What is a bond? A bond is a loan made to a government. Governments pay investment bankers to make the loan attractive (‘structure the deal’) and find lenders (‘issue the bonds’). Governments then pay lenders (‘bondholders’) principal and interest on the loans.

Governments issue two broad categories of bond: General Obligation (GO) bonds and Revenue Bonds. General Obligation bonds are guaranteed by the taxing power of the state. Most GO Bonds require approval by the voters, and in many states by 2/3 of the voters. Revenue Bonds are designed to be paid off by revenues generated by the project being built, like highway tolls, bridge tolls, student tuition, etc.

Most prisons are now built with some form of Revenue Bond, even though prisons generate no real revenue and Revenue Bonds cost taxpayers more to repay. Why would a state use GO Bonds to build more prisons? Using revenue bonds to build prisons is a means of getting around the voters and taxpayers.

We’d like to provide more money for schools, colleges, housing, health care … but there just isn’t enough to go around.

"How Prisons Are Paid for (and who really pays?)"