions of dollars on political lobbying, both at the state and federal levels? What positive benefit does TKC Holding, and its investors, secure from this strategy? What are TKC Holdings’ plans for subsequent lobbying efforts – are there particular states or legislation it will focus its efforts on?
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pay for commissary items, relatives of detained individuals can send money electronically to fund their loved ones’ commissary accounts, but fees can reach as high as 10 percent of the amount deposited.¹⁵

In a 2012 financial statement, Keefe reported $375 million in total sales, with a net profit of $41 million. This equates to a 10.9 percent profit margin, much higher than most retailers’ – for example, three times that of Wal-Mart’s 3 percent profit margin.¹⁶

**TKC HOLDINGS’ PERVERSE INCENTIVES CAN INCENTIVIZE WORSE FOOD, SHIFTING OF COSTS TO INCARCERATED INDIVIDUALS**

By combining Trinity Services Group and Keefe Group, HIG Capital substantially consolidated the correctional food and commissary market and created a company that is at times incentivized to provide lower quality meals to discourage incarcerated individuals from eating or increase higher margin commissary sales.¹⁷

**TKC has an incentive to shift individuals from cafeteria to commissary**

At facilities where TKC Holdings has both the cafeteria and commissary store contracts, the company has an incentive to encourage customers to buy food items at the Keefe-operated commissary store rather than eating in the Trinity-operated cafeteria, where the cost of meals is covered by the facility. TKC Holdings may generate greater profits through increased commissary store sales than by only serving meals in the cafeteria.

**Where Trinity is paid by overall population, it has a greater incentive to serve worse food**

When TKC Holdings is paid based the number of individuals incarcerated rather than on meals served, the company has a greater incentive to provide worse food to discourage individuals from eating at its cafeteria. In a population-based contract, Trinity is paid regardless of whether an incarcerated individual eats in the cafeteria or not.

Poor quality cafeteria food, which is often cheaper than more nutritious food, leaves incarcerated individuals with no other alternative than to supplement their diets with expensive food purchases from the commissary store, which may also be run by TKC Holdings, via Keefe.

**Commissions paid to facilities distort competition**

Commissions on commissary store sales that companies like Keefe pay to facilities generate economic distortions in which the winning bidder is not necessarily the company that offers the lowest prices to customers, but the one to offer local governments the highest commission. According to the Prison Policy Initiative, greater correctional cafeteria food service and commissary store consolidation, facilitated by private equity firms like HIG Capital, will only make things worse. Correctional facilities that want to negotiate for fair pricing will have less leverage, which can result in higher prices for incarcerated persons.¹⁸

In short, when Trinity operates the cafeteria and Keefe operates the commissary store in the same facility, TKC Holdings and HIG Capital reap profits while incarcerated individuals, many of whom are some of the poorest members of society, pay larger portions of the bill (see Figure 2).
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FIGURE 2: TKC HOLDINGS’ CORRECTIONAL CAFETERIA AND COMMISSARY STORE INCENTIVE STRUCTURE

Whether Trinity is paid by meal or incarcerated individual, Trinity has an incentive to provide poor quality cafeteria food to shift revenue streams to Keefe’s commissary store.

TKC HOLDINGS’ PROFITS BURDEN INCARCERATED INDIVIDUALS’ NUTRITIONAL AND FISCAL HEALTH

A few months after HIG Capital merged Trinity and Keefe in 2016, Michigan’s Department of Corrections (MDOC) changed its contract terms to pay Trinity based on the total number of incarcerated persons, instead of by the number of meals served. With the change, Trinity had an incentive to serve poorer quality food to discourage incarcerated individuals from eating in the cafeteria.19 People who do not eat in the correctional cafeteria have only one alternative – buying food from commissary stores. “If you deter people from the chow hall and have them buy food (from commissaries), that would, from Trinity’s perspective, be the most profitable,” said Roland Zullo, an associate researcher at the University of Michigan’s Economic Growth Institute.20 When Ohio’s prison system outsourced its food service operations to save money in 2013, the poor quality of food provision in the cafeteria by the contractor (Aramark) increased commissary food sales by 11 at one facility and 14.5 percent at another.21

When the cafeteria service is provided by Trinity and commissary services are provided by Keefe, TKC Holdings enhances its profits by reducing costs for food provision (via Trinity) and shifting the burden of buying commissary food (from Keefe) to incarcerated individuals. Aleks Kajstura, the legal director for the Prison Policy Initiative said, “They’ve [Trinity and Keefe] put themselves in a position where they can make money off of serving worse and worse food.”22 This exact structure is evident in the U.S. Immigration and Customs Enforcement’s (ICE) Laredo Processing Center in Texas.23

“Ahead of a 2016 United Nations investigation of the Laredo facility, written testimony was collected by students from the University of Texas immigration law clinic. Detainees at Laredo complained of “inedible food and undrinkable, foul-smelling

“They’ve [Trinity and Keefe] put themselves in a position where they can make money off of serving worse and worse food.”

Aleks Kajstura, the legal director for the Prison Policy Initiative
water.” Detainees performed dangerous work, such as cleaning up sewage, to earn $1 per shift so they could have money in their commissary account to buy things like water at the cost of $1.34 per bottle. One of the UN representatives at a meeting in San Antonio in October 2016, asked “How is this legal?”

In 2016, the Prison Policy Initiative estimated that prison and jail commissary sales amount to $1.6 billion annually, nationwide. In a review of Illinois, Massachusetts and Washington’s average annual commissary sales, the Prison Policy Initiative found that incarcerated people spend $947 per year. Food and beverage expenditures dominated the sales reports with an average of $709 spent annually. This expenditure amounted to around more than what incarcerated individuals earned working regular prison jobs, annually. Yet, while the commissary may help supplement food from the dining hall, for a price, it does not compensate for poor food quality. No fresh food is available and most of the commissary food items are heavily processed.

Of the three states, Massachusetts contracted out commissary operations to Keefe. Illinois and Washington had state-run commissary operations. Customers of the Keefe-run correctional commissaries in Massachusetts spent the most on average of the three states surveyed.

Even in states where Keefe does not manage privatized commissary operations, though, it often provides a large share of the products offered. In a 2011 report on commissary shortcomings, the Illinois Procurement Policy Board noted that Keefe reaped 30 percent of the state’s commissary procurement spending.

TRINITY’S CAFETERIA FOOD SPURS PROTESTS AND RIOTS

Mold, maggots and protests plagued Trinity-served prisons in Michigan

HIG Capital’s Trinity Services Group has drawn complaints for providing inadequate and poor nourishment to incarcerated individuals.

Michigan’s Department of Corrections (MDOC) contracted with Trinity for correctional cafeteria service beginning in 2015. By March 2016, 1,200 incarcerated individuals in northern Michigan’s Kinross Correctional Facility skipped meals as part of a peaceful protest, complaining that Trinity’s oversight of food management failed to provide the 2,600 calories required by state law. Dan Manville, director of the Michigan State University Civil Rights Clinic, said of the protest “Inmates generally don’t rally together in any meaningful way unless what they’re protesting is really awful, so to get 1,200 prisoners together—the food has to be a lot worse than Aramark [the previous contractor].”

Again at Kinross, in September 2016, complaints about food, among other issues, sparked a riot, leading to nearly $900,000 in damages. “Inmates set at least one fire, smashed numerous windows — one with a clothes dryer thrown through it — destroyed sinks and other fixtures, and left at least one unit temporarily unlivable,” said Tom Tylutki, head of the corrections officer union.

Two years after Trinity had taken over Michigan’s food service contract, 176 of its employees had been subject to “stop orders” that prevented them from working in the state’s correctional facilities. Trinity also racked up $3.8 million in fines for unauthorized food substitutions, inadequate staffing, and multiple reports of maggots, mold and dirt found in the food.

In 2018, MDOC ended its contract with Trinity, determining that continuing with Trinity did not address ongoing challenges with staffing, turnover, or compliance...
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with performance expectations. As a result, MDOC returned to state-run cafeteria service.\textsuperscript{33} Michigan State Representative Julie Calley added, “Privatization caused a number of challenges. Poor food service adversely affected inmates’ behavior and resulted in additional burdens for our officers to mitigate.”\textsuperscript{34}

Since state employees have returned, there had been 16 stop orders, or an average of 1.6 per month, as of May 2019, compared to an average of 7.4 a month when Trinity and Aramark (the prior food service contractor) operated the jail’s cafeterias. MDOC spokesman Chris Gautz also observed that the “the kitchens are cleaner and more fully staffed and the meals are much more likely to be served on time.”\textsuperscript{35}

Trinity’s has experienced problems across the country

Similar problems exist in Trinity-run cafeterias across the country. Since 2015, incarcerated individuals in Utah’s Weber County Jail have reported maggots, mold and dirt in their meals. Health inspectors have cited Trinity with a series of critical violations.\textsuperscript{36}

In a Gordon County Jail in Georgia, one individual said he eased hunger pangs by eating toothpaste because Trinity was not providing enough food. The jail serves only two meals, the minimum required by state law. Any other food – even snacks – comes from the jail commissary, for those who can afford it. Staff at the Atlanta-based Southern Center for Human Rights found “complaint after complaint after complaint” related to inadequate or poor-quality food at Gordon County Jail.\textsuperscript{37}

Since Trinity took over food provision at Colorado’s El Paso County Criminal Justice Center in September 2016, incarcerated individuals have filed at least 400 complaints over the course of a few months. Food provision is so bad that even a lieutenant notified a commander that a sack lunch contained “a small little roll and four carrots. That’s it!”\textsuperscript{38} Deputies subsequently cautioned their superiors that incarcerated populations’ frustration over food was giving rise to an unstable atmosphere for jail staff. Soon thereafter, a riot over food broke out in November 2016 which “created grave danger for staff” and required a special response team to quell the violence.\textsuperscript{39}

Prior to the violence, Sergeant Mike Pitt described a “huge shortage” of sack lunches, an understaffed kitchen, and delays in dinner service in the cafeteria. The sack lunches that were served contained a slice of meat, a roll and a bag of chips – “subpar at best.” This “caused obvious back-ups and very upset inmates who started to act out,” Pitt said.\textsuperscript{40}

BRIBERY AND EXTENSIVE LOBBYING

Trinity and Keefe’s dominance within the correctional food service and commissary market is not without political support and controversy. In January 2019, Mississippi’s Attorney General Jim Hood announced that he had recovered over $26.6 million in a series of 11 settlements with companies, including Keefe Commissary, in relation to a bribery scheme involving the former commissioner of the Mississippi Department of Corrections. Keefe, along with other companies, was accused of channeling bribes and kickbacks to the commissioner, who was eventually convicted. Of the total settlement, Keefe Commissary agreed to pay $3.10 million.\textsuperscript{41} Mississippi’s Department of Corrections no longer contracts with Keefe Commissary.\textsuperscript{42}
Several years ago, Keefe was linked to a kick-back scheme in Florida as well. In 2006, the former head of the Florida’s Department of Correction and a prison official pled guilty to charges that they accepted $130,000 in kickbacks from a subcontractor that collected money for Keefe Commissary. Both Mississippi and Florida’s Keefe Commissary bribery cases stem from schemes that occurred from 2003 to 2008, prior to HIG Capital’s acquisition of the company.

Based on a review of Trinity and Keefe’s state-level lobbying activity, Trinity paid its 14 Florida lobbyists $1.63 million between 2006 and 2018, while Keefe paid 12 lobbyists $1.67 million over the same time period. In Michigan, from 2012 to 2018, a period that overlapped with Trinity’s management of the state’s correctional food service contract, the company paid 18 different lobbyists. Other states where Keefe and Trinity hired lobbyists include Georgia, Maryland, Idaho, New Jersey, Texas, Virginia, and Arizona. At the national level, Keefe paid a lobbyist $560,000 between 2015 to 2017 to lobby on policies regarding the oversight of federal prison commissaries and Bureau of Prison procurement practices. TKC’s political influence at the state and federal level raises questions about whether its advocacy aims to increase its profits at the expense of communities of color and poverty that pay the cost of the company’s commissary products.

CONCLUSION

Poor provision of food for incarcerated individuals across the country can lead to a public health crisis. According to a 2017 report by the Centers for Disease Control and Prevention, incarcerated individuals are 6.4 times more likely to fall ill from spoiled or contaminated food than non-incarcerated individuals. Researchers also found that 6 percent of all confirmed outbreak-related cases of foodborne illness in the country took place in correctional institutions. This is significant because less than 1 percent of the country’s population is behind bars.

According to the Bureau of Justice Statistics, about 44 percent of the state and federal incarcerated population have experienced chronic health conditions, compared with 31 percent of non-incarcerated individuals. Common chronic illnesses among incarcerated individuals such as high blood pressure, diabetes and heart problems are associated with obesity which in turn is associated with highly processed, high-carb correctional food. Because incarcerated individuals disproportionately come from lower socioeconomic backgrounds, poor nutrition further exacerbates preexisting inequities.

Correctional facilities often cut corners on food in an effort to save money. But this may cost taxpayers more in the long run. According to a 2017 analysis by the Prison Policy Initiative, after staffing, health care is the public prison system’s largest expense, costing government agencies $12.3 billion a year. Outside prisons, there is evidence that improving diets can shrink health care spending. One study of food stamp recipients found that incentivizing purchases of produce while reducing soda consumption could save more than $4.3 billion in health care expenses over five years. Extrapolating from these numbers, similar consumption changes for America’s 2.3 million person incarcerated population could save taxpayers more than $500 million over the same time period.

These estimates do not account for the savings on correctional security. As shown in this report, poor quality food provided by HIG’s Trinity Services Group has led to protests and riots.
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Endnotes


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