



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
GEO Corrections Holdings, Inc., *et al.*) MUR 7180
)

**STATEMENT OF REASONS OF
CHAIR SHANA M. BROUSSARD AND COMMISSIONER ELLEN L. WEINTRAUB**

For over 80 years, federal contractors have been prohibited from making political contributions to prevent undue influence in awarding taxpayer-funded contracts.¹ This prohibition serves an important purpose of protecting the merit-based administration of government contracts, avoiding pay-to-play, and ensuring that government personnel involved in contracting decisions are free from political coercion.²

While the Commission unanimously found reason to believe that GEO Corrections Holdings, Inc. (“GCH”) violated the federal contractor contribution prohibition,³ the Commission failed to find that there was probable cause to believe.⁴ Three of our colleagues did not support our Office of General Counsel’s well-reasoned recommendation that we find probable cause despite the evidence clearly demonstrating that GCH acted as little more than a corporate shell for other entities that are indisputably government contractors. A careful review of the record demonstrates that GCH’s management, finances, and governing policies are so tightly interwoven with the other corporate entities that they constitute a single entity for purposes of the contractor contribution prohibition.

Under Federal law, a government contractor is prohibited from “directly or indirectly” making a contribution to any political party, political committee, federal candidate, or any person for “any political purpose or use.”⁵ The key question for the Commission in a matter involving an alleged

¹ See *Wagner v. Fed. Election Comm’n*, 793 F.3d 1, 12 (D.C. Cir. 2015), *cert. denied*, 136 S. Ct. 895 (2016) (“The statute that Congress passed in 1940 has retained its essential features since that time. Then, as now, it barred any person or firm negotiating or performing a federal contract from contributing ‘to any political party, committee, or candidate for public office or to any person for any political purpose or use.’”); 52 U.S.C. § 30119(a)(1); 11 C.F.R. § 115.2(a).

² See *Wagner*, 793 F.3d at 9-11.

³ See Certification in MUR 7180 (GEO Corrections Holdings, Inc., *et al.*), dated Jan. 24, 2018.

⁴ See Certification in MUR 7180 (GEO Corrections Holdings, Inc., *et al.*), dated Aug. 12, 2021. We voted along with Commissioner Walther to support a probable cause to believe finding and to approve a conciliation agreement proposed by the Office of General Counsel.

⁵ 52 U.S.C. § 30119(a)(1); 11 C.F.R. § 115.2(a).

MUR 7180 (GEO Corrections Holdings, Inc., *et al.*)
Statement of Chair Shana M. Broussard and Commissioner Ellen L. Weintraub

contractor contribution is whether the entity making the contribution was a contractor at the time the contribution was made.

The Commission has previously held that parent companies who hold ownership interests in a subsidiary designated as a government contractor may contribute if the parent is a “separate and distinct legal entity” and “has sufficient revenue derived from sources other than its contractor subsidiary to make a contribution.”⁶ We believe this standard should be tightened to avoid circumvention of the important policies behind the federal contractor ban.⁷ But even under the Commission’s existing “separate and distinct legal entity” test, the record here supports a probable cause to believe finding. As Commission precedent establishes, if the parent company merely acts as an agent of the government contractor, or its alter ego, the prohibition extends to the parent company, which is likewise prohibited from making any contributions.⁸

A guiding principle for the applicable standard is that general principles of corporate law advise disregarding “the fiction of a separate legal entity when there is such domination of finances, policy and practices by the parent that the subsidiary has no separate existence of its own and is merely a business conduit for its principal.”⁹ Over the course of a comprehensive investigation, our Office of General Counsel uncovered evidence showing that this was precisely the organizational structure created for GCH by the GEO Group. The evidence leads to a clear conclusion: GCH is not a “separate and distinct legal entity” and accordingly is barred under Federal law from making political contributions.

This matter involved a total of \$945,000 in contributions by GCH to various federal political committees, including several super PACs.¹⁰ GCH is a wholly-owned subsidiary of the GEO Group, which is a family of companies that operate private correctional and detention facilities in the United States and abroad.¹¹ As detailed in the GEO Group’s 2016 Annual Report, 48% of the company’s \$2.5 billion in revenue is derived from federal contracts.¹² Since 2013, GCH has operated as a holding company for more than two dozen service provider subsidiaries in the larger GEO family.

As the Office of General Counsel explained in its Probable Cause brief, the evidence here demonstrates that “GCH is part of a family of companies with management, operations, policies, and finances so thoroughly integrated that GCH should not be considered a separate and distinct legal entity for purposes of the Act’s regulation of contributions by federal contractors.”¹³

⁶ Factual & Legal Analysis at 6, MUR 6726 (Chevron) (citing MUR 6403 (Alaskans Standing Together, *et al.*)). *See also* Advisory Op. 2005-01 (Mississippi Band of Choctaw Indians) (“AO 2005-01”); Advisory Op. 1998-11 (Patriot Holdings LLC) (superseded on other grounds) (“AO 1998-11”).

⁷ In 2015, Commissioners Weintraub, Ravel and Walther voted to open a rulemaking to reconsider the Commission’s approach in such matters. Certification for Motion to Open a Rulemaking in REG 2014-09 in Response to Public Comment, dated November 10, 2015. Unfortunately, there were insufficient votes to move forward.

⁸ Factual & Legal Analysis at 6-7, MUR 7180 (GEO Corrections Holdings, Inc., *et al.*) (citing Advisory Op. 1998-11 (Patriot Holdings LLC) at 5).

⁹ Factual & Legal Analysis at 3, MUR 6168 (Park Federal Savings Bank) (citing 18 Am. Jur. 2d *Corporations* § 65).

¹⁰ Gen. Counsel’s Brief at 6.

¹¹ *Id.* at 4.

¹² *Id.*

¹³ Gen. Counsel’s Brief at 13.

MUR 7180 (GEO Corrections Holdings, Inc., *et al.*)
 Statement of Chair Shana M. Broussard and Commissioner Ellen L. Weintraub

Considering the following facts, we agree with our attorneys.

- **Shared Management and Employees:** The parent company, GEO Group, and GCH have an employee sharing agreement. As part of that agreement, “*all* employees performing management and other corporate functions (such as contracting, information technology, finance, and human resources) for the GEO Group and GCH’s subsidiaries are paid and employed only by GCH.”¹⁴ GCH is also located in the same building in Boca Raton, Florida as its parent company.
- **Intertwined Finances:** GCH’s finances are deeply intertwined with the rest of the GEO family of companies. GCH has annual receipts in excess of \$250 million, though none of these funds are generated by providing goods or services to entities outside the GEO family.
- **Uniform Corporate Policies:** GCH does not have an independent set of corporate policies. Instead, the GEO Group’s corporate policies flow down through all GEO entities, including GCH. These policies include corporate policies relating to finances, ethics, and human resources.

Based on these facts, it is not credible to claim that GCH is a separate company; rather, it serves an integral role binding the various subsidiaries of the GEO Group’s family together. Accordingly, consistent with Commission precedent, the contractor contribution prohibition clearly extends to GCH.¹⁵ We therefore voted to find probable cause to believe a violation occurred in this matter.

September 16, 2021
 Date

Shana M. Broussard
 Chair

September 16, 2021
 Date

Ellen L. Weintraub
 Commissioner

¹⁴ *Id.* at 5 (emphasis in original).

¹⁵ *See, e.g.*, Advisory Op. 1995-32 (Chicago Host Committee) (Commission determined that contributions from related entities — whether “the holding company, subsidiary company and sister company” — are permissible only when the entities in question are “distinct legal entities, and not merely the agents, instrumentalities or alter egos”); *see also* Advisory Op. 1998-11 (Patriot Holdings LLC) at 4-5; Factual & Legal Analysis at 2, MUR 6168 (Park Federal Savings Bank); Advisory Opinion 1980-07 (California Savings & Loan League).