

Minnesota Freedom Fund

Acara Competition Business Plan

The Problem

In Minnesota, individuals who are arrested face the choice between remaining in jail until their case is resolved or paying a sum of money to the courts known as bail. Bail is paid to the courts in the required form of cash, and is returned at the conclusion of the case, regardless of whether a person is found innocent or guilty.

For the individual arrested, it is obviously preferable to pay bail to secure their release. Being free on bail allows them to maintain employment and housing, and to care for their family, while those who remain in jail, even for a day, are at risk of losing their job, their ability to pay rent or mortgage payments, and, for single parents, custody of their children.

Most Americans maintain very low rates of savings and would be hard-pressed to come up with their bail amount in cash: 62% of Americans have less than \$1,000 available to them in savings, and 20% of Americans have no savings whatsoever [1]. Not surprisingly, then, low-income individuals who are arrested are particularly impacted by the existing cash bail system. Without the savings necessary to pay bail, which can run as high as \$4,000 in Minnesota for a misdemeanor [2], these individuals often face the difficult choice between taking on a predatory loan (e.g., a payday loan, which typically carries an APR of 400% or more [3]) to make bail, or remaining in jail until their case is resolved. On average, an individual will spend 15 days in jail if they are unable to or do not pay bail [4].

In lieu of paying bail themselves, individuals may turn to bail bondsmen who will pay the bail in exchange for a percentage (often 10% or more) of the bail amount, often with a minimum of \$150 (making this option unavailable to low-income individuals with small bail amounts and little-to-no savings). Additionally, bondsmen often require individuals to provide a credit-worthy co-signer who will also vouch for the individual being released on bail [5].

152,470 individuals were arrested in Minnesota in 2014 [6]. While the federal government does not track the number of people incarcerated simply because they are unable to make bail, we do know that, at any given time, there are nearly 450,000 people nationwide in pretrial detention because they are either unable to afford or are

denied bail [7]. This comes with a cost not only to the individual, but also to society: Each day an individual spends in jail costs American taxpayers \$475 and makes their reintegration into society increasingly challenging [8].

Our Solution

Minnesota Freedom Fund (MFF) exists to offer low-rate bail to arrested individuals who do not represent a threat to the community and to end the cash bail system in Minnesota. In addition to providing bail and advocating for the end of the cash bail system in our state, MFF ensures that those released on bail receive adequate legal representation, are provided with an understanding of their legal process, and have appropriate clothing in which to appear in court.

Designed to be a registered 501c3 nonprofit organization, MFF's operations will be funded primarily by contributed revenue; however, the bail fund itself will be self-replicating through the application of low-cost fees (see below for more on the business model).

Our ability to raise funds is tied directly to the social value MFF offers: For those arrested, we reduce the harm associated with the arrest by allowing those individuals to return to their work, their homes, and their families while their case proceeds. For individuals concerned with the exponential growth in the size of our nation's incarcerated populations, and the obvious racial and class disparities of our jails and prisons, we provide a commonsense, low-risk strategy to take a crucial initial step that reduces inequities, mitigates harm, and takes steps to move beyond harm reduction towards policy change.

For individuals arrested who have little to no cash savings, the only alternative to MFF is to seek a bail bond. For these individuals, MFF is a superior choice due to the low-cost nature of our approach, and, for individuals who fail to meet most bail bond companies' minimum bail amounts, MFF may be the only choice available outside remaining in jail pending trial.

At a moment when concerns about our nation's criminal justice system are particularly salient, as evidenced by the growth of organizations like Critical Resistance and Black Lives Matter, MFF enters the picture at a key moment for funders seeking solutions to the radical disparities of our incarceration system and criminal justice policies. As the first and only charitable bail fund in Minnesota, we distinguish ourselves from other

nonprofits operating in the legal space through our combination of direct service and advocacy work. Additionally, the direct service (i.e. the bail fund) is distinguished by a self-replicating approach in which the funds used are recovered – and potentially grow – as each case ends. This makes our solution comparatively low cost and highly sustainable for the impact it provides.

Competitive Analysis

There are roughly a dozen different agencies offering bail bonds in Hennepin County. These organizations consistently charge arrestees 10% of the cost of their bail for their services, with a minimum of \$100-\$150 for their services. Some will not take cases where bail is less than \$1,000, and many add additional fees to their services if they deem them arduous, such as posting bail in the middle of the night.

For individuals with very low incomes and limited social capital it may not be possible to pay the amounts required by bail bondsmen, making this option completely inaccessible, increasing their risk of personal violence and worsening their bargaining position in the judicial process. By offering a low fee, and waiving payment of fees during our pilot phase, MFF provides an option that allows low-income individuals to make bail.

Additionally, bondsmen consider low-dollar bails to be more of a nuisance than a profitable source of business. Consequently, we believe that they are unlikely to fight to hold on to clients that MFF is pursuing. Finally, we believe that the social mission of MFF will make its work appealing to local public defenders who are sympathetic to the ways in which bail bonds often serve as a tax levied upon arrestees for being poor.

We are confident that our low fee and social mission will allow us to establish a foothold in the marketplace and successfully compete with conventional bail agencies for low value bails.

Our Business Model and Summer 2016 Pilot Plan

Stage 1 of our business model is an initial pilot of the bail process using proceeds from the bail fund to be completed Summer 2016. Initial funding of \$10,000 will be provided by the Sands Fellowship through the Carlson School of Management, and will cover the

cost of bailing out 10 individuals (50% of funds) as well as most start-up operating expenses (50% of funds).

The initial pilot of 10 individuals receiving bail funds, identified by defense attorney partners and posted by the founders, will seek to determine which variables are key to successful trial appearances and successful impact outcomes, and estimate longer-term payback rates from which to set future fees. Additionally, we will measure the time and costs associated with posting bail on behalf of our clients to determine future staffing. Also during this pilot phase, MFF will form an experienced, diverse Board of Directors, which will include the founders, and apply for 510c3 status with the IRS using its newly-created Form 1023-EZ.

Once the basic bail business model is proven, we will seek an additional \$100,000 in funding through local foundations, congregations, and individual donors. 50% of these funds will be used to establish a permanently-restricted, revolving bail fund of \$50,000, which will allow MFF to scale up to 100 clients per year, while the remaining 50% will be used to hire a qualified and innovative CEO/Executive Director to lead operations. Additionally, in Summer 2017, MFF will bring on 2 unpaid interns tasked with developing strategy for utilizing the work of the organization to push for systemic reform of the bail system in Minnesota.

To continue operations, we will seek additional funding from foundations, congregations, and individuals who share our goal of a more just bail system in Minnesota. By Year 3, we anticipate having successfully positioned bail reform as a major issue in Minnesota's political landscape and more than 300 clients served by MFF. By Year 5, we anticipate political victories as counties begin reforming their bail systems, dramatically increase the use of pretrial release, and implement electronic notification systems, and more than 500 clients served by MFF.

Seeking Acara Support

MFF is seeking an additional \$5,000 in start-up capital from Acara to cover 501c3 application expenses, legal fees, and licensing costs (40%), early stage fundraising and marketing expenses (40%), and financial support for the founders (20%). Additionally, we hope to make new connections with supporters and potential funders for future bail funds and operations capital.

Our Team

Simon Cecil is a dedicated social justice activist with an array of experience in the non-profit world. He has extensive experience working directly with low-income families and participating in community organizing efforts, and has done work seeking to shape policy that responds to the needs of marginalized populations. As a full-time student at both the Carlson School of Management and the Humphrey School of Public Affairs, Simon has developed the skills to develop meaningful public policy and the ability to analyze projects with an eye for efficiency and economic return.

Adam Rao is an award-winning spiritual and social entrepreneur with experience lending to low-income and marginalized individuals while successfully managing risk. Prior to starting the full-time Carlson MBA program, Adam served as the Founding Executive Director of Exodus Lending, a first-of-its-kind charitable payday loan refinancing program that has now served more than 70 individuals seeking freedom from payday debt while maintaining a 93% recovery rate. A recipient of the Lutheran Social Service Financial Advocacy Award, his work at Exodus Lending led to an invitation to discuss payday lending regulations with Senator Al Franken and to serve on the Strategic Advisory Board of Sunrise Banks, a certified B Corp and Community Development Financial Institution (CDFI).

Together, we bring strong public policy, business, entrepreneurship, non-profit, and fundraising experience to the table alongside audacity, courage, resilience, and proven leadership abilities. And, with an already-strong network of individual supporters and philanthropic leaders in our corner, we believe our team is poised to successfully launch Minnesota's first charitable bail fund and lead it to longer-term success with your help.

Notes

- [1] Quentin Fottrell, "Most Americans Are One Paycheck Away From the Street," *MarketWatch*, January 31, 2015, <http://www.marketwatch.com/story/most-americans-are-one-paycheck-away-from-the-street-2015-01-07>.
- [2] Heefner Nelson Law, "Misdemeanors, Gross Misdemeanors, and Felonies," <http://www.heefnernelsonlaw.com/misdemeanorgross-misdemeanorfelony-offenses/>.
- [3] Consumer Financial Protection Bureau, "What is a Payday Loan?," January 13, 2016, <http://www.consumerfinance.gov/askcfpb/1567/what-payday-loan.html>.
- [4] Brooklyn Community Bail Fund, <http://www.brooklynbailfund.org/>.
- [5] Interview with a bail bondsman.
- [6] State of Minnesota Department of Public Safety, "2014 Uniform Crime Report," 58. Available online at: <https://dps.mn.gov/divisions/bca/bca-divisions/mnjis/Documents/2014-MN-Crime-Book.pdf>.
- [7] Nick Pinto, "The Bail Trap," *The New York Times*, August 13, 2015, <http://www.nytimes.com/2015/08/16/magazine/the-bail-trap.html>.
- [8] Brooklyn Community Bail Fund, <http://www.brooklynbailfund.org/>.

Logic Model



Our Theory of Change: The Minnesota Freedom Fund takes assets that exist in the community and directs them toward obtaining freedom for low-income individuals trapped in jail due to the inability to make bail. In addition to paying the money necessary to obtain release for these individuals, we ensure that they are provided with legal counsel. As part of the process we educate those who have been arrested about the legal system, including their rights and the broader social context of their situation. We also work to educate the broader community and legislators about the harms associated with cash bail. We work to use this education to motivate change toward a world without bail.