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Profiting from Public Dollars: How ALEC and Its Members Promote Privatization of Government Services and Assets

The American Legislative Exchange Council has been a major force in pushing for the privatization of public services and assets. This organization, which boasts of having more than 2,000 members, brings together state lawmakers, corporations, and conservative think tanks in an effort to push an agenda of “free markets, limited government, federalism, and individual liberty.”¹ As ALEC succinctly laid out in its 2011 publication, *State Budget Reform Toolkit*, “policymakers should embrace privatization and the competitive contracting of government services...”²

This agenda directly benefits many of its corporate members, who hope to increase their revenues and profits by dismantling public services and taking over the work through lucrative government contracts. As numerous privatization efforts show, handing over control of public functions to corporate entities can have disastrous results. In the quest to increase corporate profits, the quality of public services suffers, public costs may increase, and the ability to provide meaningful oversight over our public structures is greatly compromised.

ALEC plays an important role of providing corporations with valuable and unfettered access to state legislators. At ALEC meetings, these groups work together to craft legislation that makes privatization easier, and, in many cases, requires a state government to privatize important public functions. ALEC works with its members to draft model bills that state legislators can introduce and push in their states. Many of these bills create incentives to privatize services and call for the increased use of private financing and control of public infrastructure projects. For example, ALEC bills make it easier to

¹ ALEC, <http://www.alec.org/membership/>

² ALEC, *State Budget Reform Toolkit*, 2011, page 32.

create virtual public schools, encourage states to privatize vital health programs that help vulnerable populations, force state governments to sell public prisons to prison corporations, and help other industries take control of public services. ALEC's influence on state law is undeniable. The organization estimates that each year close to 1,000 bills, based at least in part on ALEC model legislation, are introduced in states legislatures, of which about 20% become law.³

This report exposes ALEC's privatization agenda by:

- 1 Identifying ALEC model bills that promote the handing over of public services and assets to corporations,
- 2 Matching those model bills with related state legislation,
- 3 Drawing connections between those bills and lawmakers that are members of ALEC, and
- 4 Focusing on what ALEC corporate members⁴ stand to gain by promoting these laws.

In several cases, ALEC corporations have even secured contracts upon successful passage of model bills. We will highlight several examples.

³ Center for Media and Democracy, ALEC Exposed, http://alecexposed.org/wiki/What_is_ALEC%3F

⁴ In The Public Interest has listed companies in this report that have at one time been ALEC members and donors. However, since a complete list of corporate members and donors each year is not public information, we cannot know for sure the company's current status as ALEC members. It should be noted that a number of companies have left ALEC in the past several months due to pressure from advocates from around the country. However, ALEC is still advocating for laws that will benefit these companies and their industries.

How does ALEC work?

ALEC's membership is currently divided into eight task forces: Civil Justice; Commerce, Insurance, and Economic Development; Communications and Technology; Education; Energy, Environment, and Agriculture; Health and Human Services; International Relations; and Tax and Fiscal Policy. Until April 2012, ALEC's task forces also included the Public Safety and Elections Task Force (known as the Criminal Justice Task Force until 2009), but the group disbanded this task force amidst controversy surrounding its role in introducing and advocating for laws that promote voter suppression and the so-called Stand Your Ground law.⁵

Corporations pay thousands of dollars to become private sector members of ALEC's task forces. Legislators, on the other hand, only pay \$50 per year to become members of ALEC. Accordingly, only about \$100,000 of the organization's \$7 million budget comes from its public sector members.⁶ The rest of its funding is from corporate members and conservative think tanks and foundations (some of which are funded by the same corporations.) ALEC has more than 300 corporate members that pay between \$7,000 and \$25,000 (and may donate even more) to be a part of ALEC.⁷ These companies pay additional fees to sit on a task force and vote on model legislation. This money helps fund ALEC meetings and subsidize legislators' travel expenses.⁸

Large conservative foundations also fund ALEC, including the Claude R. Lambe Foundation and the Charles G. Koch Foundation. Both of these organizations are run by Charles Koch, Chairman of Koch Industries, Inc. Koch Industries is also the parent company of Koch Companies Public Sector, the relatively new lobbying arm of the company.⁹ ALEC has received significant funding from Koch companies and foundations.¹⁰ Charles Koch, his brother David Koch and their foundations have been long-time supporters of government privatization.¹¹ In 2009 alone, the foundations gave ALEC a total of \$200,000. They gave an additional undisclosed amount of money through Koch Industries to participate in ALEC meetings and vote on various task forces.

ALEC is more than just an organization that convenes meetings and develops model legislation. It is a major player in a long and steady movement toward private control of public structures. As the next section shows, ALEC and its corporate members have been peddling ideas and proposals to influential lawmakers that would be make it easier to privatize a wide array of government functions, increase corporate influence in important public policy decisions, and grow corporations' bottom line.

An in-depth look at ALEC's privatization agenda

In The Public Interest provides an in-depth look at ALEC's privatization agenda and shows how corporations are using ALEC to advance privatization initiatives that directly benefit them. We selected and analyzed notable ALEC model bills from a variety of industry sectors. Each section explores ALEC's privatization agenda in one of these sectors, and discusses relevant model bills and related state legislation. Then, we examine lawmaker and corporate connections to specific state legislation.

A full list of privatization-related bills can be found on the ALEC Exposed website at http://alecexposed.com/wiki/ALEC_%26_Privatization.

⁵ Brendan Fischer, Alternet, "Right-Wing ALEC Retreats on Most Controversial Issues," April 17, 2012. See: http://www.alternet.org/news/155036/right-wing_alec_retreats_on_most_controversial_issues/?page=entire

⁶ Common Cause, "Legislating Under the Influence." See: <http://www.commoncause.org/atf/cf/%7Bfb3c17e2-cdd1-4df6-92be-bd4429893665%7D/MONEYPOWERANDALEC.PDF>

⁷ Lisa Graves, PR Watch, "A CMD Special Report on ALEC's Funding and Spending," July 13, 2011. See: <http://www.prwatch.org/news/2011/07/10887/cmd-special-report-alecs-funding-and-spending>

⁸ Ibid.

⁹ Judith Davidoff, The Capital Times, "Koch brothers quietly open lobbying office in downtown Madison," February 23, 2011. See: http://host.madison.com/ct/news/local/govt-and-politics/article_7e8aa25a-3ec0-11e0-9923-001cc4c03286.html

¹⁰ Ibid.

¹¹ Eric Brunzell, Huffington Post, "Scott Walker is Trying to Sell Wisconsin," March 23, 2011. See: http://www.huffingtonpost.com/eric-brunzell/scott-walker-sell-wisconsin_b_839807.html

Corporatizing the Privatization Process

Council on Efficient State Government Act

Commerce, Insurance, and Economic Development Task Force

ALEC's hallmark privatization legislation, the Council on Efficient State Government Act, seeks to establish a centralized and independent council to make privatization recommendations to the state, and review the privatization process, business case, and cost analyses before a state agency moves forward with a privatization effort. Essentially this legislation allows for one group, comprised of seven members (six of which must be engaged in private enterprise) to serve as an advisory body for the state regarding privatization decisions. This bill promotes greater privatization of government services by making it easier for private companies to influence outcomes of privatization proposals and win lucrative government contracts.

The idea for this model bill came from the state of Florida. In 2004, Governor Jeb Bush signed an executive order that established a "center of excellence," known as the Center for Efficient Government (CEG), which was tasked with conducting a statewide evaluation of the state's privatization opportunities.¹² In 2006, the Florida legislature made the center permanent and renamed it the Council on Efficient Government.¹³ Florida's first council consisted of three private sectors members, including a representative from Coca-Cola Enterprises, a company that sells high volumes of soft drinks to public school districts each year. At that time, Coca-Cola was a member of ALEC's Commerce, Insurance, and Economic Task Force.¹⁴ According to ALEC, this new council helped produce a massive increase in privatization initiatives. In 2001, before the CEG was established, Florida state agencies reported a total of 16 privatization projects. In 2004, Florida reported 32 privatization projects. This figure jumped to 85 privatization projects in 2006, 46 in 2007, and 68 in 2008.¹⁵

On August 27, 2009, ALEC's Commerce, Insurance, and Economic Development Task Force approved The Council on Efficient Government Act. Since then, legislation that closely resembles the model bill has been introduced in state legislatures across the country, including in Arizona, Georgia, Illinois, Kansas, Maryland, Ohio, Oregon, Pennsylvania, South Carolina, and Virginia. While this bill has not had much luck becoming law, it is clear that ALEC legislative members are hard at work trying to pass this bill in their states. For example, both Kansas Representative Mike Burgess and Oregon Representative Gene Whisnant wrote articles encouraging privatization for the April 2011 edition of *Inside ALEC*, ALEC's monthly publication. Representative Burgess quoted liberally from *ALEC's State Budget Reform Toolkit* publication, and explained that the Kansas House Government Efficiency Committee used the publication to help formulate HB 2194, the bill he introduced that closely mimics the Council on Efficient Government Act.¹⁶ In the same publication, Representative Whisnant also discussed the legislation he introduced based on ALEC's *State Budget Reform Toolkit*, and specifically mentioned HB 3488, stating that "private-public partnerships is a key component for smart budget reform in Oregon."¹⁷ Representative Whisnant also serves as ALEC's Public Sector Chair for his state. Additionally, Virginia Delegate John Cosgrove, who introduced Virginia's version of the Council on Efficient Government bill in 2010¹⁸, served as a member of the Commerce, Insurance, and Economic Development Task Force during the time that he introduced the ALEC-influenced bill.¹⁹

Because this model bill is so far-reaching and encourages states to privatize a broad array of services, many ALEC member corporations and their respective industries would directly benefit from the passage of this model bill in states. Corporations with ties to ALEC as diverse as Northrop Grumman, IBM, Maximus, and

¹² ALEC, *State Budget Reform Toolkit*, 2011, page 32.

¹³ See: <http://dlis.dos.state.fl.us/barm/rediscovery/default.asp?IDCFile=/fsa/DETAILSS.IDC,SPECIFIC=665461,DATABASE=SERIES>,

¹⁴ SourceWatch, http://www.sourcewatch.org/index.php?title=Coca-Cola_Company

¹⁵ ALEC, *State Budget Reform Toolkit*, 2011, page 32-33.

¹⁶ ALEC, *Inside ALEC*, April 2011, page 17.

¹⁷ ALEC, *Inside ALEC*, April 2011, page 4.

¹⁸ Virginia HB 1331, 2010 Session, <http://lis.virginia.gov/cgi-bin/legp604.exe?ses=101&typ=bil&val=hb1331>

¹⁹ SourceWatch, http://www.sourcewatch.org/index.php?title=Commerce,_Insurance_and_Economic_Development_Task_Force

McKinsey are all companies that do a sizable amount of contracting with state governments. They would directly benefit from increased contracting in states. Since this bill also requires a certain number of members of the Council to be from private enterprise, it gives corporations the opportunity to significantly influence a state's contracting policy and practices. This bill gives corporations greater influence with state decision-makers to increase their share of state government contracts, and also help dictate the rules of the contracting process and terms of those contracts.

Model Bill	Related State Bills	Status	Similarities and Notes
Council on Efficient State Government	Florida, SB 2518 (2006)	Passed	<i>All these bills contain similar language as the ALEC model bill, and in many cases are copies of the ALEC model bill.</i>
	Arizona, SB 1466 (2009)	Did not pass	
	Georgia, HB 1134 (2010)	Did not pass	
	Illinois, HB 4161 (2009)	Did not pass	
	Illinois, HB 1057 (2011)	Did not pass	
	Kansas, HB 2403 (2010)	Did not pass	
	Kansas, HB 2194 (2011)	Replaced by Comm. Sub.	
	Maryland, HB 451 (2011)	Did not pass	
	Ohio, HB 436 (2010)	Did not pass	
	Oregon, HB 3484 (introduced) (2011)	Did not pass	
	Pennsylvania, HB 250 (2011)	Did not pass	
	South Carolina, SB 984 (2009)	Did not pass	
	South Carolina, SB 177 (2012)	Did not pass	
	Virginia, HB 1331 (2010)	Did not pass	

Growing Online Learning

Virtual Public School Act, Education Task Force

At a Glance: Corporate Gains

Companies that have participated in ALEC: K12 Inc. and Connections Academy

What goods/services they provide: Online education courses for K-12 students

Objective: Increase the number of public school students enrolled in online courses

Industry Overview: In the 2010-2011 school year, 250,000 students were enrolled full-time in virtual schools. These companies seek to increase their market share by enrolling many more of the 52 million U.S. public school students. Estimates predict that the K-12 online learning market will grow by 43% between 2010 and 2015, with revenues expected to reach \$24.4 billion.²⁰

The Virtual Public School Act encourages a state to contract with companies to provide virtual educational services to students. These "virtual" or online schools must be recognized as public schools and given the same resources and funding as other public schools in that state. This bill was approved by the ALEC Education Task Force in December 2004, and became a model bill in January 2005, when it was given final approval by ALEC's Board of Directors.

This model bill has been introduced in a number of states, including Mississippi, Maine, Tennessee, Massachusetts, Virginia, and Texas. In all of the states, with the exception of Massachusetts, this bill became law, paving the way for corporations to offer virtual online classes to public school students. In many of these states, legislators that sponsored this legislation were members of ALEC. For example, in

²⁰ Lee Fang, The Nation, "How Online Learning Companies Bought America's Schools," November 16, 2011. See: <http://www.thenation.com/article/164651/how-online-learning-companies-bought-americas-schools?page=full>

Texas, SB 1788 was supported by the Public Education Committee Chairs, Senator Florence Shapiro and Representative Rob Eissler.²¹ Both are members of ALEC's Education Task Force.²² In Maine, Senator Brian Langley, Chair of the Senate's Education and Cultural Affairs Committee and member of ALEC's Education Committee, was a co-sponsor of the virtual public school legislation.²³ Senator Rosen, also a member of ALEC, co-sponsored the bill.²⁴ In Tennessee, Representative Harry Brooks, the prime sponsor of HB 1030, is on ALEC's Education Task Force. His co-sponsor, Representative Debra Maggart is also a member of ALEC.²⁵ Tennessee State Senator Dolores Gresham, another Education Task Force member, introduced the bill in the Senate at the same time.²⁶

This legislation represents an enormous opportunity for virtual school companies. The K-12 online learning industry is profitable – estimates predict that this market will grow by 43% between 2010 and 2015, with revenues expected to reach \$24.4 billion.²⁷ Corporate involvement in developing this model bill is obvious. Two of ALEC's Education Task Force chairs have been representatives from the two largest companies in the virtual school industry, K12 Inc. and Connections Academy.²⁸

These companies have strong operations in the states that have passed the model legislation. K12 Inc. runs virtual public schools in Tennessee, Texas, and Virginia.²⁹ After the passage of Tennessee's virtual public school bill, K12 Inc. won a no-bid contract from Union County School District to create the Tennessee Virtual Academy. The contract required the state to pay the company \$5,300 per student for the 2011-12 school year.³⁰ Connections Academy exclusively runs the virtual public school network in Mississippi, and runs a program with the Houston Independent School District in Texas.³¹ Both companies contract with states and school districts to provide virtual public school services in a number of other states too.

Virtual school companies siphon scarce public dollars from regular public schools. In 2011, K12 Inc. pocketed \$215 million in profits while spending less on special education instruction and teacher salaries.³² Even with these large profit margins, virtual public schools are not performing at satisfactory levels. Only 27% full-time virtual schools meet minimum state standards,³³ making virtual schools a poor choice for taxpayer dollars.

²¹ Progress Texas, "Invisible School, Invisible Success – How ALEC Promotes Virtual School Profits Over State Standards & Student Success," May 2012. See : <http://www.scribd.com/doc/94436041/Invisible-Schools-Invisible-Success>

²² Ibid.

²³ SourceWatch, http://www.sourcewatch.org/index.php?title=ALEC_Politicians

²⁴ Ibid.

²⁵ Ibid.

²⁶ Julie Underwood and Julie F. Mead, "Education Week, "A Smart ALEC Threatens Public Education," February 29, 2012. See: http://www.edweek.org/ew/articles/2012/03/01/kappan_underwood.html

²⁷ Lee Fang, The Nation, "How Online Learning Companies Bought America's Schools," November 16, 2011. See: <http://www.thenation.com/article/164651/how-online-learning-companies-bought-americas-schools?page=full>

²⁸ Progress Texas, "Invisible School, Invisible Success – How ALEC Promotes Virtual School Profits Over State Standards & Student Success," May 2012. See : <http://www.scribd.com/doc/94436041/Invisible-Schools-Invisible-Success>

²⁹ K12, <http://www.k12.com/schools-programs/online-public-schools>

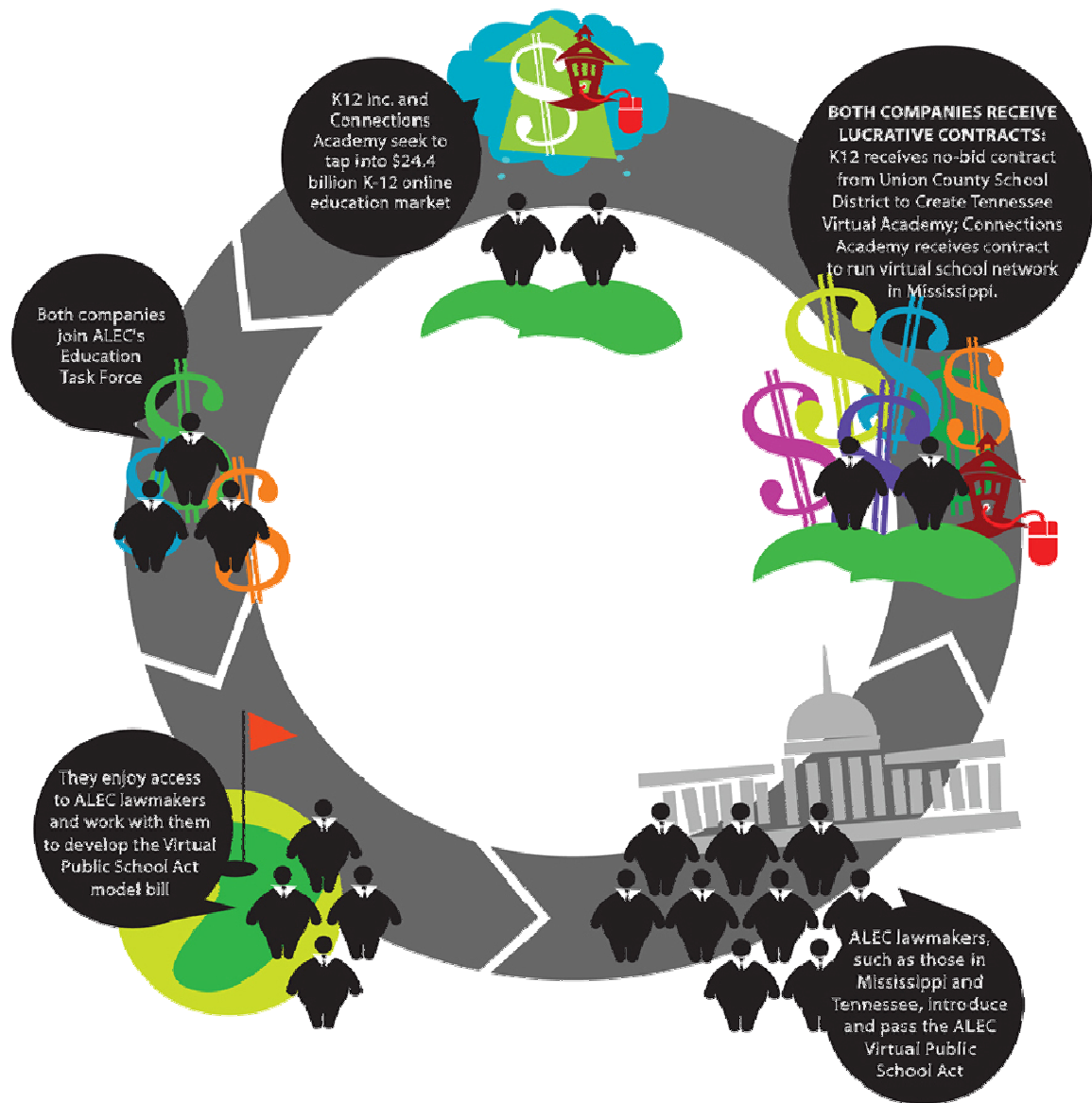
³⁰ Julie Underwood and Julie F. Mead, "Education Week, "A Smart ALEC Threatens Public Education," February 29, 2012. See: http://www.edweek.org/ew/articles/2012/03/01/kappan_underwood.html

³¹ Connections Academy, <http://www.connectionsacademy.com/our-schools/availability.aspx>

³² Brave New Foundation, "Which CEO made \$5 million stealing your kid's lunch money?" See video at: <http://www.youtube.com/watch?v=sFTNQ1PAMiY&feature=youtu.be>

³³ Brave New Foundation, "Which CEO made \$5 million stealing your kid's lunch money?" See video at: <http://www.youtube.com/watch?v=sFTNQ1PAMiY&feature=youtu.be>

How Online Education Companies Use ALEC to Profit from Public Education Dollars



Model Bill	Related State Bills	Status	Similarities and Notes
<u>Virtual Public School Act</u>	Maine, LD 1553 (2011)	Passed	Maine LD 1553 also contains a section allowing for virtual public charter schools and borrows language from this ALEC model bill.
	Massachusetts, HB 1960 (2011)	Did not pass	Massachusetts bill does not use exact model bill language, but establishes the use of virtual public schools in innovation schools (see ALEC innovation school model bill).
	Mississippi, SB 2602 (2006)	Passed	Mississippi's omnibus education reform bill contains Section 10 which establishes a virtual public school program using many of the exact provisions of the model bill.
	Tennessee, HB 1030/SB 874 (2011)	Passed	Tennessee bill is almost an exact copy of ALEC model bill.
	Texas, SB 1788 (2007)	Passed	Texas bill does not use exact model bill language, but establishes use of virtual public schools, using similar provisions as the model bill.
	Virginia, HB 1388 , (2010)	Passed	Virginia bill does not use exact model bill language, but establishes use of virtual public schools, using similar provisions as the model bill.

Corporations in Our Schools

School services are big business. Contracting out educational support services such as school transportation, food service, and custodial and maintenance services can equate to significant profits for private companies. In 2011, the North American school transportation market was estimated at \$24 billion.³⁴ The K-12 food service industry is not far behind, estimated to be worth \$22 billion.³⁵ ALEC has approved several model bills that help private corporations increase their share of the lucrative school services market by encouraging school districts to consider privatization.

³⁴ PR Newswire, "NASDAQ Turns School Bus Yellow for Student Transportation Inc. U.S. Stock Market Debut," September 6, 2011. See: <http://www.prnewswire.com/news-releases/nasdaq-turns-school-bus-yellow-for-student-transportation-inc-us-stock-market-debut-129302788.html>

³⁵ See: <http://www.packagedfacts.com/Education-Foodservice-Elementary-2848310/>

Pupil Transportation Cost-Effectiveness Act, Education Task Force

At a Glance: Corporate Gains

Companies that have participated in ALEC: *Laidlaw Transit (now owned by First Student)*

What goods/services they provide: *Student transportation services*

Objective: *Increase the number of public school districts that contract with private bus companies to provide student transportation.*

Industry Overview: *School buses carry 26 million students to and from school each day.³⁶ Of the 450,000 school buses that operate each day in the U.S., about 40% are run by private companies. In 2011, the North American school transportation market was estimated at \$24 billion.³⁷*

The Pupil Transportation Cost-Effectiveness Act encourages the privatization of school district transportation services by opening up school bus service to bidding by private companies. This bill was approved by ALEC's Education Task Force in 1995. In 1997, an exact replica of this bill was introduced as SB 100 in South Carolina by Senator Mike Rose, a member of ALEC. Interestingly, 15 years later, Senator Rose is still using ALEC model bills as the basis of his legislative agenda. In April 2012, the media reported that a recent bill he introduced was an ALEC bill. During a legislative hearing, he publically stated, "What I would like to do over the break is to do the research now with ALEC..." in response to questions about the proposal bill.³⁸ This incident provided a rare public glimpse into how ALEC interacts with lawmakers to get model bills passed.

In 2012, legislators in South Carolina tried again to pass comprehensive legislation that would privatize school transportation services. While it is much broader than the ALEC model bill, proponents of the bill have strong ties to ALEC. Governor Nikki Haley was a vocal champion of the bill,³⁹ and is an ALEC alumna.⁴⁰ Of the state representatives who introduced the bill, four have been members of ALEC, including Representatives Alan Clemmons (a member of the Insurance, Commerce, and Economic Development Task Force), Gary Smith, Bruce Bannister, and Liston Barfield (who serves as the ALEC state chairman). Fortunately, this bill did not pass.

Model Bill	Related State Bills	Status	Similarities and Notes
<u>Pupil Transportation Cost-Effectiveness Act</u>	South Carolina, SB 100 (1997)	Did not pass	<i>South Carolina SB 100 is an exact replica of the ALEC model bill.</i>
	South Carolina, H 4610 (2012)	Did not pass	<i>It is worth mentioning that in 2011, legislators in South Carolina again tried passing a wide sweeping school transportation privatization bill. Although this bill does not contain language from the original ALEC model, the scope and intent of the bill is very similar.</i>

³⁶ American School Bus Council, <http://www.americanschoolbuscouncil.org/issues/environmental-benefits>

³⁷ PR Newswire, "NASDAQ Turns School Bus Yellow for Student Transportation Inc. U.S. Stock Market Debut," September 6, 2011. See: <http://www.prnewswire.com/news-releases/nasdaq-turns-school-bus-yellow-for-student-transportation-inc-us-stock-market-debut-129302788.html>

³⁸ Robert Behre and Stephen Largent, The Post and Courier, "American Legislative Exchange Council has a hand in S.C. politics," April 23, 2012. See: <http://www.postandcourier.com/article/20120423/PC16/120429720/1165>

³⁹ Ryan Gray, School Transportation News, "South Carolina Bill Seeks to Strip State DOE of School Buses," January 23, 2012. See: <http://www.stnonline.com/home/latest-news/4050-south-carolina-bill-seeks-to-strip-state-doe-of-school-buses>

⁴⁰ SourceWatch, http://www.sourcewatch.org/index.php?title=Talk:ALEC_Politicians

School Board Freedom to Contract Act, Education Task Force

At a Glance: Corporate Gains

Companies that have participated in ALEC: Dell, Inc.

What goods/services they provide: Computers, hardware, technological assessment services, data management, and IT planning services.

Objective: Increase sales of computers and related hardware to school districts, increase number of school districts that contract out technological services, such as data management and IT planning services.

Industry Overview: There are almost 99,000 public schools in the US.⁴¹ Analysts estimate that technology in K-12 public schools represent an enormous business opportunity. The K-12 market for computers and other hardware is around \$6.6 billion and data management is \$500 million.⁴²

Companies that have participated in ALEC: Coca-Cola, Pepsi, Frito-Lay

What goods/services they provide: Soft drinks, snacks

Objective: Increase the number of vending machines that sell snacks and soda in public schools district and increase the volume of snacks and soda sold through traditional lunch service.

Industry Overview: There are almost 99,000 public schools in the US. Almost all these schools have capacity for vending machines and the sale of sodas and snacks. It is estimated that 43% of elementary schools, 74% of middle schools, and 98% of high schools currently have vending machines that sell sugary sodas and unhealthy snacks.⁴³

The School Board Freedom to Contract Act encourages school districts to contract out school support services, such as food service, custodial, facilities maintenance, transportation, and technological services. This bill was approved by ALEC's Education Task Force in 1999.

In 2001, a version of the model bill, referred to as the "Local Board of Education Freedom to Contract Act," was introduced in Georgia. Of the four representatives that introduced the legislation, two were members of ALEC, Representative Tom Graves, who is now a U.S. Congressman from Georgia, and Representative Tom Rice. This bill did not pass at the time, but in 2010, the 11-year old model bill was still being used by legislators. Louisiana State Representative Joe Harrison introduced HB 1049, which was an exact replica of the ALEC model bill.⁴⁴ Representative Harrison is a member of ALEC's Education Task Force⁴⁵ and is currently on ALEC's Board of Directors.⁴⁶

Model Bill	Related State Bills	Status	Similarities and Notes
<u>School Board Freedom of Contract Act</u>	Georgia, HB 940 (2001)	Did not pass	<i>Georgia HB 940 is called the "School Board Freedom to Contract Act" and draws on ideas and language from the ALEC model bill.</i>
	Louisiana, HB 1049 (2010)	Did not pass	<i>Louisiana HB 1049 is an exact replica of the ALEC model bill.</i>

⁴¹ US Census Bureau, "Back to School: 2010-2011," June 15, 2010. See: http://www.census.gov/newsroom/releases/pdf/cb10ff-14_school.pdf

⁴² Think Equity Partners LLC, "New Rules, New Schools, New Market," Industry Outlook 2005. See: <http://www.educationindustry.org/assets/thinkequity-k12-report.pdf>

⁴³ Eliza Martinez, Livestrong, "Healthy School Vending Machines, August 11, 2011. See: "<http://www.livestrong.com/article/373921-healthy-school-vending-machines/>

⁴⁴ Louisiana House Bill 1049, 2010 Regular Session, <http://www.legis.state.la.us/billdata/streamdocument.asp?did=689734>

⁴⁵ SourceWatch, http://www.sourcewatch.org/index.php?title=Education_Task_Force

⁴⁶ ALEC, <http://www.alec.org/about-alec/board-of-directors/>, Accessed July 20, 2012

Both these model bills greatly benefit companies that provide school services by opening the door for increased contracting by school districts. For example, Laidlaw Transit (now owned by First Student), a company that provided student transportation services, was a member of ALEC around the time that ALEC members approved these model bills.⁴⁷ Laidlaw Transit's business model primarily relied on school districts contracting out bus services. These bills would create new opportunities for the company to increase the number of school districts that contract out services, such as school transportation, thereby increasing revenues.

Other ALEC member companies, such as Dell, Inc., a former ALEC Education Task Force member, would benefit from increased contracting of technological services in schools. Dell not only markets computers and other hardware to school districts, but also offers technological assessment services,⁴⁸ data management, and IT planning services.⁴⁹ Many of the services the company offers would replace district technology staff. By supporting legislation that specifically calls for the privatization of technology services, IT companies, such as Dell, can increase their presence and share in the K-12 market.

Food and beverage companies that have been members of ALEC, such as Coca-Cola, Pepsi, and Frito-Lay,⁵⁰ may find it easier to secure vending contracts. These food and beverage companies may have existing relationships with large food service contractors that have the ability to contract for vending services on behalf of the district, or sell sodas and snack products to students in a traditional food service setting. A variety of corporations have a great interest in gaining access to public education dollars. Both these model bills seek to accomplish that goal.

Controlling Vital Infrastructure

ALEC has been promoting infrastructure privatization and "public private partnerships," or "P3s" for at least 15 years.⁵¹

The Establishing a Public-Private Partnership (P3) Authority Act,

Commerce, Insurance, and Economic Development Task Force

At a Glance: Corporate Gains

Companies that have participated in ALEC: *Macquarie, Cintra, Transurban*

What goods/services they provide: *Construction and development services; financing, raising capital, and investment in infrastructure projects*

Objective: *Create opportunities for private investment and financing in public infrastructure*

Industry Overview: *Experts estimate that major public infrastructure privatization projects could be worth over \$100 billion over the next few years.*⁵²

The Commerce, Insurance, and Economic Development Task Force is now the main hub of ALEC's activities on infrastructure privatization. At the August 5, 2011 Task Force meeting, it introduced and approved the Establishing a Public-Private Partnership (P3) Authority Act.⁵³ This bill promotes a looser legal and regulatory framework for public-private partnerships by establishing a centralized state authority to identify and establish P3 projects, and approve qualified bidders, requests for proposals, and template contracts.⁵⁴ Interestingly, this model bill contains many provisions that use similar language as Puerto

⁴⁷ SourceWatch, http://www.sourcewatch.org/index.php?title=ALEC_Corporations

⁴⁸ See: <http://content.dell.com/us/en/k-12/d/k12/k12-itsa-customers-testimonials>

⁴⁹ See: <http://content.dell.com/us/en/k-12/k-12-solutions-featured-solutions>

⁵⁰ SourceWatch, http://www.sourcewatch.org/index.php?title=ALEC_Corporations

⁵¹ ALEC, 24th Annual Meeting materials, See: <http://legacy.library.ucsf.edu/documentStore/q/c/o/qco57b00/Sqco57b00.pdf>

⁵² Figure derived from <http://online.wsj.com/article/SB10001424052748703960004575427150960867176.html> and "Market Status Report," Public Works Financing, June 2012.

⁵³ Center for Media and Democracy, ALEC Exposed, http://www.alecexposed.org/w/images/0/00/Establishing_a_Public_Private_Partnership_%28P3%29_Authority_Act.pdf

⁵⁴ Ibid.

Rico's [Public Act 29](#). In ALEC's May 2011 issue of *Inside ALEC*, Macquarie USA's Geoff Segal teamed up with Patrick Rohde of Cintra USA, both corporate members on the Insurance, Commerce, and Economic Development Task Force, to write an article that highlighted Puerto Rico's new P3 law as a shining example of a well-designed P3 authority.⁵⁵ After Puerto Rico's public private partnership authority was established in 2009, it hired Macquarie to advise them in developing their infrastructure privatization program.⁵⁶

Model Bill	Related State Bills	Status	Similarities and Notes
Establishing a Public-Private Partnership (P3) Authority Act	Puerto Rico, Public Act 29 (formerly SB 469)	Passed	<i>Did not become ALEC model until 2011, so we should expect this bill to be introduced in future legislative sessions.</i> <i>Puerto Rico bill could be model for ALEC bill</i>

Since the ALEC model bill was approved in 2011, we can expect it will be introduced in upcoming 2013 state legislative sessions. ALEC brags that “many of the public sector members serve in leadership positions or are heavily-involved on” infrastructure committees in their legislatures.⁵⁷ There is also ample evidence that ALEC corporate members are currently pushing an active infrastructure privatization agenda, and have much to gain by doing so. The private sector members described below have used ALEC to promote laws that remove traditional oversight of public-private partnerships. If laws like the Establishing a Public-Private Partnership Act are passed in states, these corporations will have greater input into determining which infrastructure projects should be completed with a P3 delivery model, and have increased opportunity to win these contracts.

Macquarie

Macquarie serves as the private sector chair for the Transportation and Infrastructure Subcommittee, which is part of the Insurance, Commerce, and Economic Development Task Force.⁵⁸ Geoff Segal exemplifies the close connection between corporations with a vested interest in infrastructure privatization and the think tanks that are promoting it. Segal, now a representative of Macquarie, previously served as the Director of Privatization for the Reason Foundation. Segal has also served on the P3s Study Committee of the National Conference of State Legislatures, and as a commissioner on Virginia Governor Bob McDonnell's Commission on Government Reform and Restructuring.

Cintra

Cintra USA is also a private sector member of the ALEC Insurance, Commerce and Economic Development Task Force, where it has been represented by Patrick Rohde, its vice president of corporate affairs.⁵⁹ He presented at an August 2011 meeting of ALEC's Transportation and Infrastructure Subcommittee, where he discussed Cintra's current infrastructure privatization projects.⁶⁰

Macquarie USA and Cintra USA wrote an article for the May 2011 issue of *Inside ALEC*, used the example of Denver FasTracks, a transportation infrastructure project that Macquarie won. They touted this example as a model for the kind of privatization deal that could be created by the passage of legislation that would

⁵⁵ ALEC, *Inside ALEC*, May 2011, http://www.alec.org/wp-content/uploads/InsideALEC_May2011.pdf

⁵⁶ Peter Samuel, “Macquarie hired to advise Puerto Rico P3 agency - are they barred from bidding?” September 25, 2009. See: <http://www.tollroadsnews.com/node/4373>

⁵⁷ Common Cause, http://www.commoncause.org/atf/cf/%7BFB3C17E2-CDD1-4DF6-92BE-BD4429893665%7D/35_day_mailing_cied_stfs2012.pdf, page 2.

⁵⁸ ALEC, *Inside ALEC*, January 2012, http://www.alec.org/docs/Jan2012_InsideALEC

⁵⁹ Common Cause, http://www.commoncause.org/atf/cf/%7BFB3C17E2-CDD1-4DF6-92BE-BD4429893665%7D/cied_35-day_mailing_2011_annual_meeting%20New%20Orleans.pdf

⁶⁰ Common Cause, http://www.commoncause.org/atf/cf/%7BFB3C17E2-CDD1-4DF6-92BE-BD4429893665%7D/cied_snps11%20AZ%20_35-day_mailing.pdf

“insulate” these projects from “the political process,” and turn over the task of determining what was an inherently governmental function to an “independent” body that would “oversee procurement.” This type of law would have the effect of allowing an industry-friendly body to oversee the procurement process rather than a state or local procurement body that might enforce environmental or other governmental standards.⁶¹ These provisions are key components of the Establishing a Public-Private Partnership Authority Act.

Transurban

Transurban, another major player in the privatization of public highways and transportation infrastructure, is also a member of the Task Force, and supports ALEC by advertising in *Inside ALEC*.⁶² Reflecting its commitment to ALEC, Transurban sent four representatives to ALEC’s 2011 annual meeting.⁶³

In a filing with the Australian stock exchange last year, Transurban refers to ALEC, which has been widely criticized for promoting anti-environmental legislation across the U.S., as a “sustainability-related initiative.”⁶⁴ In 2011, Transurban threatened to walk away from a deal to privatize part of the Beltway in Washington, DC, if local governments insisted on an environmental review.⁶⁵

On the federal level, Cintra, Macquarie and Transurban are promoting federal highway legislation that weakens environmental protections, increases tolling to create income streams to support privatized roads, and promotes the use of private capital for transportation infrastructure. This objective is included in the “model bill,” [ALEC’s Recommendation for 2009 Transportation Reauthorization](#), which was approved by ALEC in 2009. It calls for “the federal government [to] allow states to build and complete their transportation systems without unnecessary restrictions, including allowing the testing of use of tolling under the Interstate tolling pilot program and appropriate use of PPPs as long as states adequately address all important effects of their transportation policies and approach on the national network and interstate commerce.”

If laws like the Establishing a Public-Private Partnership Act are passed in states, these corporations will have greater input into determining which infrastructure projects should be completed with a P3 delivery model, and have increased opportunity to win these contracts.

⁶¹ ALEC, *Inside ALEC*, May 2011, http://www.alec.org/wp-content/uploads/InsideALEC_May2011.pdf

⁶² ALEC, *Inside ALEC*, January 2011, http://www.alec.org/wp-content/uploads/insidealec_january2011_reduced.pdf, page 27.

⁶³ Common Cause, http://www.commoncause.org/atf/cf/%7BFB3C17E2-CDD1-4DF6-92BE-BD4429893665%7D/cied_35-day_mailing_2011_annual_meeting%20New%20Orleans.pdf

⁶⁴ Transurban, “Transurban Sustainability Report 2011,” October 25, 2011. See: <http://www.transurban.com/1036650.pdf>, page 34.

⁶⁵ Dylan Ratigan, Huffington Post, “America for Sale: Is Goldman Sachs Buying Your City?,” June 15, 2011. See: http://www.huffingtonpost.com/dylan-ratigan/america-for-sale-is-goldm_b_877285.html

Reducing Access to Health and Human Services

The Access to Medicaid Act and The Patients First Medicaid Reform Act, Health and Human Service Task Force

At a Glance: Corporate Gains

Companies that have participated in ALEC: Amerigroup Corporation, Blue Cross and Blue Shield Association, Coventry Health Care, Humana Corporation, Medco Health Solutions, Inc., and United HealthCare

What goods/services they provide: Health insurance

Objective: Increase the number of Medicaid recipients enrolled in private health insurance plans; create a mechanism to market to new potential enrollees.

Industry Overview: Total Medicaid enrollment across the US in FY2009 totaled 62,594,979.⁶⁶ The Affordable Care Act would expand Medicaid to an estimated 16 million additional individuals.⁶⁷

Companies that have participated in ALEC: Abbott Laboratories, Amgen Inc., Bayer Corp., Bristol-Myers Squibb, Celgene Corporation, Eli Lilly and Company, EMD Serono, GlaxoSmithKline, and Pfizer Inc.,

What goods/services they provide: Pharmaceutical drugs

Objective: Increase access to and sales of drugs to Medicaid recipients.

Industry Overview: Over 3.7 billion retail prescription drugs were filled in 2010. This represents total sales of over \$220 billion.⁶⁸

The Access to Medicaid Act seeks to replace the Medicaid system with a voucher system, where participants receive a voucher to purchase insurance from for-profit corporations.⁶⁹ This model bill was approved by ALEC in 1995. Shortly after, at least two states introduced this legislation. West Virginia introduced a similar bill in 1994 (HB 4659) and in 1995 (HB 2087). At least one of the legislators that introduced the bill, Delegate Ron Walters, was a member of ALEC. The bill was also introduced in Pennsylvania in 1995 (HB 2). None of these bills passed.

At the July 1, 2010 ALEC meeting, the Health and Human Services Task Force met to discuss a new model bill, The Patients First Medicaid Reform Act.⁷⁰ The bill would establish health savings accounts for Medicaid recipients, and allow them to use the accounts to purchase a high-deductible health policy from for-profit corporations and pay for out-of-pocket expenses. The summary that ALEC provides of this bill specifies that it is an updated version of The Access to Medicaid Act, and that states can use it as either a pilot program or full-scale statewide effort. It is not clear whether this bill is an approved ALEC model bill. The Health and Human Services Task Force did not unanimously approve the bill at the July 2010 meeting. However, ALEC has referred to this bill as an ALEC model bill in several instances. In a November 30, 2010 presentation by ALEC's former Health and Human Services Director, Christie Herrera, for the Galen Institute, Herrera refers to the Patients First Medicaid Reform Act as part of a package of ALEC health-related model bills.⁷¹ ALEC again referred to this model bill in an amicus brief related to the Patient Protection and Affordable Care Act.⁷²

Even though its status as an approved ALEC model bill is unknown, some states are beginning to consider the ideas contained in the bill. In 2011, Montana Representative Cary Smith, a member of ALEC, sponsored HB 376. This bill is referred to by the same name, The Patients First Medicaid Reform Act, and contains many similar provisions as the model bill. The bill did not pass. While this bill has not yet been introduced in Illinois,

⁶⁶ See: <http://www.statehealthfacts.org/comparemaptable.jsp?cat=4&ind=198>

⁶⁷ National Council for Community Behavioral Healthcare, "Frequently Asked Questions: Health Reform and Medicaid," July 12, 2010. See: <http://www.thenationalcouncil.org/galleries/policy-file/FAQs%20on%20Medicaid%20expansion.pdf>

⁶⁸ See: <http://www.statehealthfacts.org/comparemaptable.jsp?ind=266&cat=5>

⁶⁹ Center for Media and Democracy, ALEC Exposed, http://alecexposed.org/wiki/ALEC_%26_Health_Care

⁷⁰ Common Cause. <http://www.commoncause.org/atf/cf/%7BFB3C17E2-CDD1-4DF6-92BE-BD4429893665%7D/hhs35-daymailing%20San%20Diego.pdf>

⁷¹ See: www.galen.org/assets/ChristieHerreraPPTNov30.ppt

⁷² See: <http://www.alec.org/2011/05/amicus-brief-to-the-11th-circuit-court-of-appeals-shows-obamacare-is-incompatible-with-the-constitution%E2%80%99s-enumeration-of-federal-powers/>

conservative organizations have started promoting the idea. The Illinois Policy Institute, a conservative organization and member of ALEC⁷³, advocates for the idea of Medicaid health accounts to put toward the purchase of private health insurance in their *2013 Budget Solutions* publication.⁷⁴

While much of ALEC's recent health and human services agenda has been devoted to encouraging states to actively oppose President Obama's Affordable Care Act, we can reasonably expect to see Medicaid reform return as an ALEC priority in coming legislative sessions.

At the July 2010 Task Force meeting where the Patients First Medicaid Reform Act model was introduced, the corporate sponsor of the bill was the John Locke Foundation, a conservative think tank based in North Carolina.⁷⁵ Joe Colcetti, the organization's Director of Health and Fiscal Policy Studies who regularly advocates for free-market solutions in the state's Medicaid system,⁷⁶ presented the model language. Like ALEC, the John Locke Foundation receives funding from both the Claude R. Lambe Charitable Foundation and the Charles G. Koch Charitable Foundation.⁷⁷

A main provision of the model bill allows Medicaid recipients to use the health savings accounts to purchase high-deductible insurance plans. Dr. Jeff Kullgren, a Robert Wood Johnson Foundation Clinical Scholar at the University of Pennsylvania, conducted research of people enrolled in high-deductible plans and found that, "lower-income families (in such plans) were significantly more likely than higher-income families to delay or forego health care services because of cost."⁷⁸ Even though high deductible plans can lead to poor outcomes for families, they are enormously profitable for insurance companies. By having Medicaid recipients use medical savings accounts to purchase insurance from private companies, insurance companies would immediately increase the number of people on their insurance rolls and enroll them in their most lucrative plans.⁷⁹ Many health insurance companies have participated in ALEC and its Health and Human Services Task Force meetings. These companies include Amerigroup Corporation, Blue Cross and Blue Shield Association (a "director" level sponsor of the 2010 ALEC annual conference), Coventry Health Care, Humana Corporation, Medco Health Solutions, Inc., and United HealthCare (a "chairman" level sponsor of the 2011 ALEC annual conference).⁸⁰ Many of these companies already offer private-sector health savings accounts. Accessing public dollars by extending these plans to the Medicaid population would be an easy way to increase its consumer base and profits.

The model bill language also allows for Medicaid recipients' medical savings accounts to be used toward out-of-pocket medical expenses, such as co-pays on prescription drugs. This provision benefits drug and pharmaceutical companies, as they are the most likely recipients of these public dollars. Drug and pharmaceutical companies have long made up a sizable number of ALEC corporate members. These ALEC member corporations include Abbott Laboratories, Amgen Inc., Bayer Corp., Bristol-Myers Squibb, Celgene Corporation, Eli Lilly and Company, EMD Serono, GlaxoSmithKline, and Pfizer, Inc., among others.⁸¹ CVS Caremark Corporation and Walgreens, the popular drug stores and members of ALEC's Health and Human Services Task Force,⁸² could also see an increase in sales, as a result of additional public Medicaid dollars flowing toward out of pocket medical-related expenses.

⁷³ SourceWatch, http://www.sourcewatch.org/index.php?title=Illinois_Policy_Institute

⁷⁴ Illinois Policy Institute, "Budget Solutions 2013." See: <http://illinoispolicy.org/uploads/files/BudgetSolutions2013ExecSummary.pdf>

⁷⁵ Common Cause, <http://www.commoncause.org/atf/cf/%7BFB3C17E2-CDD1-4DF6-92BE-BD4429893665%7D/hhs35-daymailing%20San%20Diego.pdf>

⁷⁶ See: <http://www.johnlocke.org/>

⁷⁷ SourceWatch, http://www.sourcewatch.org/index.php?title=John_Locke_Foundation#Funding

⁷⁸ Center for Public Integrity, <http://www.iwatchnews.org/2011/06/23/4987/analysis-health-savings-accounts-lucrative-insurers-costly-consumers>

⁷⁹ Ibid.

⁸⁰ SourceWatch, http://www.sourcewatch.org/index.php?title=ALEC_Corporations

⁸¹ Ibid.

⁸² Ibid.

Model Bill	Related State Bills	Status	Similarities and Notes
<u>Access to Medicaid Act</u>	West Virginia <u>HB 4659</u> (1994)	Did not pass	West Virginia HB 4659 is almost exact copy of ALEC model bill.
	West Virginia <u>HB 2087</u> (1995)	Did not pass	West Virginia HB 2087 is almost exact copy of ALEC model bill.
	Pennsylvania <u>HB 2</u> (1995)	Did not pass	Pennsylvania's bill contains many similar provisions as ALEC model legislation
<u>Patients First Medicaid Reform Act</u>	Montana <u>HB 376</u> (2011)	Did not pass	Montana HB 376 contains many similar provisions and ideas as the model bill.

Profiting from Incarceration

[Private Correctional Facilities Act](#)

At a Glance: Corporate Gains

Companies that have participated in ALEC: *Corrections Corporations of America (CCA), BI Incorporated*

What goods/services they provide: *Prison operation and monitoring services*

Objective: *Increase the number of private prisons in the US, increase number of prisoners to ensure full capacity.*

Industry Overview: *At the end of 2010, 2.4 million people in the US were incarcerated in prison. Since 2000, the number of prisoners held in private federal facilities increased by 120%, while those detained in private state facilities shot up by 33% - even though the same time period showed only a 16% increase in the total prison population.⁸³ In 2009, CCA earned \$1.67 billion in revenue with a net income of \$155 million.⁸⁴*

The Private Correctional Facilities Act allows a government agency to contract with a private company for the construction, acquisition, improvement, operation, maintenance, purchase, or management of a prison facility. This model bill was passed by ALEC in 1995.

In 1999, Utah introduced and passed a version of the model bill, using the same title and similar provisions. Remnants of this model bill can be seen in recent legislation, too. A version of the Private Correctional Facilities Act was introduced in Arizona in 2010.⁸⁵ In an amendment to HB 2177, State Representative John Kavanagh introduced the language which would have made every state prison in the state eligible for privatization. Ultimately, this bill did not pass. Representative Kavanagh sits on ALEC's Safety and Elections Task Force and is the chair of Arizona's Joint Legislative Budget Committee, which approved a request for proposal for an additional 5,000 new private prison beds in the state in 2011.⁸⁶

⁸³ Kanya D'Almeida, Nation of Change, "Profiteers of Misery: The U.S. Private Prison Industrial Complex," August 25, 2011. See: <http://www.nationofchange.org/profiteers-misery-us-private-prison-industrial-complex-1314288737>

⁸⁴ Detention Watch Network, <http://detentionwatchnetwork.org/node/2393>

⁸⁵ Common Cause, <http://www.commoncause.org/atf/cf/%7Bfb3c17e2-cdd1-4df6-92be-bd4429893665%7D/ALEC-IN-ARIZONA.PDF>

⁸⁶ Common Cause, <http://www.commoncause.org/atf/cf/%7Bfb3c17e2-cdd1-4df6-92be-bd4429893665%7D/ALEC-IN-ARIZONA.PDF>

In 2012, a Florida bill that contained components of the Private Correctional Facilities Act, SB 2038, was introduced by Senator John Thrasher.⁸⁷ Senator Thrasher has been a long-time member of ALEC and was named 1998 ALEC legislator of the year. Like Arizona, this bill did not ultimately pass. But, its consequences could have been devastating. Successful passage of this bill would have led to the privatization of 27 state correctional facilities.

In 2011, Ohio passed HB 153, which provided the legislative authority needed to initiate the outright sale of a state prison to a private company.⁸⁸ This “sale” provision is an important component of the ALEC model bill. Many states have contracted out management and operations of their prisons to private companies, but in 2011, after HB 153 became law, Ohio became the first state to actually sell a correctional facility. The main sponsor of the bill, Representative Ron Amstutz, and 16 other representatives who co-sponsored the legislation were members of ALEC. Eleven of the co-sponsors on the Senate side were also members of ALEC, clearly showing ALEC’s influence on this bill, and Ohio’s larger prison privatization initiative. After HB 153 passed, the Lake Erie Correctional Institution was sold to Corrections Corporation of America (CCA), a long-time corporate member of ALEC.

This bill clearly benefits the multi-billion dollar private prison industry, which solely relies on new government contracting opportunities to increase profits. In 2010, the two largest prison privatization companies, CCA and GEO Group brought in combined revenues of nearly \$3 billion.⁸⁹ As a private prison operator, CCA has much to gain by the passage of prison privatization legislation in states, and was even able to purchase a public prison facility from Ohio with the passage of HB 153. Another company that stood to benefit was BI Incorporated (who, as of 2011, is a wholly-owned subsidiary of GEO Group), also a member of ALEC when this model bill was in circulation.⁹⁰ BI Incorporated provides monitoring technology to prisons, immigration detention centers, and other correctional facilities, and runs a national prison monitoring center.⁹¹ By encouraging contracting at state correctional departments, BI Incorporated could expect to receive more contracts, especially with private prison facilities.

The Private Correctional Facilities Act model bill may have originally been envisioned as a way to open new markets for members, such as CCA, by introducing private prison contracting to new states. Today, it is clear that these industry giants are using ALEC to increase their profits by promoting legislation that allows states to expand prison privatization or even outright sell public prisons. The next bill, the No Sanctuary for Illegal Immigrants Act tells a very similar story.

⁸⁷ Progress Florida, Florida Watch, People For the American Way, Center For Media and Democracy, Common Cause, “ALEC in Florida,” 2012. See: <http://media.progressflorida.org/files/alecinfloida.pdf>

⁸⁸ People for the American Way, Progress Ohio, Center For Media and Democracy, Common Cause, “ALEC in Ohio.” See: <http://site.pfaw.org/pdf/ALEC-in-Ohio.pdf>

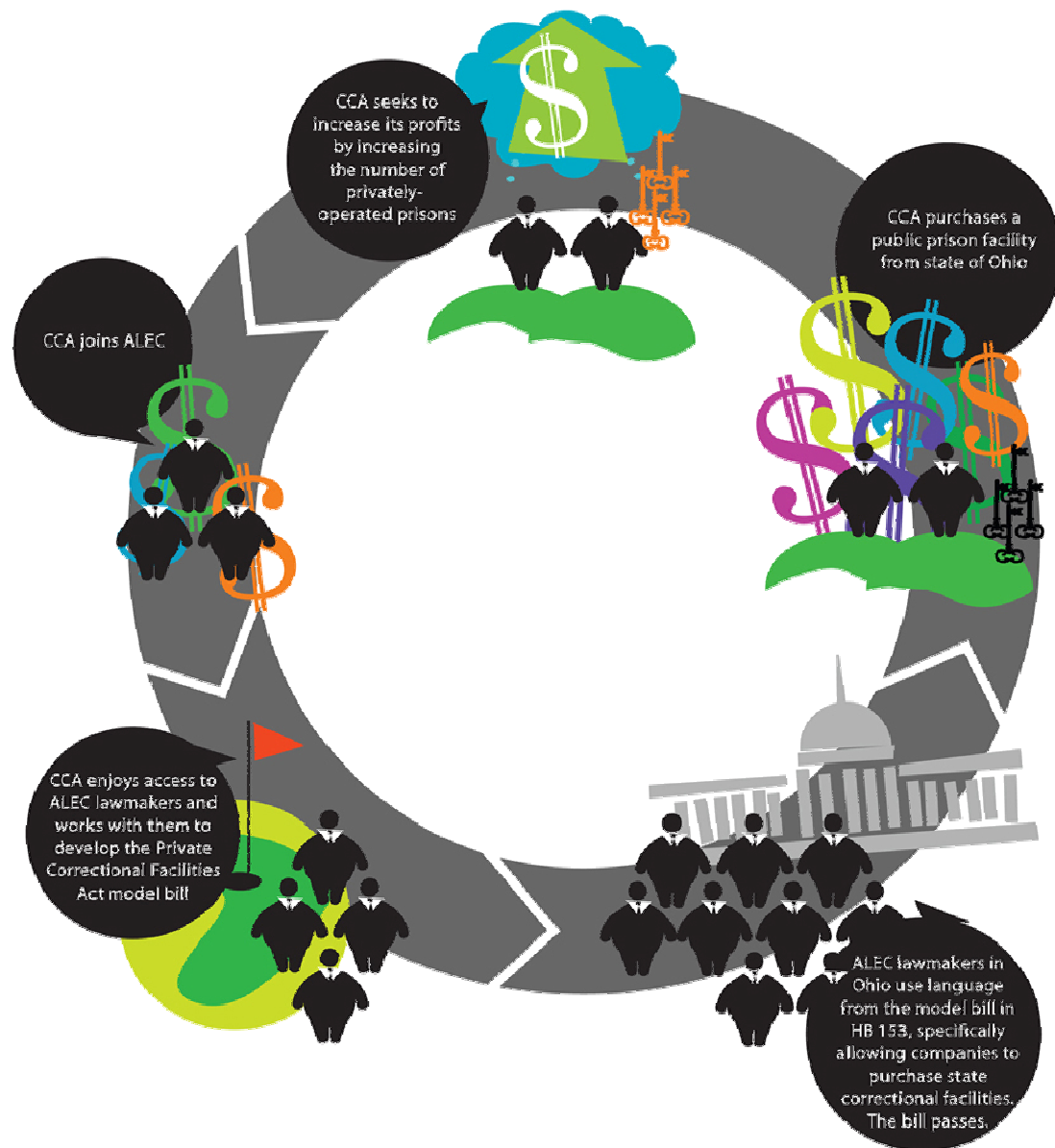
⁸⁹ American Civil Liberties Union, “Banking on Bondage: Private Prisons and Mass Incarceration,” November 2, 2011. See: <http://www.aclu.org/prisoners-rights/banking-bondage-private-prisons-and-mass-incarceration>

⁹⁰ SourceWatch, http://www.sourcewatch.org/index.php?title=ALEC_Corporations

⁹¹ See: <http://bi.com/about>

How Private Prison Companies use ALEC

to Profit from Public Criminal Justice Dollars



Model Bill	Related State Bills	Status	Similarities and Notes
<u>Private Correctional Facilities Act</u>	Arizona, Amendment to HB 2177 (2010)	Did not pass	<i>This bill contains common ideas and provisions.⁹²</i>
	Florida, SB 2038 (2012)	Did not pass	<i>This bill contains common ideas and provisions.⁹³</i>
	Ohio, HB 153 (2011)	Passed	<i>The Ohio bill contains common provisions as both this model bill and ALEC's Prison Industries Act model bill. This bill specifically allowed companies to purchase state correctional facilities, which has long been part of ALEC's prison privatization agenda.⁹⁴</i>
	Utah, HB 131 (1999)	Passed	<i>HB 131 is titled the Private Correctional Facilities Act. While it contains some additional requirements regarding the contracting of prisons, the directive is the same as the model bill, and it contains some similar provisions.</i>

No Sanctuary Cities for Illegal Immigrants Act

Public Safety and Elections Task Force

At a Glance: Corporate Gains

Companies that have participated in ALEC: *Corrections Corporation of America (CCA)*

What goods/services they provide: *Prison operation services*

Objective: *Increase the number of private prisons in the U.S., increase number of prisoners to ensure full capacity.*

Industry Overview: *In 2009, the U.S. government detained approximately 380,000 people in immigration custody at an annual cost of more than \$1.7 billion. This amounts to more than 30,000 new people detained per day.⁹⁵*

Companies that have participated in ALEC: *American Bail Coalition*

What goods/services they provide: *Bail bonds, including immigration bonds*

Objective: *Increase the demand for bail bonds*

Industry Overview: *The U.S. government detained approximately 380,000 people in immigration custody in 2009 at an annual cost of more than \$1.7 billion. This amounts to more than 30,000 new people detained per day. When a detained immigrant is released on bond, he or she must usually pay between \$5,000 and \$10,000 to the bail bonding company.⁹⁶*

The No Sanctuary Cities for Illegal Immigrants Act is a comprehensive immigration bill that, among other provisions, requires law enforcement to arrest anyone who cannot prove they entered the country legally when asked. This model bill was approved by the Public Safety and Elections Task Force in December 2009.

⁹² Common Cause, <http://www.commoncause.org/atf/cf/%7Bfb3c17e2-cdd1-4df6-92be-bd4429893665%7D/ALEC-IN-ARIZONA.PDF>

⁹³ Progress Florida, Florida Watch, People For the American Way, Center For Media and

Democracy, Common Cause, "ALEC in Florida," 2012. See: <http://media.progressflorida.org/files/alecinfoflorida.pdf>

⁹⁴ People for the American Way, Progress Ohio, Center For Media and Democracy, Common Cause, "ALEC in Ohio." See: <http://site.pfaw.org/pdf/ALEC-in-Ohio.pdf>

⁹⁵ Detention Watch Network, <http://detentionwatchnetwork.org/aboutdetention>

⁹⁶ Brendan Fischer, PR Watch, "Profit Motive Underlies Outbreak of Immigration Bills, August 24, 2011. See: <http://www.prwatch.org/news/2011/08/10980/profit-motive-underlies-outbreak-immigration-bills>

This model bill became known as the infamous Arizona SB 1070. Arizona Senator Russell Pearce, a member of ALEC's Public Safety and Elections Task Force, helped draft the model bill and then immediately introduced it in his state legislature, using almost the exact same language. Of the 36 co-sponsors of Arizona's SB 1070, two-thirds of them were ALEC members.⁹⁷ Four months later the bill passed and became law in the state. In 2010, National Public Radio launched an investigation into the origins of the controversial immigration bill, and found that this bill was drafted in a conference room at an ALEC meeting. Attendees included Arizona Senator Russell Pearce, and other legislators who were a part of the Task Force, along with a number of corporations, including CCA⁹⁸ and American Bail Coalition,⁹⁹ both which stand to profit enormously from an influx of prisoners.

In the months following the passage of SB 1070 in Arizona, a number of states introduced similar legislation. In 2011, the bill was passed in five states: Alabama, Georgia, Indiana, South Carolina, and Utah. In all these states, legislators who introduced the bills were members of ALEC. For example, in Alabama, State Representatives Victor Gaston, Greg Wren, and Jack Williams, all members of ALEC, were co-sponsors of HB 56.¹⁰⁰ State Senator Edward Lindsey, Jr. and State Senator William Hamrick were sponsors of the Georgia immigration bill.¹⁰¹ Both were once members of ALEC's Civil Justice Task Force.¹⁰² In Indiana, State Senators Brandt Hershman, Carlin Yoder, Jim Banks, and Sue Landske, all members of ALEC, co-sponsored SB 590.¹⁰³ State Senators Thomas Grooms, Michael Rose, Daniel Verdin III, and George "Chip" Campsen III, introduced SB 20 in South Carolina. All were members of ALEC.¹⁰⁴ In Utah, Senator Margaret Dayton, yet another member of ALEC, was the main sponsor of HB 497.¹⁰⁵ It comes as no surprise that ALEC members lead the way in introducing SB 1070 copycat bills across the nation.

It is also no surprise that the private prison industry saw immigration detention as a lucrative market. In 2009, CCA wrote that it expected that "a significant portion of [its] revenues" would come from Immigration and Customs Enforcement.¹⁰⁶ A 2009 presentation by Pershing Square Capital, a hedge fund that held a sizable stake in CCA at the time, echoed the idea that CCA's growth was secure because, "since 1994, Immigration and Customs Enforcement ("ICE") detainee populations have grown by over 300%."¹⁰⁷ Immigrants detained under provisions of the ALEC bill might have to wait up to a year just for a hearing. Immigration detention can cost taxpayers \$122 per day per person,¹⁰⁸ and with private prison companies like CCA operating a large number of detention facilities, much of these taxpayer funds become corporate profits.

The American Bail Coalition (ABC), the for-profit bail bond industry's trade association, was another corporate member of the Public Safety and Elections Task Force. Their members also stood to gain increased profits by supporting and pushing the ALEC immigration model bill. When a detained immigrant is released on bond, he or she must pay the bail bonding company \$1,500 at a minimum, and usually between \$5,000 and \$10,000.¹⁰⁹ The company keeps a percentage of that amount as a non-refundable fee. According to the Center for Media and Democracy, Jerry Watson, the general council for ABC, represented the group at the ALEC Task Force Meeting and was, at the time, chairman of the Private Enterprise Board. Interestingly, his law firm's website lists him as having specialized expertise in immigration bonding.¹¹⁰

⁹⁷ Common Cause, <http://www.commoncause.org/atf/cf/%7Bfb3c17e2-cdd1-4df6-92be-bd4429893665%7D/ALEC-IN-ARIZONA.PDF>

⁹⁸ Laura Sullivan, National Public Radio, "Prison Economics Help Drive Arizona Immigration Law," February 22, 2012.

⁹⁹ Brendan Fischer, Truthout, "New Report Details ALEC Influence in Arizona," December 1, 2011. See: http://truth-out.org/index.php?option=com_k2&view=item&id=5337:new-report-details-alec-influence-in-arizona

¹⁰⁰ SourceWatch, http://www.sourcewatch.org/index.php?title=Alabama_ALEC_Politicians

¹⁰¹ SourceWatch, http://www.sourcewatch.org/index.php?title=Georgia_ALEC_Politicians

¹⁰² Ibid.

¹⁰³ SourceWatch, http://www.sourcewatch.org/index.php?title=Indiana_ALEC_Politicians

¹⁰⁴ SourceWatch, http://www.sourcewatch.org/index.php?title=South_Carolina_ALEC_Politicians

¹⁰⁵ SourceWatch, http://www.sourcewatch.org/index.php?title=Utah_ALEC_Politicians

¹⁰⁶ Ibid.

¹⁰⁷ See: <http://thinkprogress.org/wp-content/uploads/2010/09/Bill-AckmanPresentation.pdf?mobile=nc>

¹⁰⁸ Brendan Fischer, PR Watch, "Profit Motive Underlies Outbreak of Immigration Bills, August 24, 2011. See: <http://www.prwatch.org/news/2011/08/10980/profit-motive-underlies-outbreak-immigration-bills>

¹⁰⁹ Ibid.

¹¹⁰ Brendan Fischer, PR Watch, "Profit Motive Underlies Outbreak of Immigration Bills, August 24, 2011. See: <http://www.prwatch.org/news/2011/08/10980/profit-motive-underlies-outbreak-immigration-bills>

Model Bill	Selected Related State Bills	Status	Similarities and Notes
No Sanctuary Cities for Illegal Immigrants Act	Arizona, SB 1070 (2010)	Passed	<i>All bills contain similar provisions as ALEC model bill.</i>
	Alabama, HB 56 (2011)	Passed	
	Florida, SB 1896 (2011)	Did not pass	
	Georgia, HB 87 (2011)	Passed	
	Indiana, SB 590 (2011)	Passed	
	Michigan, HB 6256/SB 1388/HB 6366 (2010)	Did not pass	
	Minnesota, HF 3830 (2010)	Did not pass	
	Pennsylvania, HB 2479 (2010)	Did not pass	
	Rhode Island, H 8142 (2010)	Did not pass	
	South Carolina, H 4919/S 1446 (2010)	Did not pass	
	South Carolina, S 20 (2011)	Passed	
	Utah, HB 497 (2011)	Passed	

Conclusion

ALEC's privatization agenda is clear – corporations use the organization and its vast network of state lawmakers to push for privatization of a wide array of public services and assets. By increasing the number of government functions that are contracted out, these corporations can grow their profits with taxpayer dollars.

The effects of ALEC-sponsored privatization legislation are clear – we stand to lose control over public services and assets and we risk a weakened democracy. If we continue to allow corporations to take control of and dismantle our public structures, we could see corporate takeovers of our public roads, a significant increase in our prison population, more low-income families that cannot access the health care they need to keep them healthy, corporate-designed school curriculum, and more.

We should approach privatization-related legislation in our states with suspicion to ensure that private interests and goals don't trump the public interest. We must try to find answers to the following questions:

- Does the bill use language from ALEC model legislation? A comprehensive list of ALEC model bills can be found here: www.ALECexposed.org
- Who introduced or sponsored the bill? Is this lawmaker(s) a member of ALEC?
- Do we know what corporations helped draft the legislation?
- What interests would benefit or profit from this bill's passage? ¹¹¹

This information can be posted on the Center for Media and Democracy's ALEC Exposed website (www.ALECexposed.org) to help concerned individuals and organizations in other states understand the ALEC connections when similar bills are introduced in their states. By shedding light on the influence that corporations, and the organizations that they fund, have on our legislative process, we can better oppose and defeat proposed laws that allow corporations to profit from public dollars.

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Any errors or omissions in this report are the sole responsibility of In The Public Interest.

¹¹¹ Adapted from <http://bloximages.chicago2.vip.townnews.com/host.madison.com/content/tncms/assets/v3/editorial/4/db/4dbe1742-58d7-11e1-8ef1-001871e3ce6c/4f3d5dba55675.pdf.pdf>