



AMERICAN SECURITIES' BIG BET ON PRISON PHONE CALLS

AMERICAN SECURITIES' GTL, THE LARGEST CORRECTIONAL TELEPHONE AND COMMUNICATIONS PROVIDER, HAS FACED SCRUTINY FOR EXORBITANT PHONE AND VIDEO-CALLING RATES, FLAUNTING LEGAL PROTECTIONS, ALLEGEDLY BRIBING GOVERNMENT OFFICIALS, AND GROWING REGULATORY RISK.



QUESTIONS FOR AMERICAN SECURITIES' INVESTORS

How will American Securities mitigate the headline risk associated with GTL's exorbitant costs for phone, video and digital application technology? How will American Securities ensure that incarcerated individuals and their loved ones can afford to build important and healthy relationships to help reduce recidivism?

What is the total cost of any citations or fines American Securities' GTL has incurred in the past 5 years? How does American Securities aim to reduce these costs?

What policies has GTL implemented to prevent staff from paying government officials bribes or kickbacks?

How does American Securities plan to respond to Senator Elizabeth Warren and Representatives Alexandria Ocasio-Cortez and Mark Pocan's letters for additional information about its practices?

KEY POINTS

- American Securities' ownership of GTL – Private equity firm American Securities acquired the correctional industry's largest telecommunication provider, Global Tel Link (GTL) in 2011.
- Unfair burdens of communication - Staying in touch with incarcerated family members has a significant positive effect on enhancing rehabilitation and reducing recidivism. Yet, the true cost of incarceration is borne by communities who can least afford it. One in three families go into debt to pay for communication costs. Of the family members responsible for these costs, 87 percent are women from communities of color.
- High cost of staying in touch - After charging initial fees to set up telephone accounts, GTL charges \$5-\$10 to deposit money into the account. The Federal Communications Commission found that extras fees like these “can increase the cost of families staying in touch by phone with loved ones who are incarcerated by as much as 40%.”
- Growing regulatory risk - Correctional phone companies face growing regulatory efforts to reduce correctional phone and video charges. In September, Senator Elizabeth Warren and Representatives Alexandria Ocasio-Cortez and Mark Pocan sent letters to American Securities asking the private equity firm to provide information about its stake in correctional services, its revenue and if it had paid fees for violating federal or state laws.
- Flaunting legal protections – Between 2015 and 2018, GTL allegedly improperly recorded thousands of attorney-client privileged phone calls in Orange County, California. Similar failures to uphold legal protections emerged during that same period in Florida, as well.
- GTL fined for Mississippi bribery scheme - In January 2019, Mississippi's Attorney General Jim Hood announced that he had recovered over \$2.5 million from GTL, which was accused of channeling bribes and kickbacks to a Mississippi Department of Corrections commissioner (the alleged scheme occurred during American Securities' ownership of GTL).

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GTL – A GIANT WITHIN CORRECTIONAL TELECOMMUNICATIONS

Until the 1990s, incarcerated individuals could place and receive calls to their attorneys and loved ones at rates similar to individuals outside prison walls. But with the provision of correctional phone systems, which is now a \$1.2 billion industry, in-state phone calls can cost \$1 a minute.¹ The prison telecommunication industry is largely a duopoly, led by private equity-owned firms Global Tel Link (GTL) and Securus Technologies (Securus).²

GTL, owned by the New York City-based private equity firm American Securities since 2011,³ is the country's largest provider of correctional telephone systems, video-calling systems, financial and electronic equipment to incarcerated individuals. By GTL's own estimate, 1.8 million incarcerated individuals – nearly 80 percent of the US correctional population – use one or more of its services.⁴ Through private equity-driven mergers and acquisitions, GTL and its major competitor, Securus, dominate the correctional technology industry (see Figure 1).

Deep ties exist between American Securities and GTL. For instance, American Securities executives hold multiple board seats at GTL. American Securities Managing Director Michael Sand currently serves as Chairman of GTL's board.⁵ In addition, American Securities Senior Advisor Paul Rossetti and Vice President David Portnoy also serve on GTL's board.⁶

Moreover, GTL borrowed \$885 million in 2013 to fund dividends to American Securities and its investors, many of whom are public pension funds whose members include teachers, public-safety officers and state and local employees. This debt will be serviced by the proceeds from correctional tablet services, and phone and video calls between incarcerated individuals and their loved ones.⁷

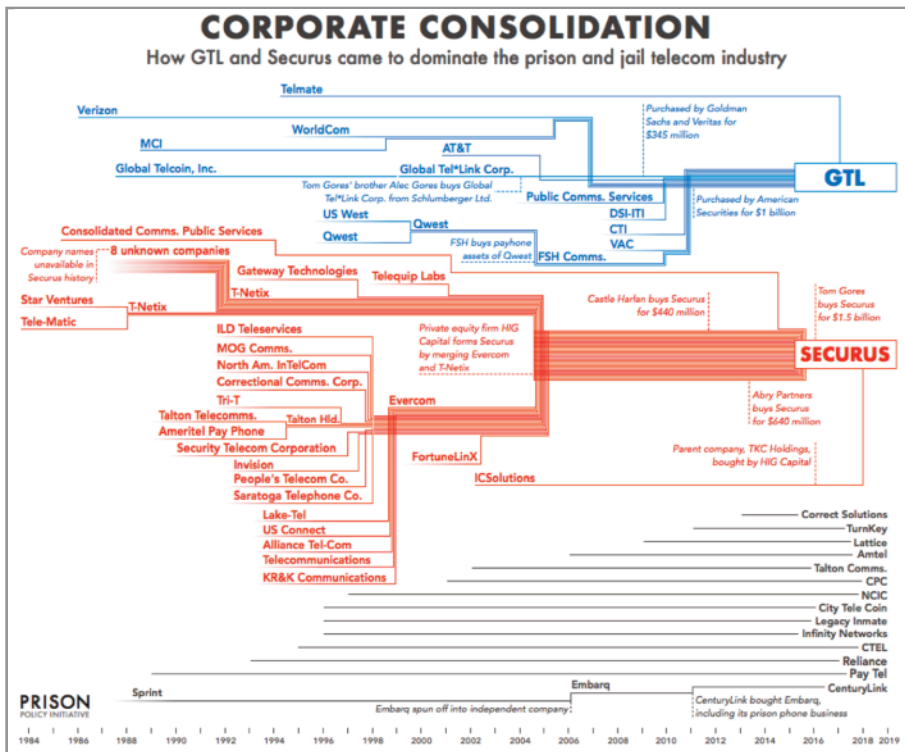


FIGURE 1:

This timeline of mergers in the prison/jail telephone space shows how GTL and Securus have, over time, gobbled up many of their competitors. Not shown are the respective sizes of each of the companies (GTL is the largest, followed by Securus), or that for some companies (like AT&T or Verizon) only the portion of their business that was prison and jail phones was transferred. Source: Peter Wagner and Alexi Jones, "State of Phone Justice," Prison Policy Initiative, February 2019, https://www.prisonpolicy.org/phones/state_of_phone_justice.html.

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American Securities' growing correctional footprint

GTL's, and thus American Securities' correctional footprint has grown as it has acquired competitors and unrelated businesses in order to control greater portions of the prison service market (see Figure 1). By acquiring non-telephone companies, GTL can offer the correctional facility unrelated services in a bundled contract. For instance, GTL bought payment company TouchPay in 2015 and video calling company Renovo in 2014.⁸

GTL'S HIGH RATES AND FEES RUN COUNTER TO EFFORTS TO REDUCE RECIDIVISM

The primary service GTL provides to millions of incarcerated people around the country is phone service. Research shows that being able to make affordable phone calls with an incarcerated loved one is directly associated with the safety and well-being of a community. Maintaining communication with loved ones reduces recidivism rates and increases the likelihood of a person's successful reentry into society.⁹ This is not a controversial position as it is endorsed by the U.S. Congress,¹⁰ the American Bar Association,¹¹ the American Correctional Association,¹² and the Federal Bureau of Prisons.¹³ Although many stakeholders and regulatory agencies consider speaking to one another to be a valuable lifeline for families and incarcerated people, companies like GTL have made it very difficult to maintain those connections by charging as much as \$17.35 for a 15 minute call.¹⁴

Excessive phone rates and fees (no matter how limited) weigh heavily on families who may have also lost the primary earner in their household. In 2016, United States Senator Cory Booker and Federal Communications Commission (FCC) Commissioner Mignon Clyburn wrote, "Many families report paying telephone providers \$400-500 a month, or over \$5,000 a year, just to stay in touch with their loved ones – double or triple the average American's monthly phone bill."¹⁵

Moreover, GTL's high phone call rates not only limit a person's ability to stay in touch with their loved ones, but also make it difficult for people to communicate with their attorneys. In a 2013 letter to the FCC, the Missouri State Public Defender System noted that the high costs for phone calls for people in jail "reduces our ability to communicate with our clients about their cases, diminishes the quality of representation we are able to provide, and thus risks denying clients their Sixth Amendment right to effective counsel."¹⁶ This access is especially important for people in jails, where many have not been convicted of any crime. Affordable phone calls are an important part of mounting a meaningful legal defense.

There are several reasons for these exorbitant phone prices. First, each correctional facility enters into an exclusive contract with a telephone company, providing that telephone company with a monopoly within the facility. Second, in most locations, the telephone company is contractually obligated to pay a large portion of the revenue collected from the phone calls back to the correctional facility, in a commission or a "kickback." Third, in order to collect revenue to offset the commissions paid, telephone companies add hefty fees that can double the price of the call. These fees can increase the amount charged to people with incarcerated loved ones to astronomical levels.¹⁷

Kickbacks – Distorting correctional interest alignment

GTL and its competitors like Securus compete on which company is willing to share the most revenue, through a commission or a "kickback," with the correctional facility



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"Easing the financial burden on these families is not only the compassionate thing to do, it's the smart thing to do. Multiple studies have shown that having meaningful contact beyond the prison walls can make a real difference in maintaining community ties, promoting rehabilitation, and reducing recidivism."

FCC Commissioner Mignon Clyburn

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that awards them a monopoly contract.¹⁸ In some cases, these commissions can be as high as 90 percent,¹⁹ but typically range between 20 and 63 percent.²⁰ In 2018, for instance, Connecticut's state incarcerated population paid \$13.2 million for phone calls, nearly 60 percent of which GTL's competitor, Securus, paid back to the state in commissions.²¹ These commission arrangements do little to encourage companies like GTL or Securus to reduce phone costs for families in need of economic opportunity. Studies report that nearly 40 percent of all crimes are directly attributable to poverty²² and 80 percent of incarcerated individuals are low-income.²³

The high costs of calls are borne by the very communities that can least afford them. According to a 2015 study by a coalition of groups, including the Ella Baker Center, 82 percent of survey respondents reported that families are responsible for phone and visit costs. Of these families, one in three goes into debt to pay for these costs. Of the family members responsible for these costs, 87 percent are women of color.²⁴

As of late 2018, correctional facilities served by GTL or its affiliate Telmate charged incarcerated individuals an average first minute rate of \$0.67, but in some cases, the rate exceeded \$4.²⁵ Table 1 shows a list of the most expensive in-state phone call rates in GTL-serviced jails.

Fee Harvesting

Although the commissions and call rate structure are important, the biggest source of revenue for companies like GTL are the fees that they charge families and incarcerated

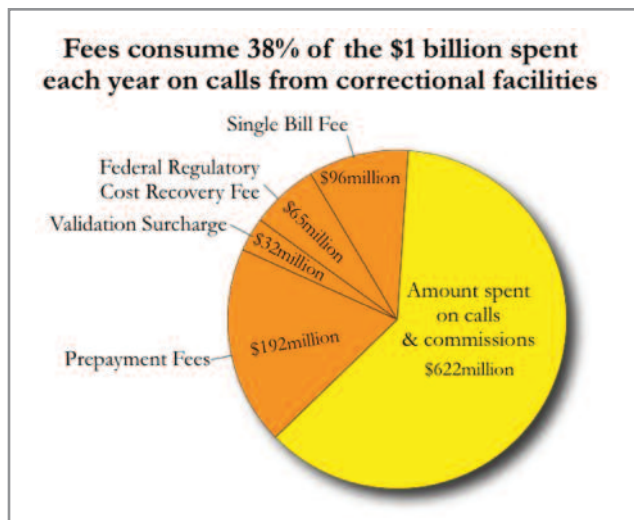


FIGURE 2: Considering the speed at which pre-paid accounts are overtaking collect calls, Prison Policy Institute (PPI) estimated that 90 percent of the market is now in pre-paid accounts. PPI then applied GTL's fee structure. Source: Drew Kukorowski, Peter Wagner, and Leah Sakala, "Please Deposit All of Your Money: Kickbacks, Rates and Hidden Fees in the Jail Phone Industry," Prison Policy Initiative, May 8, 2013, <https://www.prisonpolicy.org/phones/pleasedeposit.html>.

individuals (see Figure 2). Fees can equal or surpass the base cost of a phone call to an incarcerated person.²⁶ The FCC reported in 2015 that "Extra fees and charges can increase the cost of families staying in touch by phone with loved ones who are incarcerated by as much as 40%".²⁷

Additionally, fees have enabled phone companies to bypass FCC restrictions on the phone call rates charged.²⁸ For instance, after charging initial fees to set up telephone accounts, GTL charges \$5-\$10 to deposit money into the

TABLE 1: GTL'S MOST EXPENSIVE PHONE CALL RATES

STATE	FACILITY	FIRST MINUTE (IN-STATE)	ADDITIONAL MINUTES (IN-STATE)	15 MINUTE CALL 4
Washington	Thurston County Juvenile Facility	\$4.89	\$0.89	\$17.35
Michigan	Berrien County MI-Jail	\$1.10	\$1.10	\$16.50
Michigan	Lenawee County MI-Jail	\$1.09	\$1.09	\$16.35
Michigan	Hillsdale County MI-Jail	\$0.99	\$0.99	\$14.85
Virginia	Culpeper County VA-County Jail	\$4.64	\$0.69	\$14.30
Pennsylvania	Delaware County PA-Juvenile Detention	\$3.55	\$0.55	\$11.25
New York	Allegany County NY-County Jail	\$4.35	\$0.40	\$9.95
New York	Broome County Jail	\$4.35	\$0.40	\$9.95
New York	Cattaraugus County NY-County Jail	\$4.35	\$0.40	\$9.95
New York	Cayuga County NY-County Jail	\$4.35	\$0.40	\$9.95
New York	Chautauqua County NY-County Jail	\$4.35	\$0.40	\$9.95

Source: Prison Policy Initiative, "2018 Phone Rates Survey," 2018, https://www.prisonpolicy.org/phones/appendix_table_2.html.

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account (depending on whether money is deposited online, via telephone or Western Union).²⁹ When someone is released from a correctional facility, GTL profits by either seizing the balance remaining in a phone account or charging customers \$5 to recoup their own money.³⁰

In addition, companies like GTL could be incentivized to find revenue in inappropriately “dropping” calls because each call has both a per-call fee of approximately \$5 in addition to a per-minute fee. Each dropped call requires the caller to redial and pay GTL a new connection fee. Dropped calls are one of the leading complaints from family members of incarcerated people.³¹ Other less exploitative models do exist within the industry. For instance, NCIC, a smaller correctional phone company, credits all or part of a dropped call, which allows the incarcerated individual to make a subsequent call with the same funds.³²

More recently, the correctional facilities are figuring out ways to limit fee harvesting in order to leave often financially strapped families with funds to spend on commissionable phone calls or other fee-based services that split profits with the facility.³³

REGULATORY AND LEGISLATIVE RISK

States and municipalities legislate free correctional phone calls

In August 2018, New York City became the first city to pass a law to eliminate charges for prison phone calls. “Unfortunately, the city has been profiting from some of the poorest and most vulnerable New Yorkers for years,” Corey Johnson, the City Council speaker and sponsor of the bill, said in a statement. “Thankfully, that is now going to stop.”³⁴

Incarceration-rights groups say that free phone calls are fundamentally about fairness. Families are effectively required to pay fees to call incarcerated loved ones.³⁵ Research has shown that people in prison who maintain contact with their families and report positive relationships overall are less likely to be reincarcerated.³⁶

Following in New York City’s footsteps, in June 2019 San Francisco announced that it too will cease charging incarcerated individuals for phone calls.³⁷ Connecticut’s legislature held a hearing for House Bill Number 6714 in early 2019. If the legislation passes, Connecticut could become the first state in the country to make calls from prison free for incarcerated individuals and their families. Massachusetts is also considering efforts to eliminate phone costs.³⁸

In September 2019, Santa Clara County, California announced that it will offer seven free 15-minute phone calls a week to incarcerated individuals in its jails. During the last fiscal year, incarcerated individuals paid \$1.9 million in phone charges that went to GTL and Santa Clara County’s Inmate Welfare Fund.³⁹ In November 2018, Shelby County, Tennessee announced it would no longer charge juvenile detainees and their families for making phone calls.⁴⁰ Shortly thereafter, the Mecklenburg County Sheriff’s Office in North Carolina agreed to stop charging juveniles in county jails for making phone calls.⁴¹ GTL’s model of charging exorbitant fees and rates runs counter to this trend.

American Securities faces questions from US Senators and Representatives over GTL investment

More recently, US Senator Elizabeth Warren and Representatives Alexandria Ocasio-Cortez and Mark Pocan sent letters to American Securities asking them to provide information about their stake in correctional services, their revenue and if

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they had paid fees for violating federal or state laws. Their September 2019 letter stated, “Private equity-owned prison support services use their market power to make millions of dollars off those who are incarcerated, their families, and their communities -- often while providing subpar products and services.”⁴²

GTL'S DIGITAL SURVEILLANCE AND SALES

GTL has improperly recorded attorney-client phone calls

Aside from burdening families with at times exorbitant charges, GTL has also been responsible for compromising legal protections. Between 2015 to 2018, thousands of phone calls between incarcerated individuals and their lawyers were recorded and accessed by law enforcement in Orange County, California. Calls between an attorney and their incarcerated client are protected by attorney-client privilege and in California, it is a felony to listen to or record an incarcerated person's calls with an attorney. According to GTL, Orange County jail's phone provider, a total of 4,356 calls were recorded within the three-year time frame. And 227 of those recordings were accessed by the sheriff's department staff and GTL more than 300 times.⁴³

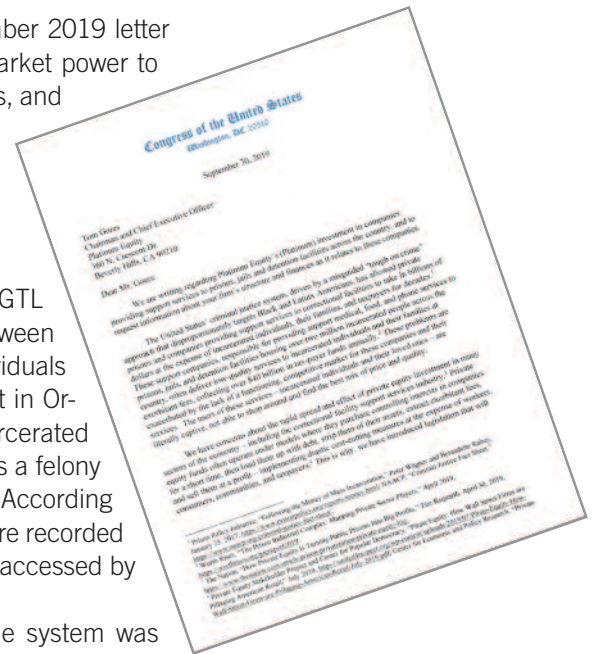
After the scandal broke in 2018, GTL explained that when the system was updated in 2015 from their LazerPhone platform to their ICMv platform, phone numbers from a “do not record” list were not properly uploaded. The Orange County sheriff's department has placed the blame for the unauthorized recordings on GTL and denied any wrongdoing. “The facts show that this is an error by GTL, an error that they are continually unable to fully disclose or explain,” then-Sheriff Sandra Hutchens said in a statement released in November 2018.⁴⁴

This is not the first time GTL has faced allegations of improperly recording attorney-client calls. In February 2015 – one month after the Orange County platform update – authorities in Charlotte County, Florida notified GTL that privileged calls had been recorded after the same LazerPhone to ICMv platform update. GTL's George McNitt, vice president of technical services and co-creator of ICMv, sent a letter to the Charlotte County sheriff's office explaining the improper transfer of numbers on the “do not record” list, resulting in 246 attorney-client calls being recorded. In a recent hearing, McNitt testified that the “do not record” list was also not properly uploaded in Pinellas County, Florida, after its update to the ICMv platform.⁴⁵

GTL's Orange County scandal has snowballed into additional concerns and contract terminations elsewhere. For instance, after recurring concern from civil rights groups and the Santa Clara County's Public Defender's Office about the Orange County scandal and similar concerns within its county jails, the Santa Clara County Board of Supervisors cancelled its contract with GTL and approved a new contract with Legacy Long Distance International.⁴⁶

GTL's digital sales – a new frontier

In addition to providing correctional telephone infrastructure, GTL and its competitor Securus have also begun to provide other digital technologies. For example, prison facilities contract with for-profit companies like GTL to provide incarcerated individuals with electronic tablets. Through these tablets, incarcerated individuals can file grievances, access a calendar, and review facility documentation. According to Brian Peters, GTL's vice president of facility product management, one-half to three-quarters of the services on GTL's tablets are free. The company generates



“Prison tablets are touted as bringing the outside world to incarcerated people, but all they seem to be doing is bringing a new, captive market to telecom giants.”

Wanda Bertram of the Prison Policy Initiative.

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revenue from offering “enhanced services” like music, movies, games, podcasts, and web browsers. Although pricing varies from correctional facility to facility, Peters said that tablet users are typically charged 3 to 5 cents per minute of connectivity. On average, incarcerated people assigned to work regular prison jobs earn \$0.14 to \$0.63 per hour.⁴⁸ Thus, 15-minutes of internet connectivity can cost \$0.45 to \$0.75, or 71 to 500 percent of an incarcerated person’s average hourly wage.

From 2016 to 2017, Illinois’ incarcerated population paid GTL over \$1.1 million for electronic messaging, music downloads, and MP3 players and accessories.⁴⁹ In Indiana, GTL charges 38 cents for an email, up to \$8 for 48-hour movie rentals, and \$25 for monthly music subscriptions. For non-incarcerated individuals, premium versions of Apple Music or Spotify cost \$10 a month, with access to millions more songs than what GTL’s platform offers. Ownership of this media can be precarious for incarcerated individuals. In 2018, Florida’s incarcerated population lost nearly \$11.3 million in music downloads when the state corrections department switched from one contractor to another.⁵⁰

In 2018, GTL’s tablets cost Pennsylvania’s incarcerated individuals \$147 plus tax upfront. GTL’s ebooks cost anywhere from \$3 to \$25 each to download. Incarcerated individuals are even charged for free books accessed via the online repository *Project Gutenberg*.

In West Virginia, GTL’s 2019 contract charges incarcerated individuals \$0.03 per minute to read otherwise freely available books on *Project Gutenberg*.⁵¹ A quick read of Orwell’s *1984* in a GTL-contracted facility in West Virginia would cost \$19.80, while a used paperback would cost the incarcerated individual less than a dollar. The West Virginia prison system receives a 5 percent kickback on revenues from digital expenses like \$0.25 per minute of videoconferencing or each instant message, \$0.50 for every photo or \$1 for every video sent to incarcerated individuals. And GTL’s contract allows it to raise prices at its sole discretion and to recoup any shortfalls from expected minimum profits by billing West Virginia’s state department of corrections.⁵²

In a *Newsweek* article, David Fathi, the director of the American Civil Liberties Union’s National Prison Project, said that limiting access to information and the outside world is “the most counterproductive thing you could possibly do from a public safety and crime prevention perspective.” Research over the past two decades indicate that higher education in prison programs reduces recidivism and translates into reductions in crime.⁵³

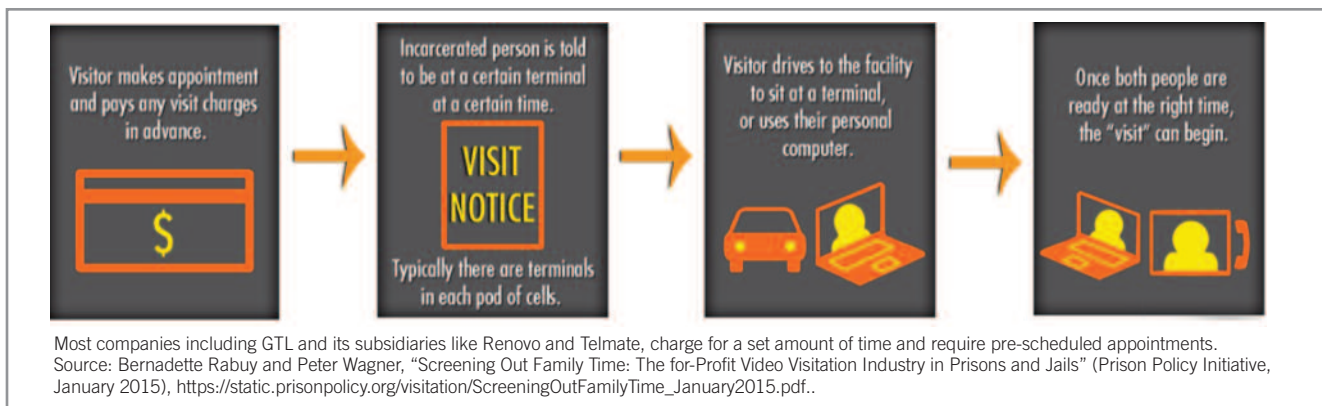
“Prison tablets are touted as bringing the outside world to incarcerated people, but all they seem to be doing is bringing a new, captive market to telecom giants,” said Wanda Bertram of the Prison Policy Initiative.⁵⁴ In fact, according to internal Securus documents obtained by the Prison Policy Initiative, companies are strategically investing in areas not currently regulated by the FCC, the Public Service Commission (PSC) or the Public Utility Commission (PUC).⁵⁵ Access to books and families helps maintain incarcerated people’s humanity—while also reducing recidivism rates. Technology could boost this effect—but GTL’s fees put it out of reach for many.⁵⁶

VIDEO CALLING AS A REVENUE OPPORTUNITY

Technological progress within correctional facilities has raised concerns and identified other revenue opportunities. While non-incarcerated individuals can use video technology for free services provided by Google, Zoom, or Skype, the adoption of video calling technology not only extracts money out of the incarcerated population and their families, but it can often result in the prohibition of in-person visits entirely.⁵⁷

According to the Prison Policy Initiative, video calling had been adopted in 600 to 700 jails as of mid 2019 and around 75 percent of the facilities eliminate in-person visitation after adopting video calling.⁵⁸ This runs counter the American Bar Association 2010 message to correctional

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officials to “develop and promote other forms of communication between prisoners and their families, including video calling, provided that such options are not a replacement for opportunities for in-person contact.”⁵⁹ Moreover, studies show that in-person visitation is a crucial factor in reducing recidivism. In a 2011 report, the Minnesota Department of Corrections found that incarcerated individuals who were visited in prison were 13 percent less likely to receive another felony conviction and 25 percent less likely to be re-incarcerated for violating their parole.⁶⁰

Video calling is not equivalent to in-person visits. There are several reports highlighting the poor technological quality and glitches (e.g., pixelated or frozen images, audio lags, and lack of eye contact) that fall far short in equating to the quality of interaction from an in-person visit. For instance, an incarcerated poet, Timothy TB shared how video calls fail to create the tactile connection that is so important for those who are incarcerated and their loved ones:

“The worst pain I’ve ever felt was looking at you, reach for me through a video screen and I couldn’t touch you; right then, I knew what it felt like to die, a living death”⁶¹



Mecklenburg County’s GTL video calling system. Source: Bruce Henderson and Ames Alexander, “Mecklenburg Jail Visits Are Now Solely by Video. Critics Say That Hurts Inmates, Families.” The Charlotte Observer, November 26, 2017, <https://www.charlotteobserver.com/news/local/article185816728.html>.

One of the key motivators driving the switch from in-person to video calling in correctional facilities is that while in-person or on-site video visits are usually free, the off-site video visits charge exorbitant rates. Like the correctional phone structure – which are often bundled within video services or commissary services – correctional facilities receive a percentage of video calling revenues through commissions or “kickbacks.” This not only increases the prices paid by an incarcerated individual or their family, but it also creates an incentive for correctional facilities to make the in-person visiting experience less attractive. A 2014 survey of contracts found GTL’s subsidiary Telmate’s video calling rates to vary from \$0.33 to \$0.66 a minute and commissions ranging from zero to 50 percent, with additional fees ranging from \$2.75 to \$13.78.⁶² Charging for visitation means that families who are often least able to afford this additional expense are burdened with the cost.

GTL IMPLICATED IN BRIBERY SCHEME IN MISSISSIPPI

GTL was implicated in what Mississippi Attorney General Jim Hood in 2017 called “one of the largest and longest-running criminal and civil conspiracies in Mississippi government history.”⁶³ According to a lawsuit by the Mississippi Attorney General, from 2011 to 2014, while under American Securities’ ownership, GTL allegedly “knowingly and intentionally conspired to devise schemes using overt acts such as bribery, kickbacks, unfair and deceptive trade practices, misrepresentations, fraud, concealment, money laundering, fraudulent use of “sole source” contracts when competitive bidding was required and other wrongful conduct, all with the intended purpose, and effect, of defrauding the State of at least \$6 [million].” GTL allegedly paid over \$300,000 to a consultant who funneled some of those funds to the then-Mississippi Department of Corrections (MDOC) commissioner to ensure that GTL maintained its contract with the MDOC.⁶⁴ Although GTL did

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not admit to any wrongdoing, it settled the case for \$2.5 million earlier this year.⁶⁵

GTL'S GROWING POLITICAL INFLUENCE

GTL has lobbied heavily in several states including Florida, California, New York, and Michigan. According to the *Follow the Money* database, GTL spent an average of \$90,000 a year between 2007 and 2010. Since American Securities' acquisition in 2011, GTL has spent an average of \$192,000 a year in state-level lobbying, totaling \$1.5 million (see Table 2), a two-fold annual increase.⁶⁶

In California, GTL has lobbied the California Department of Corrections and Rehabilitation and the state legislature regarding telecommunication services and managed access. This includes lobbying related to a 2013-2014 Assembly Bill 1876 which, if passed, would have eliminated commission fees and would have required the correctional facility to award a contract to the telecommunications company that provided the lowest telephone rate to users of the service.⁶⁷

**TABLE 2:
GTL'S STATE-LEVEL LOBBYING COSTS (2011-2018)**

STATE	TOTAL SPENDING
Florida	\$1,030,000
California	\$423,050
New York	\$64,648
Michigan	\$19,200
Grand Total	\$1,536,898

Source: *Follow the Money* database

GTL and Securus were the primary actors in reversing efforts to curtail the costs of correctional telephone calls at the federal level. In 2013 the FCC restricted interstate correctional calls to 21 cents a minute. In 2015, it extended the rate restrictions to apply to in-state calls, which constitute 92 percent of all calls made, and made them as low as 11 cents per minute. However, GTL and Securus soon sued the FCC and in 2017 the U.S. Court of Appeals for the D.C. Circuit struck down the 2015 restriction. Since that ruling and the transition of the FCC to a Republican control, there has been little movement on the issue nationally.

Instead of reducing communication costs, or remaining neutral within the political framework, GTL has actively engaged in influencing legislative and regulatory outcomes that further burden incarcerated people and their families.

INDUSTRY CONSOLIDATION IS A MAJOR DRIVER OF PREDATORY BEHAVIOR

With no significant market competition, experts argue that the near-duopoly within the correctional telephone industry drives the predatory behavior described above. In an April 2019 *Nation* article, Bianca Tylek from Worth Rises observed "without private equity shops, these companies could not have become as big and as exploitative as they are today."⁶⁸

Through private equity firms like American Securities, inmate technology providers have absorbed competitors and diversified, thereby limiting correctional facilities' choice of provider. GTL's strategy to acquire and develop non-telephone companies, such as video calling and digital tablet services, and offer geo-location and surveillance tools to law enforcement officials, allows providers to shift profits from one service to another, thereby hiding the true cost of each service for the correctional facility. Bundling services also makes it more difficult for the correctional facility to change providers in the future.⁶⁹ Furthermore, GTL's continued political engagement makes regulating such private prison service providers all-the-more challenging.

These exploitative practices directly and disproportionately impact vulnerable and marginalized communities across the country. Incarceration hurts familial relationships and stability by separating individuals from their support structures and impeding families from thriving. Family members who were not able to speak with or visit their incarcerated loved ones were more likely to report negative health impacts. The most frequent barrier identified to maintaining contact with incarcerated family members, by survey participants in the 2015 Ella Baker Center, Forward Together and Research Action Design report, is the cost of phone calls. And despite their often-limited resources, these financial and health impacts affect women of color and their families disproportionately more than others, deepening existing inequalities and societal divisions that have driven many individuals into the criminal justice system in the first place.⁷⁰

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Endnotes

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