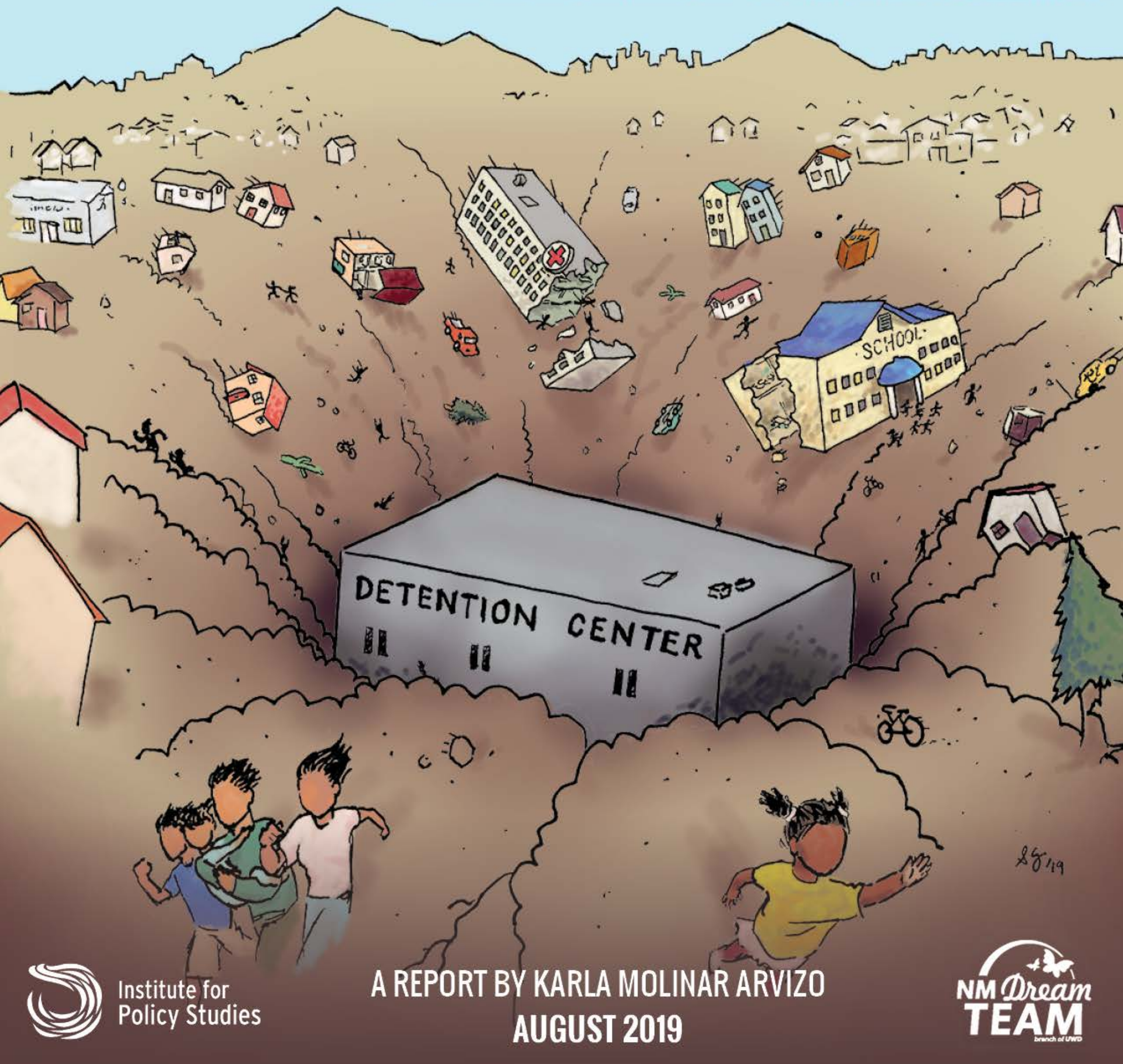
THE DETENTION DRAIN

HOW IMMIGRATION DETENTION HURTS NEW MEXICO'S ECONOMY



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NM Dream TEAM

The Detention Drain: How Immigration Detention Hurts New Mexico's Economy

A Study of the Cibola, New Mexico Detention Facility by Karla Molinar Arvizo
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Institute for Policy Studies in collaboration with the New Mexico Dream Team

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Introduction and Key Findings

The criminalization of immigration through policies like President Trump's "Zero Tolerance" policy has swelled the numbers of people in U.S. detention centers. Recent reports have exposed the inhumane conditions in these centers, including those that have caused dozens of deaths.

Many people have rightly contested the very existence of these detention centers, given these abysmal conditions, and have called for investigation and a total reassessment of the mass detention of asylum seekers and immigrants.

When faced with this criticism, one of the main defenses of government officials in states and counties where the centers are located is that they make economic sense. The centers, it is argued, bring revenue and jobs to areas that need them. This IPS report punctures this myth by looking into a large immigrant detention center in rural New Mexico run by CoreCivic, one of the largest private corporations running prisons and detention centers.

Our analysis of New Mexico's Cibola County Detention Facility finds that the economic and jobs arguments are grossly overstated for three reasons:

> **Finding 1: Cibola County is losing a considerable amount of money on the detention facility, as it pays high operational costs that aren't covered by the federal contract.**
>
> **Finding 2: CoreCivic has made huge profits off its detention centers and private prisons and it pays its CEO over $4 million, while paying almost no federal income taxes.**
>
> **Finding 3: There are much more productive ways to create good jobs and healthy communities in New Mexico with the $150 million that has gone to CoreCivic.**

Background on CoreCivic and Private Detention Centers

CoreCivic is one of two multi-billion dollar firms that have racked up lucrative contracts in the private prison and detention business. CoreCivic was incorporated in 1983 as the Corrections Corporation of America. Recently renamed CoreCivic, it now operates 51 correctional and detention facilities across the country, including three in New Mexico.

One of its private prisons in a poor, rural New Mexico county — the 1,129-bed Cibola County Correctional Center of Cibola — was shut down in July 2016 after The Nation magazine published an exposé of three inmate deaths. The Nation spoke with monitors from the Federal Bureau of Prisons who reported negligence in the deaths.

Within just three months of closure, Cibola County received a contract from ICE, the Immigration and Customs Enforcement agency, to re-open the prison as an immigrant detention center. Since re-opening, there is continued evidence of inhumane treatment at the facility. A clear example is the death of a transgender asylum seeker, Roxana Hernandez, in 2018.

Most of those detained at the Cibola center are "administrative detainees," meaning they have no criminal violations other than lacking immigration status, or they have legally applied for asylum and are waiting for their cases to be heard. Journalist Sarah Macaraeg first disclosed details about the facility as part of a project for the Center for Investigative Reporting.

The Cibola center is part of a much broader problem. According to a National Immigration Justice Center report, detention has skyrocketed during the current administration, well beyond previously approved spending levels by Congress. The same report highlights better alternatives and practices, like community-based programs that have been effective in other countries, such as Canada and Sweden. It proves we could be spending taxpayer money elsewhere and in better ways.

How the Contracts Work

Through the funding Congress allocates to the Department of Homeland Security (DHS), taxpayer money is appropriated to the Immigration and Customs Enforcement agency (ICE), which then designates these funds towards different operations and activities, mainly related to detention and deportation of immigrants and refugees. In their 2019 Fiscal Year financial reports, DHS states that of the $74 billion allocated to the department, it has set aside $2.8 billion for detention centers.

In 2016, ICE contracted with Cibola County as a "service provider" to house "administrative detainees." Cibola County, in turn, contracted with the for-profit corporation CoreCivic to operate the center. The county agreed to pay the corporation $30 million in federal funds a year for five years, for a total of $150 million. In exchange, the county was supposed to benefit in the form of "the creation of jobs and the payment of applicable property taxes."

Policymakers in New Mexico have echoed this theme, arguing that allowing private detention centers is good for local economies since it creates jobs. However, IPS researchers have found just the opposite — that such centers are a drain on the local economy.

Here are the three findings of IPS's research on the economic arguments for detention centers.

Finding 1: Cibola County is losing a considerable amount of money on the detention facility, as it pays high operational costs that aren't covered by the federal contract.

According to the 2018 state auditor's annual fiscal report, Cibola County Detention Center has a net operating loss of $2,876,043 (see figure1 below). To offset this loss, the county "transferred in" $2,751,517 from other financing sources. In figure 2 from the auditor's report, this transaction is recorded as a "cash flow provided by noncapital financing activities."

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Detention Center
OPERATING REVENUES	
Gross receipts taxes	$ 492,283
Charges for services	628,132
Licenses and fees	88,358
Other	9,726
Total operating revenues	1,218,499
OPERATING EXPENSES	
Personal services	1,040,692
Contractual services	21,192
Maintenance and materials	83,853
Other operating expenses	2,804,805
Depreciation	144,000
Total operating expenses	4,094,542
Operating income (loss)	(2,876,043)
Other financing sources	
Transfer in	2,751,517
Gain (loss) on disposal of assets	-
Total other financing sources	2,751,517
Change in net position	(124,526)
Total net position, beginning of year	3,784,130
Adoption of new accounting standard (Note 13)	(1,023,113)
Total net position, beginning of year, restated	2,761,017
Total net position, end of year	$ 2,636,491

Figure 1: Statement of revenues, expenditure and changes in net position. Recorded "transfer in" of $2,751,517 that ultimately fills in the operating loss of ($2,876,043) .

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Detention Center
Cash flows from operating activities	
Cash received from customers and grantors	$ 1,146,365
Cash payments to suppliers	(2,660,152)
Cash payments to employees	(1,279,782)
Net cash used in operating activities	(2,793,569)
Cash flows from non-capital financing activities	
Net transfers in (out)	2,751,517
Cash flows from capital and related financing activities	
Purchase of capital assets	-

Figure 2: Statement of Cash Flows, recorded amount of $2,751,517 coming into the detention center.

While there is insufficient transparency from the county and state governments to determine the exact source of this transfer, figures 3 and 4 from the auditor's report shed some light. Figure 3 shows that the $2.7 million transfer came from a pot labeled "Business-type activities — Detention Center fund." Figure 4 depicts how the fund money is coming into "Governmental Activities" and transferred out to "Business-type activities" — which only includes the detention center.

STATE OF NEW MEXICO
CIBOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. TRANSFERS

Net operating transfers made to close out funds, to supplement other funding sources, and to repay previous transfers were as follows:

Transfer In	Amount	Transfer Out	Amount
Major governmental funds:		Major governmental funds:	
General Fund	$ 3,704,256	General Fund	$ 5,428,853
Volunteer Fire Districts	41,000	Volunteer Fire Districts	54,860
Revenue Bond Debt Service Funds	1,261,588	Revenue Bond Debt Service Funds	3,298,950
NMFA Debt Service Fund	54,860	NMFA Debt Service Fund	-
Total major governmental funds	5,061,704	Total major governmental funds	8,782,663
Total nonmajor governmental funds	1,012,326	Total nonmajor governmental funds	42,884
Business-type activities - Detention Center fund	2,751,517		-
Grand Total	$ 8,825,547	**Grand Total**	$ 8,825,547

Figure 3: Notes on the Financial Statement, recorded amount of money being transferred into the county as "Detention Center Fund"

STATE OF NEW MEXICO
CIBOLA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expenses), Revenues, and Changes in Net Position — Program Revenues		
Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities							
General government	$ 3,282,536	$ 644,678	$ 357,707	$ -	$ (2,280,151)	$ -	$ (2,280,151)
Public safety	4,463,260	53,444	1,066,456	-	(3,343,360)	-	(3,343,360)
Public works	2,171,478	-	1,017,646	23,175	(1,130,657)	-	(1,130,657)
Culture and recreation	251,250	-	-	-	(251,250)	-	(251,250)
Health and welfare	1,867,406	12,122	-	-	(1,855,284)	-	(1,855,284)
Interest on long-term debt	714,696	-	-	-	(714,696)	-	(714,696)
Total governmental activities	$ 12,750,626	$ 710,244	$ 2,441,809	$ 23,175	(9,575,398)	-	(9,575,398)
Business-type Activities:							
Detention center	4,094,542	716,490	-	-	-	(3,378,052)	(3,378,052)
Total business-type activities	4,094,542	716,490	-	-	-	(3,378,052)	(3,378,052)
Total primary government	$ 16,845,168	$ 1,426,734	$ 2,441,809	$ 23,175	(9,575,398)	(3,378,052)	(12,953,450)
General Revenues:							
Taxes							
Property taxes					3,643,471	-	3,643,471
Gross receipts taxes					4,827,315	492,283	5,319,598
Payment in lieu of taxes					2,110,699	-	2,110,699
Change in equity interest in component unit					-	-	-
Interest income					48,621	-	48,621
Miscellaneous income					1,083,586	9,726	1,093,312
Transfers in (out)					(2,751,517)	2,751,517	-
Total general revenues and transfers					8,962,175	3,253,526	12,215,701
Change in net position					(613,223)	(124,526)	(737,749)
Net position - beginning					51,636,404	3,784,130	55,420,534
Adoption of new accounting standard (Note 13)					(5,499,352)	(1,023,113)	(6,522,465)
Net position - beginning, as restated					46,137,052	2,761,017	48,898,069
Net position - end of year					$ 45,523,829	$ 2,636,491	$ 48,160,320

Figure 4: Statement of Activities, recorder transaction of "Detention Center Fund" money transferred from "Governmental Activities" to "Business-Type Activities"

These financial statements suggest that Cibola County is actively choosing to shift money allocated for "Governmental Activities" — which includes work related to public safety, health and welfare — to the detention center. This transfer allows the detention center to appear as if it is making profit for the county.

This is a pattern of transaction recorded every year from 2016 to present — the years CoreCivic has been in charge of the detention center in Cibola County. In fact, the contract between Cibola County and ICE states that the county will not be reimbursed for any additional expenses the operation of apprehension of immigrants incurs. Despite this financial report, which shows that the county's detention center expenses are more than double the income from taxes, service charges, and licenses and fees, officials continue to argue that the detention center actually makes money. In reality, it is an economic drain on New Mexico and its taxpayers.

Finding 2: Core Civic has made huge profits off its detention centers and private prisons and it pays its CEO over $4 million, while paying almost no federal income taxes.

Nashville-based CoreCivic has turned taxpayer-funded detention centers and private prisons into big money makers for their top executives and shareholders. CEO Damon Hininger made $4.1 million in 2018 — 112 times the pay of the company's median worker.

To reduce their IRS bills, CoreCivic has structured itself as a real estate investment trust. This allows them to book nearly all their profits from property-related operations tax-free as long as these profits are distributed to shareholders through dividends. This tax loophole explains why the company now owns nearly all of the facilities they operate. In 2018, CoreCivic paid a combined federal and state tax rate of less than five percent, according to their own annual report to the Securities and Exchange Commission.

CoreCivic's net income of $159 million in 2018 was $36 million more than the entire state of New Mexico spent on public assistance programs that year.

These figures display extraordinary corporate greed in the name of helping a poor a New Mexico county.

Finding 3: There are much more productive ways to create good jobs and healthy communities in New Mexico with the $150 million that has gone to CoreCivic.

Despite the influx of federal funding into the so-called "protective industry," of which detention centers are a part, this sector accounts for only 3.5 percent of the labor force in the state of New Mexico. Furthermore, the average income for Cibola County is just $36,089, and 29 percent of its people live in poverty.

IPS examined other ways that Cibola County could spend the same amount of money in alternative uses that could create more dignified jobs that meet pressing needs of people in the county. Congress has the power to allocate its funding elsewhere to create better jobs and a more vibrant economy.

Research from the National Priorities Project at the Institute for Policy Studies reveals several areas where federal and local money could be better spent. For example, Cibola county could be using the $2.75 million to create jobs instead of transferring the money from "Government activities" into the detention center to cover the expenses.

The $2.75 million could cover the annual cost of either:

– 34 elementary school teachers
– 37 clean energy jobs
– 49 infrastructure jobs created
– 27 jobs with supports created in high poverty communities
– 309 Head Start slots for children
- 266 military veterans receiving VA medical care
- 78 scholarships for university students for 4 years

Any of these investments would be significant in Cibola, a county of around 27,000 people.

More ambitiously, the $30 million from federal taxpayer funds that go into CoreCivic from the Cibola Detention Center could cover the annual cost of either:

- 371 elementary school teachers jobs
- 404 clean energy jobs
- 539 infrastructure jobs
- 300 jobs with supports created in high poverty communities
- 2,903 military veterans receiving VA medical

Not only would allocating federal funding to other such activities generate more revenue and jobs than detention centers. It would also help create a healthier, more diverse local economy.

The New Mexico Debate Over Immigration Detention

Some lawmakers have responded to the public controversy over immigrant detention centers by proposing limits on the use of resources for detention and deportation. House Bill 195 and Senate Bill 196 would also limit collaboration with ICE, which would reduce costly expenses to the state and improve the lives of people across New Mexico. Under these proposals, local law enforcement agencies and state police would be banned from detaining immigrants unless they have a judicial warrant or order from a criminal proceeding. In other words, they could not detain someone merely because of their immigration status.

These initiatives have been met with resistance by some elected officials, who argue that detention centers have brought economic well-being and employment generation. A Fiscal Impact Report also stoked opposition by raising concerns about whether the proposed legislation would provoke the Trump administration to retaliate by cutting federal funding to New Mexico. Other legal experts downplay this threat, arguing that the bills would not violate federal law. Moreover, the mere existence and practices of the detention center are already liabilities to New Mexico.

Conclusion

Throughout this report, we have used data from the Cibola County Detention Center to dispel common myths about the economic benefits of detention centers. We suspect that similar analyses of detention centers in other parts of the country would result in a similar conclusion: these centers are not only inhumane — they also extract wealth from taxpayers and local communities in order to generate corporate profits.

We have also offered evidence that New Mexico can build strong and meaningful communities that do not involve separation of families through detention or deportation. In fact, the existence of detention centers poses a threat physically, mentally, and economically to the state's diverse population. Eight percent of U.S.-born children in New Mexico come from a family where at least one parent is undocumented, while undocumented workers make up 8 percent of the state's workforce. About 7 percent of Cibola County and 9 percent of New Mexico's total residents are foreign born. Under immigration law, anyone who isn't a U.S citizen, including legal permanent residents, is at risk of detention and deportation.

Detention centers are much more harmful to this interwoven community than money can count. People have to fear having their family members detained for being "suspicious" on their commute from work to their homes. Asylum seekers have to endure being caged in a detention center while their applications are being screened. People fleeing persecution are finding themselves in cells where abuse, inadequate medical attention, and brutality are common day-to- day occurrences.

New Mexico needs real solutions to the state's persistent poverty and lack of good jobs. Inhumane immigration detention centers are not the answer.