



RIGHT ON CRIME:

**Koch's Criminal
Justice Agenda**

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For over a decade, Koch Industries and their network of donors have funded a pro-corporate "criminal justice" movement called ***Right on Crime***. It is in lockstep with the criminal justice reform efforts being carried out by the American Legislative Exchange Council.

These reformers seek to protect the interests of their funders, namely white collar criminals and corrections profiteers. While Koch Industries and many members of their network have faced costly convictions, Right on Crime reformers seek to make it harder to convict white collar criminals. Other reforms seek to expand the privatization of prison reentry services, all the while funded by the private contractors lining up for the contracts.

What is worse, many of these reformers are being carried out by *the exact same* individuals and organizations who proliferated "tough on crime" laws and corrections privatization. Many of them have also been identified as attendees of Koch's secretive donor summits.

The Koch Network's Self-Interested Reforms

As documented by the [Center for Media and Democracy](#) and [Jane Mayer](#), Koch's *Right on Crime* project was initially developed to address the “overcriminalization” of white-collar offenders. This includes reforms that require prosecutors to prove criminal intent (*mens rea*) in order to convict white-collar criminals.

The often celebrated bipartisan criminal justice reform efforts attempted by Koch Industries and the Obama administration in 2015-2016 fell apart when Koch’s hard line politicians declared *mens rea* reform to be non-negotiable.

The mens rea legislation, which has just been reintroduced in October 2017, would require proof of criminal intent to convict for any federal crimes, unless otherwise stated.



Default Mens Rea: An Immodest White-collar Proposal

On October 2nd, a dangerous piece of legislation was (re)introduced by Senators Orrin Hatch, Mike Lee, Ted Cruz, David Perdue, and Rand Paul. The Mens Rea Reform act of 2017 would create a default requirement to prove criminal intent, *mens rea*, for all federal laws. Hatch stated:

Rampant and unfair overcriminalization in America calls for criminal justice reform, which starts with default mens rea legislation . . . Requiring proof of criminal intent protects individuals from prison time or other criminal penalties for accidental conduct or for activities they didn't know were wrong.

As explained by the Center for Media and Democracy:

“...for a number of white collar crimes, such as environmental violations and financial crimes under the Dodd-Frank financial reform law, federal law does not require that prosecutors prove that a company or its leaders intended to violate the law by polluting waterways, for example, or crashing the economy.”
([Koch Self-interest in Criminal Justice Reform](#), 2015)

“[the Mens Rea Act would] seriously harm our basic ability to prosecute a wide array of federal crimes.” – Assistant Attorney General Leslie Caldwell (Washington Post, 2016)

This 2017 bill, and others, are the products of research, lobbying, and legislation funded by Koch Industries and their network of wealthy white collar criminals.

The mens rea default requirement can be found in the [Mens Rea Act of 2015](#) (introduced by the same senators), as well as a 2011 model bill published by the American Legislative Exchange Council (ALEC), the [Criminal Intent Protection Act](#).

In 2015, Koch Industries' general counsel and Senior VP, Mark Holden, acknowledged their interests began as a result of their criminal convictions, including the 2000 conviction of Koch Petroleum Group for covering up releases of hazardous air pollution in Texas:

That case, Mr. Holden said, demonstrated that the Justice Department too often pursues criminal cases even when the accused had no criminal intent. The company itself discovered the problems and notified the authorities, he said, meaning the company did not knowingly violate the law. ([NYT 2015](#))

The Justice Department refuted Holden's claims:

Koch Petroleum Group knowingly and voluntarily pleaded guilty to criminal violations of the Clean Air Act and to making false statements . . . These admissions and the significant criminal liability in this matter speak for themselves." ([NYT 2015](#))

Koch's criminal justice reform initiative, Right on Crime, lists among its principles "[Free Enterprise](#)," namely corporate freedom to commit crimes:

The explosion of non-traditional criminal laws grows government and undermines economic freedom. Criminal law should be reserved for conduct that is blameworthy or threatens public safety, not wielded to regulate non-fraudulent economic activity involving legal products.

Criticisms of Koch’s “Default” Mens Rea Reforms

Assistant Attorney General Leslie Caldwell said that Hatch’s 2015 Mens Rea Act would:

“...seriously harm our basic ability to prosecute a wide array of federal crimes [and] unleash sweeping changes across the United States Code” that would clog courts with costly litigation and weaken the government’s ability to enforce a wide range of laws and regulations. ([Washington Post](#), 2016)

Deputy U.S. Attorney General Sally Yates [told](#) NPR that “if this proposal were to pass, it would provide cover for top-level executives, which is not something we think would be in the best interest of the American people.”

Sen. Sheldon Whitehouse called the reforms a “Trojan horse” inserted into the criminal justice reform debate by political groups who have no broader interest in the issue. *Public Citizen*’s Rob Weismann has said the proposal “would make it much harder for prosecutors to criminally prosecute companies that swindle the public, endanger their workers, poison the environment or otherwise imperil consumers.” ([CMD 2015](#))

Koch’s Obstruction of Meaningful Reforms

Koch’s insistence on mens rea reform was [credited for the failure](#) of recent bipartisan criminal justice reform efforts.

When critics accused Koch Industries of supporting for sentencing reform as cover for the passage of mens rea reform, Koch’s general counsel remarked:

We believe there should be comprehensive criminal justice reform, which includes mens rea reform. . . .However, we have supported the Senate criminal justice reform bill which doesn’t have mens rea reform in it and we

are comfortable with that bill . . . If mens rea reform is not in the package, that's not our issue, it is Congress' issue. ([Washington Post](#), 2015)

Yet, the Koch funded Congressional sponsors held the line. Virginia congressman Rep. Goodlatte told [the Atlantic](#) the following year that "...a deal that does not address this issue is not going anywhere in the House of Representatives. . . It has to be overcome. This is a critical element to doing justice in this country." ([Atlantic](#), 2016)

The *New Yorker* quoted him as saying "We're happy to discuss specific concerns, but it's a deal breaker for us if they're not included." ([Mayer](#), 2016).

Upon the failure of the bipartisan efforts, Democratic Senator Sheldon Whitehouse blamed Koch's insistence on mens rea, saying they "totally tanked" the bipartisan effort:

figured they could get something moving with their right hand and then stuff their corporate protection mens rea reform in, once it got going, with their left hand. . . I think that's a fatal poison pill on what had been a good faith effort between Republicans and Democrats. ([RCP](#), 2016).

Criminal Intent?

Hidden Money, Secret Seminars, and Undisclosed Lobbying

Koch's Seminar Network and Criminal Intent



CHARLES G. KOCH
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

September 24, 2010

"If not us, who? If not now, when?"

That question was posed by a member of our network of business and who are dedicated to defending our free society. We cannot rely on politician to us to combat what is now the greatest assault on American freedom and prc lifetimes.

Twice a year our network meets to review strategies for combating the policies that threaten to destroy America as we know it. These meetings have

2010 leaked summit program shows several "overcriminalization" allies in attendance

Koch Industries leads a highly secretive network of donors who meet twice a year for seminars on Koch's "integrated" political strategy. Although very little is known about these meetings, it can be seen that nearly all of the key figures and organizations involved in Koch's mens rea reforms have attended Koch's donor summits.

The sponsors of the Mens Rea Act (2015 and 2017) have all attended at least one of Koch's secretive donor summits: Mike Lee (2017, 2016), David Perdue (2017), Rand Paul (2015, 2013), and Ted Cruz (Aug 2015, Jan 2015, 2013). All have received considerable contributions from Koch Industries and their network of donors.

When the 2017 bill was filed, the National Association of Criminal Defense Lawyers (NACDL) [made a celebratory announcement](#), describing their "...bipartisan approach to mens rea reform with the assistance of allies from a diverse coalition, including the Heritage Foundation, the U.S. Chamber of Commerce, the Federalist Society, Right on Crime, Koch Industries, and the American Bar Association."

Koch Industries first gained attention in [October 2014](#) for donating to NACDL's indigent defense program.

This gift came one month after it was exposed that NACDL's Executive Director Norman Reimer had attended Charles Koch's secretive political donor summit in June 2014. Reimer told the *New Yorker's* Jane Mayer how, "...until recently the company had funded mainly programs involving white-collar crime. Reimer told me that for years he had been asking Koch Industries to donate funds to support indigent defense, but it didn't do so until 2014. At that point, Reimer says, the company provided a "significant six-figure" grant to train and support public defenders." (*Dark Money*, pg 361)

A [leaked program](#) from that same seminar shows Reimer and Koch General Counsel Mark Holden jointly leading ***an invitation only session*** (within the already secretive summit), entitled "Over-Criminalization: Removing Legal Barriers to Opportunity <<invitation only for past attendees>>."

According to a [leaked recording](#) from Koch's 2014 donor summit, Reimer acknowledged Koch's involvement in NACDL's White Collar Crime Project, specifically their collaboration with Edwin Meese and the Heritage Institute:

"Thank you for the investment that Koch Industries made with us. We've been able to build some bridges with (inaudible). So let me give you some of the basics of how this would work out. We did a report a number of years ago that

had a profound impact. It was cited widely on the failure of the Congress to have adequate intent requirements in the laws that they passed. Intent means the moral (inaudible). We seem to be punishing people that they don't know that they did something wrong.

And this is a project I did jointly with the Heritage Foundation, an extraordinary (inaudible). And I was privileged to having as my co-author (inaudible), Former Attorney General Edwin Meese. I have to tell you that got a lot of attention. We went up to the Hill, and we presented it. And we had people that you wouldn't believe would even be in the same room patting us on the back and thanking us for this work." (Undercurrent, [Transcript](#))

9:00 - 10:00am
Adriatic

Small-Group Strategy Discussion - Senate Landscape and Opportunities*

<<invitation-only for past attendees>>

Marc Short

- Buffet breakfast available
- Room set-up: U-Shape for 35

9:00 - 10:00am
Atlantic

Small-Group Discussion - Over-Criminalization: Removing Legal Barriers to Opportunity <<invitation-only for past attendees>>

Norman Reimer and Mark Holden

- Buffet breakfast available

*Paid for by Freedom Partners Action Fund, Inc., [2200 Wilson Blvd., Suite 102-533], Arlington, VA 22201. Not authorized by any candidate or candidate's committee.

He spoke alongside Koch's strategist Richard Fink on a panel entitled "Drive the National Conversation."

The mens rea conversation has largely been driven by NACDL's White Collar Crime Project alongside the Heritage Foundation's Center for Legal and Judicial Studies, chaired by Edwin Meese. Meese has been active in Koch's academic political/academic operations for decades. He served on George Mason University's Board of Visitors alongside with Heritage president Edwin Feulner. A [leaked program](#) from Koch's 2010 donor summit shows Meese in attendance.

2:30 – 2:55pm

Break

2:55 – 5:00pm
Pacific Ballroom

AFTERNOON SESSIONS: THE FOUNDATION FOR PROGRESS

Part One: Drive the National Conversation

Richard Fink, Norman Reimer, Steve Lombardo and Michael Lomax, moderated by Dale Gibbens

Part Two: Leverage Science and the Universities

Brian Hooks, Adam Millsap, Diana Thomas and Jim Otteson, moderated by Ryan Stowers

According to tax forms and FEC filings, the Heritage Foundation's political arm, Heritage Action for America, received at least \$1,175,000 from the political umbrella of Koch's donor seminars, the Freedom Partners Chamber of Commerce, between 2012 and 2014.

In 2005, Stephanie Martz left her position as senior counsel at the U.S. Chamber of Commerce's litigation center to head up NACDL's White Collar Crime Project. Koch Industries' Mark Holden has been a board member of the Chamber's Institute for Legal Reform since 2007.

The same [leaked 2010 program](#) that shows Meese at Koch's seminar also shows two U.S. Chamber of Commerce officials leading a session on judicial elections.

According to tax forms and FEC filings, between 2012 and 2014, the U.S. Chamber of Commerce has received at least \$7.5 million from Koch's political umbrella, the Freedom Partners Chamber of Commerce.

Hidden Money and Undisclosed Lobbying

Unlike charitable donations from the Koch foundation, direct contributions from Koch Industries do not have to be publicly disclosed. Koch's largely undisclosed funding to the NACDL can be traced back as early as 2003, when NACDL's tax forms disclose one contribution from Koch Industries in the amount of \$132,500.

Another accidental disclosure was discovered by the [Texas Observer](#), showing funding from Koch Industries to the organization that launched Right on Crime in 2010, the Texas Public Policy Foundation:

"...a list of 2010 funders of TPPF that was disclosed to the IRS was inadvertently made public. The list of funders revealed is an important case study in how the Kochs' disclosed foundation spending is an under-representation of their overall political giving: Koch gave more to TPPF from its corporate Koch Industries treasury than it gave from its Koch Family Foundations. . . Koch Industries gave \$159,834 directly to TPPF in 2012, versus \$69,788.61 from the Claude R. Lambe Foundation, which is a Koch Family Foundation." (Sourcewatch)

Industry v.s. Dodd-Frank and the Foreign Corrupt Practices Act

Koch Industries and many members of their network are deeply involved in financial markets, specifically, deregulating and then trading in the financial markets that lead to the 2007 financial collapse ([NYT, 2008](#)).

In 2010, the NACDL and Heritage Foundation [lobbied against](#) parts of the Dodd-Frank financial reform bill, releasing a joint report entitled "[Without Intent](#)." It criticized criminal provisions that did not require mens rea. The NACDL's [Tiffany Joslin](#) also produced complementary research alongside [Federalist Society's](#) C. Boyden Gray. The NACDL failed to disclose any of their funding from Koch Industries.

Between 2010 and 2011, the U.S. Chamber of Commerce's Institute for Legal Reform advocated for weakening the Foreign Corrupt Practices Act. Koch's

general counsel, Mark Holden, has been a trustee of the Chamber's Institute for Legal Reform since 2007.

In [October 2011](#), Bloomberg reporters released a bombshell investigation finding that Koch Industries made bribes, or "improper payments to secure contracts in six countries dating back to 2002."

The the U.S. Chamber of Commerce was [eventually targeted](#) as part of an inquiry by a House oversight committee, addressing the "apparent conflicts of interest" associated with advocating "changes that would weaken the Foreign Corrupt Practices Act" while "almost one in four [trustees] were affiliated with companies that were reportedly under investigation for violations" of that same law:

We are concerned about these apparent conflicts of interest. ILR is a not-for-profit advocacy organization affiliated with the U.S. Chamber of Commerce. **In October 2010, it issued recommendations to change the Foreign Corrupt Practices Act that would significantly undermine the law.** For example, ILR recommended limiting a company's liability for the actions of a company it has acquired; adding a "willfulness" requirement for corporate criminal liability; and limiting a parent company's liability for the acts of its subsidiary **Yet nowhere did ILR disclose that over a dozen of the corporations represented on its board have violated or have been under investigation for violating the Foreign Corrupt Practices Act. . . One such company is Koch Industries . . .** According to news accounts, Koch Industries reportedly acknowledged that it paid bribes to secure business in Algeria, Egypt, India, Morocco, Nigeria, and Saudi Arabia from 2002 to 2008 ([Waxman Letter](#))

Four months before the Koch's foreign bribery scandal became public, [June 2011](#), the NACDL also lobbied for "common sense" mens rea reforms needed in the Foreign Corrupt Practices Act. Unlike the U.S. Chamber of Commerce, NACDL's relationship with Koch Industries was not public.

[Koch, NACDL, and George Mason University](#)

Koch's largely undisclosed funding to the NACDL can be traced back as early as 2003, when NACDL's tax forms show Koch Industries contributed \$132,500. That is the year NACDL began submitting amicus briefs on white collar criminal cases.

Their first white collar brief was filed on behalf of Frank Quattrone, who was being charged with "obstructing justice and tampering with evidence" at Credit Suisse. Despite considerable evidence, Quattrone got a deferred prosecution agreement, and the [charges were eventually overturned](#). Incidentally, Quattrone went on to found the Quattrone Center for the Fair Administration of Justice at Penn Law School, which has received \$2.2. Million from the Koch foundation.

The NADCL held their first overcriminalization conference in [2004](#), co-sponsored by the Heritage Foundation. It featured research by George Mason University law professor [John Hasnas](#), who served as Koch Industries assistant general counsel immediately prior to being hired at George Mason University.

George Mason University is ground zero for Koch's academic spending. The NACDL and GMU's Law and Economics Center collaborated closely on the topic of white collar overcriminalization for years. In Norman Reimer's opening remarks to their 2010 joint conference, he was so focused on white collar reforms that he had to remind the audience that "[f]or NACDL, support for rational and humane criminal justice policies is not limited to the white collar crime arena."

Among the few others acknowledged in developing the 2010 NACDL/Heritage joint report was George Mason University Law Professor [Jeffrey Parker](#). Parker was part of the Heritage overcriminalization working group, and a senior fellow at the Goldwater Institute. Parker is a longtime critic of corporate criminal liability. He co-directed a 2010 conference entitled Overcriminalization 2.0 at Georgetown University, co-sponsored by the GMU Law and Economics Center and the NACDL. [Todd Zwyicki](#), director of GMU's Law and Economics Center is also a senior fellow at the Goldwater Institute. He directs the Mercatus Center's Financial Markets working group, and testified on "Financial Regulatory Reform Proposals" in 2009.

Privatizing Reentry: Of the Prisons, by the Prisons

In our [2016 joint report](#) with CMD, UnKoch documented extensive ties between Right on Crime in Florida and the corrections reformers who are looking to expand the prison industrial complex, rather than dismantle it.

The individuals and organizations behind *Right on Crime* were using nearly identical talking points during the 1990s to push draconian "tough on crime" reforms. With the help of the American Legislative Exchange Council, they pushed legislation that included including mandatory minimums, "three strikes" laws, and laws allowing juveniles to be tried as adults. While this drove a tsunami of mass incarceration, these reformers were also responsible for the proliferation of privatized prisons being filled. For decades, private prisons have joined Koch Industries and other industries in funding and leading ALEC's reforms.

The private corrections industry has since diversified beyond incarceration, drastically expanding into the reentry sector. This includes all pre-release and post-release services like mental health treatment, substance abuse, bail, probation, parole, electronic monitoring, drug/alcohol testing, adult education, and work placement, as well as immigrant detention and monitoring.

Right on Crime is fueling the mass privatization of the reentry sector, which lends a profit motive in sentencing reforms. Early collaborators with Right on Crime can be seen gaining contracts in several states after drastically misreporting recidivism numbers. Koch's criminal justice program at Florida

State University is directly tied to (and co-founded by) corrections contractors, their lobbyists, and Florida industry groups.

Right on Crime feeds the Privatization of Reentry

While mens rea reform was central to Koch's Right on Crime platform, other focuses involve a combination of sentencing reform and the privatization of reentry programs.

“Reentry programs and reducing recidivism are 100 percent aligned with our business model.” — Corrections Corporation of America, 2014

The organization Grassroots Leadership has defined the "[Treatment Industrial Complex](#)" as “the movement of the for-profit prison industry into correctional medical care, mental health treatment, and "community corrections." Community Corrections include correction programs outside of jail or prison walls: probation and parole services including halfway houses; day reporting centers; drug and alcohol treatment programs; home confinement; electronic monitoring; and an array of supportive services such as educational classes and job training.”

For example, the private prison giant, Corrections Corporation of America (CCA, now CoreCivic), claims to have entered the “residential reentry space” in 2013 with the \$36 million dollar acquisition of Correctional Alternatives, Inc. In 2014 they announced that "Reentry programs and reducing recidivism are 100 percent aligned with our business model." They also acquired one of the country's largest reentry providers, [Community Education Centers, Inc.](#), for \$13.5 million.

Since 2009, another top private prison, Geo Group, acquired several large reentry providers, including Just Care Inc. for \$40 million, Cornell Companies

for \$685 million, BI Inc. for \$415 million. As of its 2011 acquisition, BI Inc. was the [sole provider](#) of monitoring and supervision services for U.S. Immigration and Customs Enforcement (ICE), as part of the Department of Homeland Security's "Alternatives to Detention" program.

Many of these contractors have histories with abusive treatment, and discrimination toward immigrants. Private parole providers like Sentinel Offender Services, [Providence Community Corrections](#), and [Judicial Correction Services](#), have been sued for violation of civil rights for establishing a system of “judicially sanctioned extortion racket” in several states, and yet they continue to get local and state contracts.

Increased electronic monitoring and increasingly privatized parole are two things explicitly [advocated](#) for by Right on Crime.

ALEC’s Revisionist Account of the U.S. Criminal Justice System

ALEC’s 2011 report describes the "Smart on Crime" platform, providing "A Legislator’s Guide to Criminal Justice Policy." The report condemns the “birth of Tough on Crime politics,” explaining:

In response to rising crime, conservatives swung the pendulum in the opposite direction, embracing the “tough on crime” attitude that touted more incarceration as the only effective solution to crime.

Further, the ALEC report touts Right on Crime leaders as opposing this trend:

On Dec. 15, conservative leaders came together through the Right on Crime initiative to support tough and smart approaches. Joining Gingrich, Bennett, Meese, and Norquist in endorsing the Right on Crime Statement of Principles were conservative leaders such as American Conservative Union Chairman David Keene, Prison Fellowship executives Chuck Colson and Pat Nolan, and Family Research Council President Tony Perkins.

2:25 pm - 5:45 pm

Campaign School on Crime

Room 17 & 18

Controlling crime is the priority concern for voters today. This fall, candidates who campaign on crime, frame the issue effectively, present a credible, **tough-on-crime agenda**, and debunk the myths and misinformation of their opponents will find an electorate ready to take back the streets from criminals and their apologists. More importantly, this year's elections will send a forceful message to lawmakers and begin to define next year's legislative battles over crime and criminal justice policy. The Campaign School on Crime brings together pollsters, campaign strategists and experts on crime control to provide legislators with an agenda and plan to advance meaningful crime control this fall and during the coming legislative session.

Welcoming Remarks

Mr. William Myers, ALEC Foundation

Issues, Agendas & Elections

Mr. Grover Norquist, Americans for Tax Reform

The Crime Problem

Dr. Michael Block, University of Arizona

A Winning Agenda

Mr. Steve Twist, CrimeStrike

Crime Control Wins

Dr. Frank Luntz, Luntz Research Companies

Debunking the Opposition Controlling Costs

Dr. Charles Thomas, Florida State University

Mr. Robert Britton, Corrections Corporation of America

Debunking the Opposition: The Gun Control Dodge

Mr. Jim Fotis, Law Enforcement Alliance of America

America

Moving an Issue

Mr. Rick Shelby, Odell, Rooper & Sims

Politics of Crime

Video

A leaked program for ALEC's 1994 conference shows that it was ALEC was responsible for driving the nation's tough on crime legislative agenda, and that Gingrich, Bennett, Meese, and Norquist were all present for it. In a session entitled "Campaign School on Crime," Gingrich joined NRA and prison lobbyists on the panel:

Controlling crime is the priority concern for voters today. This fall, candidates who campaign on crime, frame the issue effectively, present a credible, tough-on-crime agenda, and debunk the myths and misinformation of their

opponents will find an electorate ready to take back the streets from criminals and their apologists. More importantly, this year's elections will send a forceful message to lawmakers and begin to define next year's legislative battles over crime and criminal justice policy. The Campaign School on Crime brings together pollsters, campaign strategists and experts on crime control to provide legislators with an agenda and plan to advance meaningful crime control this fall and during the coming legislative session ([ALEC 1994](#)).

Adam Smith Awards Ceremony Presentation of the Adam Smith Free Enterprise Award

**Mr. Charles Koch, Koch Industries, Inc.
Chairman & CEO**

**Mr. David Koch, Koch Industries, Inc.
Executive Vice President**



Mr. Charles Koch



Mr. David Koch



David and Charles Koch win an award at ALEC's 1994 meeting, where Meese, Gingrich, Norquist and others are seen pushing "tough on crime"

Not only were David and Charles Koch attendees of the meeting, they were awarded the Adam Smith prize by ALEC. Koch Industries' Daniel Zaloudek was on ALEC's board of directors at the time.

ALEC's 2011 version of the mens rea bill was developed by ALEC's "Public Safety and Elections Taskforce." This taskforce was [disbanded/renamed](#) in 2012 after widespread criticism over its adoption of the Stand Your Ground, the "Arizona Immigration" bill, and Voter ID laws.

Former members of the taskforce include representatives of Corrections Corporation of America and the Heartland Institute, as well as many of the key figures within Right on Crime, including Marc Levin and Jerry Madden from the Texas Public Policy Institute, and Prison Fellowship Ministries's Pat Nolan.

Attendees of the 1994 ALEC meeting included John McKay, Edwin Meese, Grover Norquist, William J. Bennett, Ronald Scheberle, and Newt Gingrich, all signatories of Right on Crime Principles (or in McKay's case, Florida's 2009 smart justice open letter). Sponsors of the ALEC conference listed in the program include corrections contractors like BI Incorporated and CCA.

Meese (the former Attorney General chosen by President Ronald Reagan) presented a session, "From Crime to Security," whose description claimed that "America's crime rate has risen sharply in recent decades. Much of the cause can be traced to permissive policies, especially in corrections and the judiciary."

Meese, a past [attendee](#) of Charles Koch's donor summits, also serves on the board of directors of Koch's Mercatus Center at George Mason University.

Right on Crime is for Private Prisons

Right on Crime advocates appear to be careful not to criticize profit motives with the corrections crisis, and in fact, they [expressly promote](#) the continued use of private prisons, suggesting that:

For those instances when prisons are necessary, explore private prison options. A [study](#) by The Reason Foundation indicated that private prisons offer cost savings of 10 to 15 percent compared to state-operated facilities. By including an incentive in private corrections contracts for lowering recidivism and the flexibility to innovate, private facilities could potentially not just save money but also compete to develop the most cost-effective recidivism reduction programming.

A Reform Empire Built on Biased Research: Academics, Contractors, and Reentry Profiteering

The broader impact of Charles Koch's criminal justice reform movement can be seen most clearly by following the money from actual state and federal reforms to the contractors benefiting from them.

Their reform initiatives, often called "Smart Justice," have been developed and promoted by ALEC and their State Policy Network of think tanks. They [promote](#) the expansion of public funding for private reentry services.

In a 2015 interview, Koch claimed that his donor network was raising \$889 million to spend during the 2016 election, and yet only \$300 million would be spent on direct electoral politics. He told [USA Today](#) that:

"A good part of the rest is education and research," Koch said, ticking off university grants and other projects he is supporting, including an overhaul of the criminal justice system.

What would an "overhaul" of the criminal justice system look like if it were carried out by Koch's political network?

One can look as far as the last time Koch and ALEC overhauled the criminal justice system, when they helped profiteers build the prison industrial complex and a draconian tough on crime culture.

The kinds of reforms these groups are currently promoting include the ability of private reentry contractors to be paid based on a program's *projected cost savings to the state*, as determined by privately funded recidivism research.

For decades, this research has shown a pattern of flawed experimental design that has allowed contractors like Prison Fellowship Ministries, Operation New Hope, and the Prison Entrepreneurship Project to inflate and misrepresent recidivism reduction. This allows them to drastically inflate their projected cost savings and systematically gain access to federal and state funding.

This should not be surprising, given that this network of organizations is also responsible for using flawed, corporate funded research to propagate climate change denial and oppose the transition away from fossil fuels.

Justice Reinvestment Initiative

For example the 2010 Justice Reinvestment Initiative, was a public-private partnership between the Bureau of Justice Assistance (BJA), Pew Charitable Trusts, the Urban Institute, and others. JRI seeks to restructure corrections funding toward performance funding, or “evidence-based” solutions.

BJA director Denise E. O’Donnell describes using federal funding to restructure state and local funding systems, “[the] JRI model emphasizes support for implementation and the achievement of long-term justice system realignment. Jurisdictions then reinvest the cost savings into high-performing initiatives that make communities safer.”

There are two ways that JRI invests funding, including funding based on projected cost savings:

“...states have planned to reinvest more than \$398 million in public safety initiatives. To date, reinvestment has taken two forms: reinvestment of tangible savings and upfront investment.

Reinvestment of tangible savings occurs when states track avoided justice spending and reinvest those savings. The reinvestment of actual savings requires a waiting period for savings to be realized before investment in other programs can occur.

Upfront investment in public safety occurs when states fund programs on the basis of projected future savings. This strategy addresses the time lag between policy enactment and realization of savings.” ([Urban Institute](#), 2014)

For states, the JRI model requires all branches of government to formally request assistance from the BJA while creating a working group made up of elected officials, reformers, and corrections and law enforcement officials. These working groups make policy recommendations that allow the state to open contractor's access to state and federal "justice reinvestment" funding.

In many states, ALEC and Right on Crime groups are working in tandem with lawmakers to open access to JRI funding. In addition, the state level reforms coming out of JRI working groups are based on ALEC's reforms.

According to ALEC, a JRI bipartisan working group in Georgia, the Special Council on Criminal Justice Reform,

“...has produced a set of policy recommendations which align with ALEC model policies . . . Key elements of the recommendations align with a framework of policy that was the product of a Corrections and Reentry Working Group at ALEC.” (ALEC Press Release, 2012)

This working group was originally part of ALEC’s Public Safety and Elections Task Force, best known for their adoption of Stand Your Ground and Voter ID laws. Other members of this task force include the American Bail Coalition and private prison Corrections Corporation of America.

Other recent states include Illinois, where the Koch backed Governor, Bruce Rauner, [created](#) the Illinois State Commission on Criminal Justice and

Sentencing Reform within the first month of his administration. Rauner also attended Koch's secretive [2017 donor seminar](#).

Texas' InnerChange Initiative: Prison Fellowship Ministries and Byron Johnson

Prison Fellowship Ministries (PFM) was founded in 1976 by Chuck Colson, best known as Richard Nixon's "hatchet man." Colson was the first in Nixon's administration to go to prison for Watergate, where he founded PFM.

In 2016, the Charles Koch Foundation [donated \\$100,000](#) to Prison Fellowship Ministries.

In 1997 Colson launched a faith-based reentry program, the *InnerChange Freedom Initiative*, that eventually garnered millions in state and federal funding. The initial program involved making an "InnerChange" wing of an existing Texas prison through a public/private partnership between Prison Fellowship Ministries and the Texas Department of Criminal Justice.

Inmates must volunteer for the program and be classified at a minimum-security custody level. Once selected, the inmates go through a three-phase program involving 16 to 18 months of in-prison biblical programming and 6 to 12 months of aftercare while on parole. (Texas Criminal Justice Policy Council, 2002, pg 4)

With the help of then Texas Governor George W. Bush, the Texas Department of Criminal Justice agreed to pay all operation costs, along with a \$1.5 million state appropriation to PFM.

A key figure behind InnerChange's implementation was the director of Lamar University's Center for Justice Research and Education, Dr. **Byron Johnson**. According to his CV, he was paid \$128,800 by the John Templeton Foundation between 1995 and 1996 to research recidivism in a Brazilian prison run by Prison Fellowship Ministries.

Johnson's 1996 report claimed that “inmates who were most active in Bible studies were significantly less likely to be rearrested during the follow-up period.”

In September 1996, Johnson gave expert testimony to the Texas Board of Criminal Justice, and in January of 1997, Johnson was paid \$163,968 by Prison Fellowship Ministries to study their Texas InnerChange program. He went on to give expert testimony to the Texas corrections officials 3 more times that year. Between 1995 and 2001 Johnson was paid at least \$911,279 to produce research on InnerChange, \$782,479 directly from Prison Fellowship Ministries. These programs quickly spread to Minnesota, Kansas, Arkansas, Missouri, and Iowa (which Johnson was also paid to study).

In Iowa alone, InnerChange secured at least \$2,217,416 in state appropriations before a 2006 [lawsuit](#) filed by Americans United for the Separation of Church and State demonstrated that publicly funding the overtly religious programs was unconstitutional. (Reformers in states like Florida have since adapted to the constitutionality of "faith-based" reentry by simply calling them "faith and character based" programs.)

While being contracted by PFM and the Templeton foundation, Dr. Byron Johnson was also the director of the Bureau of Justice Assistance's *Center for Justice Research and Education* (1994-1997) in the Department of Justice's Office of Justice Programs.

In June 2003, Byron Johnson accompanied Chuck Colson to the Bush White House with the findings of his InnerChange report “A Preliminary Evaluation of a Faith-Based Prison Program.”

The [press release](#) published by Prison Fellowship Ministries claimed that "Univ. of Pennsylvania Study Shows Inmates Who Graduate From Prison Fellowship's InnerChange Freedom Initiative are Less Likely to Return to Incarceration," and that Texas InnerChange inmates were “50% less likely to be rearrested” and “60% less likely to be re-incarcerated.”

That same summer, UCLA professor Mark Kleiman [examined](#) Johnson's paper, observing that, despite the claims being made, Johnson's findings actually showed no effect of participating in IFI.

The headline was based on an artful subtlety within Johnson's paper. Rather than comparing the recidivism of IFI participants with a control group, the recidivism rates being compared were those of a small and selectively chosen subgroup of "IFI graduates." Kleiman observed that:

"...when you look carefully at the Penn study, it's clear that the program *didn't* work. The InnerChange participants did somewhat *worse* than the controls: They were slightly more likely to be rearrested and noticeably more likely (24 percent versus 20 percent) to be reimprisoned[. . .]

The technical term for this in statistics is "selection bias"; program managers know it as "creaming." Harvard public policy professor Anne Piehl, who reviewed the study before it was published, calls this instance of it "cooking the books."

InnerChange started with 177 volunteer prisoners but only 75 of them "graduated." Graduation involved sticking with the program, not only in prison but after release. No one counted as a graduate, for example, unless he got a job. Naturally, the graduates did better than the control group. Anything that selects out from a group of ex-inmates those who hold jobs is going to look like a miracle cure

This is called "selection bias," and the conclusions of such studies are tainted by throwing out data points that don't support the success of the program. Johnson and White House officials declined press inquiries regarding Kleiman's report (Houston Press, 2003).

In [2011](#) conservative legal scholar Alexander Volokh published a survey of 23 similar studies on faith-based recidivism reduction (including Johnson's original 1996 study), noting that they nearly all suffered from similar selection biasing.

The Manhattan Institute and Public/Private Ventures

As early as 1999, Byron Johnson appears to have been involved in a larger effort to build a national faith based reentry movement with the help of the Manhattan Institute.

The Manhattan Institute is an [associate member](#) of the State Policy Network and ALEC affiliate, receiving at least \$3,962,270 from Koch foundations and DonorsTrust/Donors Capital Fund.

In 1999, the Manhattan Institute's Center for Civic Innovation held a panel discussion called "Social Scientists Agree: Religious Belief Reduces Crime," consisting of Director of Manhattan's Center for Civic Innovation, Dr. John Dilulio, Gary Walker, President of Public/Private Ventures, David Larson, M.D., and Dr. Byron Johnson. A Manhattan Institute newsletter recounts:

Walker is working on a pilot project with Dr. Dilulio and Rev. Eugene Rivers to implement a faith-based mentoring system in 10 cities around the country. But the project faces some daunting challenges, as Mr. Walker sees it. Can faith-based mentoring, which usually works on a small-scale, informal basis, be successfully bureaucratized, even by private organizations? And can faith-based mentoring overcome resistance from government and philanthropic funders in order to grow and thrive?

The next year, Johnson became a senior fellow at the Manhattan institute, and took over for Dilulio as Director of Manhattan's "Jeremiah Project."

Dilulio, the tough on crime fear-monger responsible for the "[juvenile super-predator](#)" theory. He served as a board member and [senior counsel](#) of Public/Private Ventures before [founding](#) the University of Pennsylvania's Center for Research on Religion and Urban Civil Society (CRRUCS).

In 2001, when Dilulio left to serve as President Bush's Director of Faith-Based and Community Initiatives, Byron Johnson took over as CRRUCS director, with the help of \$2,600,000 from the Pew Charitable Trust.

This is where Johnson (and aforementioned Manhattan panel member, David Larson) published the 2003 InnerChange report that was presented to the Bush White House.

Despite the fact that Byron Johnson's CV shows \$282,149 from Prison Fellowship Ministries for "Evaluating Texas' Values-Based Prison," his paper omits any mention of funding from Prison Fellowship Ministries.

The report does however [acknowledge](#) financial support from Pew and the Manhattan Institute's Center for Civic Innovation.

Ready4work: Under-Reported Recidivism = Inflated Cost Savings

The same year that Johnson and Colson met with President Bush about InnerChange, the White House launched a national faith-based reentry program called [Ready4Work](#). It was part of a \$27 million public/private faith-based initiative between the Department of Labor (\$10 million), the Annie E. Casey Foundation, the Ford Foundation, and Public/Private Ventures (P/PV).

During this time (2003-2004), Byron Johnson served as a Senior Research Adviser to Public/Private Ventures, working on a "Prisoner Reentry and Ready4Work Initiative." Ready4Work (R4W) was a "national demonstration project managed by Public/Private Ventures that aims to reduce recidivism, and, thereby, redress the personal and societal costs that recidivism poses." The program distributed funding to eleven very different private reentry programs around the country, seven of which were faith based ([DOL](#), 2008, pg 6). The Texas recipient was an InnerChange facility. In [2005](#), the Department of Labor [pitched in](#) another \$20 million to thirty faith and community based organizations as the "Prisoner Reentry Initiative."

Ready4Work, operating to this day, appears to continue the trend of using misleading recidivism numbers to project large cost savings.

The program is said to be modeled in part after a pilot program in Jacksonville Florida called [Operation New Hope](#) (ONH), a project of “bullish” [real estate developer](#) Kevin Gay. Gay received \$1 million of the initial \$10 million Ready4Work grant for ONH in Florida.

Ready4Work’s [2008 final report](#) compared recidivism with Bureau of Justice Statistics (BJS) data from prisoners released in [1994](#). One major methodological shortcoming was the total lack of meaningful comparison groups. The BJS data spanned 15 states, 8 of which were among the 11 R4W states. More importantly, the R4W recidivism data only counted “in-state” recidivism, while the inclusion of “out-of-state” recidivism in the BJS data accounted for 7.6% of recorded recidivism ([pg 6](#)). A final table sums up their results ([pg 35](#)) including the comparison of Ready4Work’s 3-year rearrest rates, 57%, to the national number 67.5%. The report acknowledged that “these figures are not directly comparable,” only that they “provide the best point of comparison under which R4W recidivism levels can be interpreted.” The researchers optimistically conclude “The fact that R4W recidivism rates are not higher than the BJS rate suggests the program shows promise.”

A [2006](#) third party evaluation of the R4W recidivism data quality reported that the programs relied almost entirely on self-reporting, and that “there was little data in the case files concerning recidivism.” The third party study was only able to access actual recidivism data because Public/Private Ventures “had negotiated access to state files” ([pg 6](#)). It was ultimately found that sites were unable to account for 51% of their clients’ recidivism statuses.

The results of the R4W final report to the Department of Labor in 2008 ([pg 35](#)) appear to have been misquoted almost immediately in federal, state, and media.

A [subsequent brief](#) by the White House claimed that “only 2.5 percent of Ready4Work participants have been re-incarcerated in state institutions within 6 months of release.” In fact, the R4W report found the 6-month re-incarceration rate was not 2.5%, but 3.7% (2.5% was actually the rate reconvicted for violent crime within 6-months). The White House statement also claims that R4W one year recidivism rates were “44 percent lower than the 10.4 percent national rate.” Contrary to this claim, the Department of

Labor report compares the national rate 10.4% to R4W's 8.7% (only 16 percent lower).

“The Charles Koch Foundation is now funding Operation New Hope, providing \$2,500 in 2016.”

With the White House funding ending, ONH sought local and state support. In a slide presented to a City of Jacksonville subcommittee, January 28, 2008, Kevin Gay claimed that Operation New Hope had a “5% recidivism rate v.s. the national average of 67%.” (pg 26), and used that rate to **project** drastic savings:

[with] a local recidivism rate of 54 percent, [...] participants could be expected to be re-incarcerated within three years at a cost of \$6,011,550. However, with the ONH program of success at maintaining a five percent re-incarceration rate [...] the program could save the state over \$5,454,925 (\$6,011,550-\$556,625) annually.

If Gay's 5% claim is referencing the 2008 R4W report, he is mistaken. There is not a single digit 3-year recidivism rate. If he is referencing data collected by ONH in Jacksonville, then a single digit figure is most likely the result of data that, while largely missing, was also “almost entirely self-attested” according to the **2006** data quality report.

Regardless, Jacksonville has contracted at least \$452,148 to ONH for Ready4Work, and since 2012, the Florida Department of Corrections has contracted with ONH for at least \$6,275,000. Florida's 2015 budget set aside \$1,225,000 recurring for Operation New Hope to perform Ready4Work services.

While President Obama was campaigning in Jacksonville in 2008, Kevin Gay **reportedly** asked him, “What if I told you I could save you \$30 billion in your first year of office?” citing Ready4Work's alleged 5% recidivism rate. President

Obama named Gay to his transition team on Faith-Based and Neighborhood Partnerships Council.

ONH has since transformed into a strange [real estate development project](#), where prison/reentry workers build houses that ONH then sells.

Other federal legislation has opened increasing amounts of public money to private reentry contractors. The [Second Chance Act](#), signed in 2008, has set aside over \$250 million to fund state or private reentry services as of 2013. Florida's [Operation New Hope](#) now receives funding through the Second Chance program.

The Charles Koch Foundation is now funding Operation New Hope, providing [\\$2,500 in 2016](#).

In federal testimony supporting the Second Chance Act, Prison Fellowship Ministries' Pat Nolan [cited](#) Byron Johnson's research. Nolan, a former Tough on Crime legislator briefly [imprisoned](#) for racketeering, has also served as the Private Sector Chair of ALEC's Corrections and Reentry working group alongside Public Sector Chair Texas legislator Rep. Jerry Madden. Both are central figures in Right on Crime. Prison Fellowship Ministries is also listed as a Second Chance Partner on the Bureau of Justice Assistance [website](#).

The Prison Entrepreneurship Program

With these efforts ramping up, the Koch network is signaling pretty heavily about which reentry programs they are excited about.

In October of 2017, Koch seminar attendee and President of the American Enterprise Institute, Arthur Brooks, used the Prison Entrepreneurship Program as his [headline example](#) of "escaping poverty through entrepreneurship."

In a 2016 [Charles Koch Institute blog](#), two reentry providers are lauded by name; "Kevin Gay, CEO of Operation New Hope, and Bert Smith, CEO of the Prison Entrepreneurship Program":

Operation New Hope's Ready4Work program in Florida provides a four-to-six-week-long course to those recently released from incarceration that offers mentorship and provides job training while helping program participants find placement . . . The Prison Entrepreneurship Program begins earlier, while participants are still incarcerated. The program's in-prison education teaches leadership and business skills through college-level courses and graduate school case studies. . . . With 100 percent of graduates employed within 90 days of release, and 90 percent still employed after one year, the Prison Entrepreneurship Program's recidivism rate is a startlingly low 7 percent ([Charles Koch Institute blog](#), 2016).

In 2015, the Koch Institute released a short documentary about the Prison Entrepreneurship Program (PEP). The video description reads:

“Nearly seven million people are in prison or on parole in the United States. Two-thirds of inmates released from prison remain unemployed after a year. And two-thirds will be re-arrested within three years of release. With numbers like that, it's clear that the collateral consequences of incarceration, like difficulty finding employment, deserve attention, action, and solutions. **The Prison Entrepreneurship Program, which helps ex-offenders create their own businesses, shows how community and non-profit organizations are sometimes best positioned to offer these solutions**” ([CKI Youtube](#), 2015).

In the video, PEP's Bryan Kelley described a recidivism study:

“Baylor did a study a few years ago on nine programs within Texas. Three of them actually increased recidivism.” — ([video](#) at 2:10)

Table 2: Recidivism Results for Fiscal Year 2009 TDCJ Rehabilitation Programs

Rehabilitation Tier Programs	Two-Year Recidivism Rate			Treatment Group	Difference
	Treatment Group	Comparison Group	Difference		
InnerChange ¹⁶	9.73%	8.85%	0.88%	15.0%	-3.54%
IPTC with Aftercare ¹⁷	6.67%	13.37%	-6.70%	13.5%	-8.25%
PRSA ¹⁸	12.93%	12.41%	0.52%	20.5%	0.37%
PRTC ¹⁹	12.73%	12.33%	0.40%	20.7%	0.22%
SVOR ²⁰	25.71%	17.65%	8.07%	32.0%	1.48%
SOEP ²¹	7.09%	10.09%	-3.00%	11.0%	-5.32%
SOTP - 18 ²²	5.64%	7.56%	-1.92%	11.0%	-4.17%
SAFP with Aftercare ²³	9.10%	24.60%	-15.50%	19.0%	-16.67%
DWI ²⁴	8.40%	10.58%	-2.18%	10.0%	-4.57%

Source: Evaluation of Offenders Released in Fiscal Year 2009 That Completed Rehabilitation Tier Programs, TDCJ report; Evaluation of Offenders Released in Fiscal Year 2007 That Completed Rehabilitation Tier Programs, TDCJ report presented in Johnson et al. (2010).

The table shown in the video is page 14 of Byron Johnson's [2015 report](#), which praises the Prison Entrepreneurship Program.

Immediately following this shot of Johnson's study, PEP's Natalie Baker describes their methodology and appears to inadvertently reveal clear evidence of the exact same selection bias present in programs carried out by Byron Johnson and others.

“What's great about our program is, we have hand chosen guys who want something better for themselves. They know that they're capable of bigger things.” — ([video](#) at 2:20)

On [PEP's website](#), they feature the "Baylor Study" prominently (www.pep.org/baylor-study/).

Johnson's study describes the selection methodology behind PEP's program (housed inside a Geo Group prison):

“It is a selective program and, with the support of the Texas Department of Criminal Justice, recruits from over 60 men’s correctional facilities across the

state. Candidates passing through PEP’s initial screening are transferred by TDCJ at PEP’s request to the Cleveland Correctional Center, a 520-bed prison operated by Geo Group, in Cleveland, Texas, where PEP provides all of its in-prison programming. In addition, PEP provides extensive post-release services (including job development, transitional housing, and continuing education) in Houston and Dallas, communities to which approximately 90% of PEP’s graduates are released.” ([PEP Baylor Study](#))

prison entrepreneurship program

HOME WHY PEP WHO WE ARE WHAT WE DO ROI TAKE ACTION CONTACT US

Baylor Study

STUDY DOWNLOADS

- Download Executive Summary
- Download Full Study (4MB)

BENCHMARKING

In 2013, Dr. Byron Johnson, Director of the Institute for Studies of Religion and Distinguished Professor of Sociology at Baylor University (Baylor), led a team of independent researchers from Baylor to assess PEP’s results.

CONTROL GROUP VALIDATION

The study compared 94 PEP graduates to a control group of over 50 inmates who had been selected for PEP but who did not participate in PEP’s programs (i.e. they paroled before class began). The recidivism rate of the control group was almost identical to the state average, and nearly 3-4 times that of PEP’s graduates.

RETURN ON INVESTMENT

On a very conservative basis, the Baylor team of researchers concluded that every dollar donated to PEP yields a 340% ROI due to avoided incarceration, increased child support payments and reduced reliance on government assistance.

According to [Baylor University](#), which offers PEP graduates a "Certificate in Entrepreneurship" every year, "more than 5,000 inmates apply to be a part of PEP – but only the top 5 percent are selected for this elite program."

CEO Bert Smith describes the course load:

“Our graduates invest over 1,000 hours of work into our six-month Business Plan Competition class, which incorporates a college-level curriculum supplemented by Harvard MBA cases, the AP Writing Stylebook, Toastmasters, an employment workshop and a financial literacy course.”

– ([Baylor Press Release](#), 2013)

In an interview with the Acton Institute, the issue of using PEP "graduates" as the experimental group becomes a bit more clear. The Acton interviewer asks a:

“...40-year-old inmate from South Texas about the ones that drop out, a topic I haven’t seen addressed in any of the media coverage or PEP testimonials. **“A lot of people do leave the program,” he confides. “They simply can’t handle the homework, and there is a lot of after hours work and preparation they are not willing to embrace.”** The business plan competition requires 1,000 hours of classroom time over six months. That works out to several hours of homework per night. Inmates study college textbooks and read novels like Crime and Punishment by Fyodor Dostoyevsky.” ([Religion & Liberty](#), 2015) (**Emphasis added**)

We can now see the problems with PEP's reporting. They only compare the graduates of their intensive college level courses. In order to make a meaningful comparison to the control group, they would have to include the recidivism of the drop-outs.

Again, despite the demonstrable selection bias explained in Johnson's own paper, his Executive Summary is strangely defensive:

Control Group Study: No Selection Bias

PEP's graduates are significantly less likely to return to prison than the control group of inmates who were selected for PEP but who did not participate in its programs. This confirms the positive impact of PEP's intervention rather than the influence of its selection process. ([PEP Baylor Exec. Summary](#))

While it would be refreshing to see [Johnson's study](#) pay special attention to control for selection bias, the report never mentions it once. The only place the word "bias" appears at all is in the one page executive summary.

PEP's [2016 annual report](#) shows some completion rates are as low as 53%.

PEP uses their single digit recidivism numbers, and many other factors, to project an overwhelming cost savings to the state. In very clear business

terms, [Byron Johnson's PEP study claims](#) that the Return on Investment from state dollars is 340% after five years.

This figure is not only based on the questionable 7% recidivism rate, but it adds in a cornucopia of other economic "impacts" and "gains" to pad their numbers:

“The first area of economic impact we evaluate includes savings related to reduced recidivism. . . A second area of economic impact we calculate quantifies gains associated with increased tax revenue generation. . . A third area of economic impact that PEP data help us evaluate includes economic gains from increased child support payments. . . The final area of economic impact we evaluate calculates savings from reduced public assistance costs. Based on PEP graduates’ employment rates, the estimated number of PEP graduates on public assistance, and studies that quantify the average annual benefits individuals receive from food stamps and TANF, we estimate the annual savings that avoided recidivism has on public assistance costs.”

– ([PEP Baylor Study](#), pg 30)

PEP Goes For Profit, Like Operation New Hope

Another alarming aspect of PEP is the development of its for profit subsidiary, [Communitas Ventures](#), owned by PEP's board chair Mike Humphrey.

In 2013, [Communitas Auto Group LLC](#) was launched as "an independent, for-profit company formed by PEP to become the exclusive master franchisee for Auto-Lab Complete Car Centers for the State of Texas."

The announcement describes how:

“...PEP's strategic objectives include harnessing capitalism to create high quality business and career opportunities for its graduates, a wider variety of engagement opportunities for our supporters and sources of sustainable

revenue to support PEP's core programs[. . .] While qualified graduates of PEP's rigorous, values-based entrepreneurship program will be eligible for jobs created by these new stores, the primary purpose of CAG is to operate as a successful commercial business, thereby providing not only quality opportunities for graduates, but significant revenue stream to its owners, including PEP.” – ([PEP CAG FAQ](#))

Other for-profits are lining up behind PEP. The corrections communications contractor, [SECURUS](#), announced a 5 year funding commitment and "exclusive agreement" to expand PEP's reentry programs. Securus' exploitative practices have built massive profits on the backs of inmates and their families, as documented by the [Prison Policy Initiative in 2015](#).