



Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

NCJRS

OCT 17 1986

ACQUISITIONS

MEMORANDUM

To: Representative Ramona Barnes
From: Betty Barton and Felicity Watt ^{BY}
Research Staff
Re: Prison Industries
Research Request No. 82-68

You recently asked this office for information regarding prison industry programs in other states. Bill Cook, of your staff, noted that you are particularly interested in the effectiveness of these programs in reducing the institutional costs of incarceration and asked that we address a series of questions concerning this aspect. These questions, and their responses, are included in the Summary of Findings located on pages 2 and 3 of this memorandum. Mr. Cook also asked that we provide you with general information regarding the prison industry concept and recent trends. The body of this memorandum, which responds to this aspect of the request, is divided into three parts:

- federal laws and programs pertaining to prison industries;
- prison industry programs in other states;
- the effectiveness of the prison industry program

We surveyed the prison industry programs in fourteen states through a series of telephone interviews with correctional staff. Our findings from this survey are condensed and located in the appendix of this memorandum. In addition, our research is based on selected readings and conversations with several individuals who are knowledgeable in the field of prison industries. These include: Ben Coats of the American Justice Institute; Paul Kline of the Federal Prison Industries Program; George Sexton of the American Institute of Criminal Justice; Leah Brumer with the Council of State Governments; and Jo Gustavson with the National Institute of Corrections.

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SUMMARY OF FINDINGS

• What states require that prisoners be paid a "reasonable" wage for their work?

Most states provide their working prisoners with nominal wages, which tend to vary between \$.10 and \$.60 an hour. A few states provide a more generous wage; Minnesota, for example, pays its prisoner-workers \$1.80 per hour. Several states in their efforts to establish work programs modelled after private industries have developed salary schedules based on minimum, or prevailing, wages. Generally, however, minimum and prevailing wages are paid only on a limited basis in prison industry settings that are owned and operated by private enterprises (or are jointly managed by the state and private industry). This occurs only in those states which have unique statutory provisions that allow such arrangements. Of fourteen states surveyed by our agency, only four states--Kansas, Minnesota, Utah, and Washington--have prison industry programs that pay a minimum or prevailing wage.

• Which states charge salaried prisoners room and board?

Of the fourteen states surveyed by our agency, only Kansas, Nevada, Utah, and Washington charge room and board fees. In these states, room and board payments are required only of prisoners who are earning minimum wages, or, in the case of Utah, are making \$1.00 per hour or more. Minnesota used to charge prisoners participating in the state's Free Venture program, but discontinued the policy when a lawsuit was filed against the state, charging constitutional violations of equal protection under the law.

• What states use non-financial methods of remuneration for compensating prisoners for their employment; e.g., "good" time or "earned" time?

Four states--Arkansas, Florida, Maine, and Texas--currently provide no monetary compensation to employed prisoners. Florida, under a newly established program, will be providing selected prisoners with financial remuneration. Other Florida inmates receive "work gain time" credits rather than cash compensation. Under gain time, a prisoner may receive a maximum allotment of one day reduced sentence for each day worked; the amount of the allocation is based on the prisoner's sentence, employment skill, and attitude. Texas has a similar policy known as "good time." Dependent upon a prisoner's employment skill and behavior, he or she is entitled to a maximum of two days reduced sentence for every one day worked.

The earned, or good time concept seems to be the only nonfinancial method of remuneration currently used in other state prisons.

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- What are the average costs of incarceration per prisoner per day in Alaska and in other states?

In Alaska, the average cost per prisoner, excluding major medical and some program planning costs, for Fiscal Year 1981 was \$60 per day. Of the fourteen states contacted in the course of our research, ten provided cost data estimates. Of these, Minnesota reported the highest cost at \$48.91 per day, and Texas, with \$9.80, reported the lowest figure. Of the ten states, the average cost of care was \$28.74 per diem. It should be noted, however, that methods of computing costs vary from state to state.

- Do prison work programs facilitate institutions in the reduction of their costs?

It is generally agreed that a well-designed prison industry program can become self-sustaining, and, over time, can generate profits that may help to defray the costs of incarceration. The effectiveness of any prison industry, however, depends on the marketability of the products produced and other outside variables.

- Do prison work programs help to reduce the recidivism rates of paroled offenders?

Correctional specialists are reluctant to attribute any correlation between prison industry programs and recidivism patterns. Instead, correctional specialists regard the value of prison industry programs to be their potential for better preparing paroled individuals for their lives outside the prison setting. Many correctional administrators believe that the program has made released prisoners more employable and better equipped to handle their social responsibilities.

INTRODUCTION

Prison industries, although not a new concept, has experienced renewed emphasis in recent years. Along with community correctional programs and accelerated sentencing, the prison industry concept is part of a newly devised strategy to improve correctional programs and to correct problems confronting prisons throughout the United States today. These problems--overcrowded prisons, rising costs of housing for inmates, high recidivism rates--have suggested to some individuals a need for restructuring criminal justice policies and programs.

In response to this perceived need, some states have revamped their prison industry programs to provide a work setting for prisoners which more closely approximates employment in the "outside world." Frequently, this means that not only do working prisoners receive prevailing wages but also are required to pay for room and board within the prison, income taxes, restitution to their victims, and/or support payments to their families and dependents. In some instances, federal legislation which places restrictions on the marketing and sale of prison-made products has been relaxed to promote these programs. In other instances, state legislation has been enacted which enables prison industry programs to be strengthened and restructured.

Supporters of this new approach to prison industries view its goals to be three-fold:

- to reduce the prevalence of prison idleness and its by-products --inmate violence and destructive behavior;
- to develop realistic work habits among prisoners in order to enhance their employability upon release;
- to decrease the costs of incarceration by developing industries which produce quality goods that can be used within the institution to reduce purchasing requirements or sold for a profit to outside markets.

One strong proponent of prison industries is Chief Justice Warren Burger. In a speech delivered to the University of Nebraska in December 1981, Justice Burger noted that past efforts in the field of rehabilitation "have fallen short of expectations" and consequently, called for a new approach. Justice Burger proposed that the nation's prisons be turned into "factories with fences" to participate in the production of goods:

Creating prison industries, with incentives for good performance, would accomplish the dual objective of training inmates in gainful occupations...taking off the backs of the American taxpayers the enormous load of maintaining the prison systems of this country...It is plainly in our own interest to try to make every prisoner a better human being who can cope with life when the prison term is over. If we do that more intelligently, there is a good chance that we can, in the long run, take hundreds of millions of dollars of tax burden off the taxpayers and improve the chance that released prisoners will not renew their warfare with society.

To accomplish this, Justice Burger commented on the need for changes in federal legislation and standards toward prison industries. Some of these changes have already occurred on a demonstration basis. Proposed legislation, discussed in the following section, would enable prison industry programs in every state to freely market prison-made products.

FEDERAL LAWS AND PROGRAMS PERTAINING TO PRISON INDUSTRIES

Federal legislation regulating the markets of prison-made goods was first enacted in 1929. Prior to that time, the utilization of prison workers was fairly common; many private enterprises under leasing agreements with prisons drew substantial profits from this unsalaried labor force. Abuses and corruption within some of these early prison industries reached such proportions that by the end of the 1920's, most states had enacted legislation which prohibited private involvement. Industries in other states were weakened by the efforts of the labor unions who regarded prison-made products as unfair competition in the free market and hence sought to limit industry activities.

In 1929, the labor unions lobbied for the enactment of the Hawes-Cooper Act (Title 49 U.S.E. E 60) which divested prison-made goods of the characteristics necessary for interstate commerce. As a result, this act made prison-made goods subject to the laws of individual states. Several years later, the Ashurst-Sumners Act (Title 18 U.S.C. Sec.1762) was established to strengthen the previous law by prohibiting the transport of inmate-produced goods into any state that barred their entry.¹ In response to this legislation, most states established statutes which restricted prison industry programs to the production of goods which could be used only within the institutions or marketed to

¹ Under the act, agricultural commodities and parts for the repair of farm machinery were exempted from the interstate transport prohibition as were goods manufactured by, and to be used within, federal prisons.

other state agencies, their political subdivisions, or nonprofit corporations.² Industry programs were largely unchanged until the inception of the "Free Venture" program model.

Free Venture Prison Industries Program

In 1975, the Law Enforcement Assistance Administration (LEAA) implemented the Free Venture Prison Industries Program. Under the program, federal "seed money" was provided to several states to assist them in remodelling prison industries to simulate private enterprise. A fundamental purpose of the program was to create a realistic work setting which could reduce prison idleness and could better prepare prisoners for employability and other social responsibilities following their release. Seven states were selected for participation in the program: Connecticut, Minnesota, and Illinois each received funding in 1976; Colorado, Iowa, South Carolina, and Washington received funding in 1978. To participate in the program, states were required to redesign selected industries in the following manner:

- develop a "full work day" for participating prisoners;
- establish a wage scale tailored to the skill level of the prisoner, the prevailing wage of the particular industry, and the level of production accomplished by the shop;
- develop productivity standards that, to the extent possible, are comparable to private industry;
- develop prison industries that are self-sufficient or that yield a profit;
- designate to industry management the responsibilities of hiring and firing of prisoners;
- coordinate prisoner industry work programs with correctional agency activities to enhance the employability of prisoners upon release.

A secondary purpose of the Free Venture program was to help defray the costs of prisoner incarceration. In theory, by establishing stronger markets for products of prison industries, programs could become self-

² Alaska is one of two states which has not enacted a prison industry law. HB 194, under consideration by the Twelfth Legislature, proposes the establishment of prisoner employment and correctional industries law.

sustaining, and possibly profitmaking, thereby reducing daily costs of operation. In order to assist Free Venture participants toward this aim, the Hawes-Cooper Act of 1929 was amended to exempt goods produced by the seven state's programs. According to a February 1982 report prepared by the National Institute of Corrections, the program "has had some success in turning state prison industries into financially viable enterprises resembling private businesses."

Prison Industry Enhancement Act

As a means of furthering the Free Venture concept, the Prison Industry Enhancement Act (P.L. 96-57, 93 Stat. 1167, 1215) was established in 1979. The law provides that the administrator of LEAA may select seven states to participate. The purpose of the program is to encourage the development of demonstration projects which involve private industry in a state's prison industry program. An additional intent of the program is to enhance state capabilities in marketing prison-made goods. Similar to the exemptions that were granted to participating states in the former Free Venture program, the act grants partial exemptions from federal restrictions barring their sale of products to the Federal government and to other states. The program has five objectives:

- to enhance state prison industry abilities to expand and employ more inmates through the involvement of private enterprise;
- to ensure that newly created or expanded prison industries do not displace or produce unfair competition;
- to establish the following wage and benefit guidelines:
 - salary schedules comparable to wages paid for similar private employment;
 - federal and state benefits to participating prisoners; e.g., worker's compensation;
- to assure that prisoner employment is voluntary;
- to provide prisoners with the opportunities to practice marketable job skills.

Although the program offers no federal funds, the relaxed federal marketing restrictions represent a significant incentive to some state industry administrators. To date, LEAA has approved only Minnesota and Colorado for participation under the program; 38 other states have expressed interest in the five remaining slots.

According to a recent report prepared for the National Governor's Association, although a number of states have expressed interest in the program, its extensive wage and benefit requirements could constrain the abilities of state prison industries to generate profits.

Proposed Legislation

Senate Bill 1597, under current Congressional consideration, would further strengthen the capabilities of state prison industries. The bill, introduced by Senator Robert Dole of Kansas, if enacted, would establish a private corporation for prison industries. Among other proposed responsibilities, the corporation would be empowered to provide a partial exemption to the Hawes-Cooper and Ashurst-Sumners acts to any state that, by statute, is free to contract with private industry. As under the Prison Industry Enhancement Act, any eligible state would be able to market its prison-made goods to other states and to the federal government.

The likelihood of the bill's passage is unknown at this point. The U.S. Department of Justice has stated its opposition to its enactment because a funding requirement is included in the bill's current version. Some individuals feel confident that the bill will be enacted once this provision is removed.

If enacted, the bill will reflect some of the needs articulated by Justice Burger to foster the development of improved prison programs. In Justice Burger's 1981 address to the University of Nebraska, he cited the need for new standards for prison industries to be included in federal legislation. Referring to another bill introduced by Senator Dole (S.186 which would provide grants to states for improved prison facilities), he remarked that if federal grant legislation is enacted it is important that it include the following standards:

- conversion of prisons into places of education and training and into factories and shops for production;
- a repeal of statutes which limit prison industry production;
- an affirmative limitation against any form of discrimination against prison products;
- a change in the attitudes of organized labor and in the leaders of business toward the use of prison inmates to produce goods or parts.

Senate Bill 1597, if enacted, calls for some of these standards.

PRISON INDUSTRY PROGRAMS IN OTHER STATES

The industry programs which have been established in today's state prisons are diverse. Generally speaking, an industry's program design falls under one of the following categories:

- industries owned and administered by the state ("traditional" industries);
- industries owned and managed by private enterprises (on a contract basis or by leasing shop space within an institution);
- industries operated by private-state partnerships;
- industries owned or operated by inmates with state supervision.³

Industry programs may be further classified by the type of marketing restrictions that have been established for them. Most programs, for example, continue to limit industry production to "state-use" goods.

Marketing guidelines for prison industries normally may be grouped under one of the following categories:

- Products are not marketed but are used within the correctional system to reduce purchasing costs.
- Products are sold to state agencies, their political subdivisions, and nonprofit corporations.
- Products are used by, or sold to, governmental agencies, and surpluses are marketed to private concerns.
- Products are sold on the open market, within the state, with no marketing restrictions.

Increasingly, however, states are enacting legislation that broadens the marketing capabilities for inmate-made products in order to extend the profitmaking abilities of prison industries. Some state statutes, such as Arizona, require state agencies to buy prison-manufactured products before making any purchases from private concerns. Moreover, according to a 1981 report on prison industries, the most common form of legislation currently being enacted in other states removes any

³ Although some state statutes provide this option, most programs have not exercised it to date.

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restrictions on open market sale and enables private industry to lease space and utilize prisoner labor to manufacture goods.⁴

To illustrate recent trends in prison industries in other states, a review of the programs in several states--Texas, Kansas, and Minnesota--follows.

Texas

It is generally agreed that Texas has the most comprehensive prison industry program in the nation. The state prison system manufactures virtually all of its product needs, including the production of its own food, the spinning of its own cotton for clothing, and the manufacturing of shoes for its prisoners. The system has 63,000 acres of land to grow its corn and cotton and to raise its 16,000 head of cattle. The Texas program also has a number of specialized industries; e.g., microfilming and data processing of state agency records and refurbishing fire trucks and school buses.

Prior to 1963, state law prohibited the sale of prison-made products to any agency other than the Texas Department of Corrections. The statute has since been amended to allow goods to be sold to state and federal agencies and foreign governments on a contractual basis.

Texas, quite possibly, has the lowest average cost of incarceration in the United States. In Fiscal Year 1981, the cost per inmate day was \$9.80. Part of this low cost is, of course, attributable to the self-sufficiency of the prison system. However, according to Ben Coats, of the American Justice Institute, the Texas program has one of the smallest percentages of administrative overhead and staffing costs of any program he has reviewed. Approximately 30 percent of its operating budget is consumed by staffing costs compared with 80 percent in California. John Bradley, with the Texas Department of Corrections, noted that some savings are realized from the system's extensive use of prison labor. Most bookkeeping in the plants, for example, is done with inmate labor. The system's 23 factories are managed with a supervision ratio of 9 inmates to 1 supervisor.

⁴ Susan Wilson, Oregon Legislative Research, Legislative Administration Committee, State of Oregon, Prison Industries, April 9, 1981, 81:34; Salem, Oregon, page 6. The report also notes a trend in state legislation which removes the interstate commerce prohibition in anticipation of Congressional repeal of the federal restriction.

There are approximately 33,000 prisoners in the Texas state prisons. Prison industries employ about 4,200 of them. An additional 20 percent are employed in either agriculture or construction programs. Unlike most other states, prison work is mandatory in Texas and inmates receive no financial compensation. Instead, working inmates are "paid" with "good time" credits. Inmates may receive a maximum amount of two days credit for one day worked. The amount they receive is dependent upon the skill level of their employment and their behavior.

The Texas program has encountered some problems, however. Ruiz v. Estelle, a class action civil suit filed against the state, charged that Texas prisons are severely overcrowded and that prisoners are often denied adequate care. Prisoners also charged that they are exposed to unsafe working conditions. The case is scheduled for appeal before the U.S. Fifth Circuit Court in New Orleans.

Minnesota

With a prison population of 2,154, Minnesota's industry program is considerably smaller than that of Texas. Nonetheless, as in Texas, Minnesota is generally regarded as a model in its industry program. According to Donald Tomsche, Deputy Commissioner of Corrections, Minnesota correctional staff attribute their success to the cooperation they have received from their state legislature.

Approximately twenty percent of the prison population is employed in prison industries. Correctional staff in Minnesota have worked to remove the state's prison industries from a strictly public realm. Increasingly, state administrators are establishing partnerships with private industries. By subcontracting to provide labor for private businesses, the state employs selected inmates in a variety of positions, including salvage, reclamation, and equipment repair. Through an agreement with Western Electric, for example, prisoners clean and buff the company's telephone housings. This job normally would not be cost effective for the firm were it to rely on its own labor force. However, the comparatively inexpensive labor available through the state prisons --prisoners receive a wage of \$1.80 per hour--makes the task affordable.

According to Tom Grogan, Minnesota's Director of Industries, one of the state's most effective programs has occurred through a partnership between the state and Control Data Corporation. Under the program, inmates provide manufacturing and light assembly work for computer components. Control Data Corporation contracts with the state to provide and manage the correctional labor force. Prisoners are paid by the corporation and receive a prevailing wage of between \$3.35 and \$4.00 per hour. Control Data Corporation formerly used labor outside

the U.S. for this task; consequently, the program does not deprive other Minnesota residents of employment. In addition to the higher salary, the program offers several employee benefits, including special housing.⁵ A portion of the prisoners' income is deducted to pay for taxes, restitution payments, and support payments to the prisoners' family and dependents.

Minnesota used to require room and board payments of prisoners who participated in another successful venture, Stillwater Data Processing, Inc. According to Mr. Tomsche, program administrators had difficulty establishing an equitable rate schedule because the quality of prisoner housing was so varied. The room and board policy was discontinued after a lawsuit was filed. The suit charged that the State had violated constitutional rights of equal protection because the room and board policy was not implemented in all institutions. Mr. Grogin noted that the State expects to win the suit, which is currently suspended; however, the room and board requirement probably will not be reinstated. According to Mr. Grogin, the policy will be replaced with a mandatory savings program which would require prisoners to place one-half of their earnings into a quasi-retirement account.

Minnesota's industry programs appear to be popular among prisoners as well as wardens. According to Mr. Grogin, wardens can use the programs as an incentive for good behavior among prisoners. Moreover, such programs seem to alleviate morale problems.

In terms of the value of the programs in reducing costs, however, Mr. Grogin was unaware of any impact. Industrial programs would need to be significantly expanded in order to reduce the per diem costs of prisoner care. In Fiscal Year 1981, only 474 of the state's working prisoners were employed in prison industries; 60 of these worked within the Control Data program. Although Mr. Grogin noted that prisoner payroll deductions can help somewhat to reduce per diem costs, the administrative expenses required to compute these deductions may not make it cost-effective. According to Mr. Grogin, officials within the Minnesota Department of Revenue initially criticized the idea of collecting state taxes from salaried inmates. Most prisoners fall well below the minimum income requirements for taxation, and consequently, administrative costs, were projected to exceed the amount of tax revenues to be collected. However, state corrections administrators con-

⁵ Prison industry programs in other states occasionally encounter periods of decline in productivity due to prison lock-ups and other disciplinary sanctions. Minnesota has alleviated this problem by placing those prisoners employed in the Control Data program into separate housing units. Disciplinary sanctions imposed throughout a prison are lifted from these units more promptly than in other cell-blocks so that prisoners may return to work.

cluded that the policy had value both in terms of teaching inmates responsibilities and in helping to foster positive relations with the public.

Kansas

State prisons house approximately 2,800 prisoners in Kansas, and, according to Pat McManus, Secretary of the Kansas Department of Corrections, between 1,000 and 1,200 inmates are employed in some capacity. Fifty-six of these prisoners are employed by Zephyr Products Inc., a private enterprise that manufactures sheet metal. Unlike many other programs involving private industry, Zephyr is a private company which was established as a means of employing prisoner-labor. The company was formed with \$1.1 million in capital in 1979.

Under the program, inmates from a maximum security prison travel three miles by bus on a daily basis to work at the plant. As a Free Venture program, prisoners employed by Zephyr receive \$3.55 per hour. As an added incentive, prisoners may receive "double-buck," an additional \$2.00 per day for good attendance. The program also provides for a stock option; however, employee participation in this benefit has been limited to date.

"Good time" has been considered as additional compensation to this and other industry programs in Kansas. However, according to Mr. McManus, staff have concluded that "good time" could conflict with the goal of the program to simulate a "real" employment setting. By Mr. McManus' interpretation, "good time" is not part of the "outside" world and consequently, it "adds one more piece of artificiality" to a prison industry environment.

Kansas is one of a few states that charge its Free Venture participants a room and board fee. Prisoners pay \$5.00 per day; dollars generated from this revert to the state's general fund. Zephyr administers the accounting for this process as well as other payroll deductions. According to Mr. McManus, because the administration of the program is handled largely by private industry, there have been few problems encountered by the state. An exception is the administration of payments to families of prisoners who are receiving public assistance. This process has occasionally proved to be time consuming.

According to Mr. McManus, virtually every prisoner who has participated in the Zephyr program has received a better employment position, upon release, than that offered through Zephyr. Mr. McManus was reluctant to claim that programs such as this one will reduce recidivism rates, but noted that they are compiling data and are seeing declines in recidivism.

Because of the program's overall effectiveness, Mr. McManus stated that corrections staff would like to establish similar programs. Some private industries have expressed interest in implementing other programs based on the Zephyr model. However, Mr. McManus remarked that no new programs will be initiated until the national economy improves.

The Zephyr program has encountered some criticism from private industry. One competitor alleged that the program presented unfair advantage. In response to this allegation, an independent audit was conducted which concluded that the company did not have an unfair competitive advantage.

EFFECTIVENESS OF PRISON INDUSTRY PROGRAMS

As previously noted, prison industry programs are being redesigned in many states in an effort to correct some of the major problems confronting penal institutions today. The extent to which these programs serve as effective tools in the alleviation of these difficulties is somewhat difficult to assess. Work programs as comprehensive as those found within the Texas system clearly assist in the reduction of institutional costs as well as prisoner idleness. Similarly, an industry program, such as Kansas' Zephyr Products, Inc., seems to carry some potential for improving the employability of inmates upon release. Generally speaking, however, the percentage of inmates employed in prison industries is so small--estimated to be between 10 and 12 percent of the total prison population⁶--that any evaluation regarding the cost-effectiveness of these programs continues to be based largely on theory rather than on empirical research. Nonetheless, there is some indication that some of the objectives of prison industry programs are more readily attainable than others. This section reviews the effectiveness of prison industry programs in meeting these objectives, based upon our interviews with correctional specialists and administrators.

Reducing Prison Idleness - In a 1980 article describing the benefits of industry programs, the following statement was made: "At the simplest level, [an industry program] reduces boredom, and hence its byproduct, violence." Due to a decline in the availability of rehabilitation programs combined with burgeoning prison populations, many prisons are faced with increased patterns of prisoner idleness, which, in turn, can cause destructive behavior. It is generally agreed that prison industry programs can reduce the incidence of inactivity in institutions, and, by and large, that programs in other states have uniformly been effective in this regard.

Decreasing The Costs of Incarceration - The accomplishments of prison industry programs in reducing institutional costs are less clearly defined. In theory, the development of more sophisticated industries which have improved profitmaking capabilities can provide prisons with

⁶ Source: National Institute of Corrections

an added means of generating revenues to defray costs. However, to an extent, the rising costs of incarceration limit the profitability of many prison industries.

Ben Coats, with the American Justice Institute, recently reviewed prison industries in seven states. In the course of his research, he became interested in the effects of the recession on prison industries. According to Mr. Coats, industry administrators in virtually every state complained that they were having to pay for increasingly expensive materials and were frequently encountering declining markets. As a result, wardens and industry administrators in some states have been required to make a choice between program reductions, which would leave prisoners idle, or continued program operation, where goods are produced without sufficient markets for their sale.

As a related concern, some state program administrators are reluctant to establish industries that are too profitable. As industries increasingly are designed to resemble private enterprise, they encounter a greater likelihood of prompting a negative reaction from organized labor. The probability of this occurring intensifies in periods of high unemployment.

Mr. Coats believes that even with a healthier economic outlook, prison industries are somewhat limited. Although prison industries may have the benefit of reduced costs in terms of their relatively inexpensive labor costs, programs face expenses that standard private enterprises do not have; a notable example is the guards that must be provided in addition to industrial supervisors.

Most state prison industries do not have the markets to justify large-scale production. A potential solution to this problem, according to Mr. Coats, might be found by establishing a "common market" agreement. Under this plan, several states could establish an agreement to use one another's products, thereby expanding their market base. According to George Sexton, with the American Institute of Criminal Justice, a similar concept has been implemented among several states. The Northeast Correctional Industries Association, for example, reduces individual purchasing costs of raw materials among state prison industries by buying for all its participating states on a bulk basis.

The current state of economic affairs is not necessarily a problem for all prison industry programs. Minnesota, for example, is less affected than other states due to several of its high technological industries. Other programs, such as those in Idaho, have shown a profit from their industries in recent months.

Moreover, assuming a more promising economic outlook in the future, prison industries probably will take an expanded role in reducing the costs of institutionalization. By some interpretations, this can be accomplished largely through the increased utilization of the private sector in prison industry programs.

A secondary cost-savings objective in prison industry planning is the development of direct payment requirements for working prisoners in some programs. In these settings, prisoners receive a reasonable wage but are required to spend a designated amount of it on such items as room and board fees, victim restitution payments, or support payments to their dependents. Some states have chosen not to establish a direct payment policy because of the added administrative requirements of accounting for these deductions and payments. Florida, for example, gave some consideration to the idea of garnishing a portion of its prisoners assets but concluded that the costs of collection significantly exceeded the revenues that would be provided. Most administrators acknowledge that direct payment requirements do little to reduce the costs of incarceration; however, some note that a greater impact could be made if more prisoners were involved.

A more significant function of the direct payment concept is to assist prisoners in the development of work habits and responsibilities, a separate objective of prison industry programs.

Improving Work Habits and Attitudes - According to George Sexton, of the American Institute of Criminal Justice, perhaps the most important function of the prison industry program lies in its potential for strengthening the capabilities of individuals to re-enter society upon their release from prison. Mr. Sexton noted that in Pennsylvania, prison populations are largely comprised of individuals who have come from "third-generation welfare-recipient families." Such individuals frequently are lacking fundamental employment skills, including such basic ones as arriving to work on time. According to Mr. Sexton, by creating a realistic employment setting where a prisoner receives a wage, may be hired and fired, and, in some cases, is required to provide for financial obligations, an inmate is better prepared for responsibilities upon release. By most assessments, prison industry programs have been extremely effective in meeting this objective. Oregon has recorded a 98 percent placement record among former participants of its industry apprenticeship program.

There is some indication, however, that prison industry programs are limited in their capabilities to provide prisoners with a transferable, vocational skill. The American Institute of Criminal Justice has found that paroled individuals often do not like to do the same kind of work they did while incarcerated. According to their research, a similar trend has been noted in released military personnel.

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The effectiveness of minimum wage schedules is also somewhat inconclusive. Many correctional administrators view the provision of more attractive wages to be an added incentive for prisoners to develop sound work habits. Additionally, wages may give prisoners greater ability to become self-sufficient upon their release from prison. In Minnesota, for example, one paroled individual left prison with an accumulated savings of \$3,000. Some individuals, however, regard the higher wage structure as an unnecessary component of the prison industry program. These individuals have noted that higher salaries in selected industries can create an unwanted precedent in other prison industries, which do not have the capabilities to provide prevailing wages.

Ben Coats believes that some financial compensation is important but questions the value of a wage over nonmonetary methods of remuneration such as "good time." According to Mr. Coats, although prisoners appreciate having cash to purchase commissary items, most would greatly prefer the opportunity to work to reduce their sentences. Other individuals, such as George Sexton, feel that compensating prisoner workers with "good time" credits detract from the program's efforts to simulate private employment.

We hope this information has assisted you. If you would like additional information on related subjects or if you have questions regarding the material presented in this memorandum, please do not hesitate to contact us.

BB/bf
Attachments

STATE	¹ ESTIMATED PRISON POPULATION	AVERAGE COST PER PRISONER PER DAY ²	PRISON INDUSTRY FEATURES	STATUTORY CITATION	PRISONER SALARIES	OTHER REMUNERATION	ROOM & BOARD CHARGED
ALASKA	665	\$60.00	<ul style="list-style-type: none"> Alaska currently has no prison industries law; AS 33.30.225 provides for voluntary institutional work programs. CSHB 194 (HESS) under legislative consideration, would establish a prisoner employment and correctional industries program. 		\$2.00 per day for institutional labor.		
ARIZONA	5,000	\$34.24	<ul style="list-style-type: none"> Prison industries are administered through ARCOR Enterprises, a state corporation established in 1981. ARCOR has established clients in both the public and private sectors. ARCOR's operating cost was \$5 million in FY 81. The program will be self-sustaining because of its metal fabrication and printing shops; its farms operated at a loss in FY 81. 	41.16	\$0.10-\$0.50 per day	None.	No. Have considered it.
COLORADO	2,600	N/A	<ul style="list-style-type: none"> Correctional industries program was implemented in 1978. 330 prisoners participate in industry programs. Prison-made products are marketed only to state agencies within Colorado. FY 81 sales were \$4.7 million; no plans for private industry involvement until economy improves. 	17.24.101	\$0.50-\$2.00 per day		No. It would require too much additional accounting.
FLORIDA	24,000	\$15.00	<ul style="list-style-type: none"> Florida's prison industries program was implemented in 1957 by means of a trust fund. The industries are self-sustaining, but for the first time in 6 years, there was no profit in FY 81 due to declines in the agriculture industry. Costs of incarceration have decreased as a direct result of prison industry revenues. In 1981, legislation was enacted to establish a private, nonprofit corporation which will manage one industry. 	336.42-379.03 Ch.81-125	None. Under newly established program, selected prisoners will be receiving monetary wage.	"Work gain time;" maximum 1 day for a day worked based on sentence, skill required, and effort.	No.

¹Current population estimates of sentenced offenders provided by State correctional administrators.

²FY 81 estimates provided by State correctional administrators. Methods of computing costs vary from state to state.

STATE	ESTIMATED PRISON POPULATION	AVERAGE COST PER PRISONER PER DAY	PRISON INDUSTRY FEATURES	STATUTORY CITATION	PRISONER SALARIES	OTHER REMUNERATION	ROOM & BOARD CHARGED
IDAHO	700	\$25.00	<ul style="list-style-type: none"> Idaho converted from work programs to prison industries in 1974. Industries include furniture repair, signs, upholstery, metal shop, and records conversion. Costs of incarceration have not decreased as a result of prison industries. Prison industries program has operated at a profit in last 4 months; operated at a loss last year. 	N/A	\$0.15-\$0.60 per <u>hour</u>	None. "Good time" provided independent of industry program	No.
KANSAS	2,800	\$22.00	<ul style="list-style-type: none"> Variety of industry programs offered: furniture refinishing, construction, painting, soap factory. Free Venture prison industry program initiated in 1979 thru Zephyr Products, Inc., a sheet metal fabrication shop. 56 maximum security inmates are bussed 3 miles outside prison walls to work at Zephyr. Zephyr Products, Inc. is a self-sustaining, private venture Kansas officials would like to establish more partnerships with the private sector when economic conditions improve. 	75.52.68	\$0.30-\$1.00 per <u>day</u> . Free venture \$3.55 per <u>hour</u> .	"Double Buck:" \$2.00 per day bonus.	Yes: \$5.00 per day for Free Venture participants.
MINNESOTA	2,154	\$48.91 ³ 3FY 82 figure	<ul style="list-style-type: none"> Twenty percent of the Minnesota prison population is employed in prison industries. Prison-made products have been sold to the private sector since 1907. In 1973 legislation was enacted that provides for private involvement in prison industries. Stillwater Data Processing, which employs 45 prisoners, has received a partial exemption from the federal government enabling it to market data processing on an interstate basis; anticipate increasing prisoner worker size to 120 when economic conditions improve. 	Ch. 243	\$1.80 per hour. \$3.35-\$4.00 for private industry participants.		No: Room and board policy was discontinued due to administrative problems and litigation.

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NEVADA	2,445	\$31.40	<ul style="list-style-type: none"> Nevada was one of the last states to establish a prison industry program (implemented in 1978 with a mattress manufacturing shop). Prison industries are self-sustaining. A revolving fund was established for the program last year. 99% of the industries' products are marketed to tax-supported agencies. 	249.459	\$.30-\$1.25 per hour decreased to \$.20-.80 in April 1982.	None. Good time provided independent of industry program.	Yes: Inmates making \$1.00 or more per hour are charged a fee based on 5% of their wages.
NEW MEXICO	1,480	N/A	<ul style="list-style-type: none"> 178 prisoners participate in the prison industries program. Prison industries have saved \$4 million in supervising costs. Prison industries operate with a 13% profit margin. Industry products are marketed to government agencies and nonprofit corporations. 	Ch.127 1981	\$.20-\$.50 per hour.	Good Time: 10 days routinely provided plus an additional 10 days awarded to working prisoners.	No
NEW YORK	27,000	N/A	<ul style="list-style-type: none"> Ten percent of the population works in a correctional industries program. \$16.8 million in sales in FY 81; industries were in the red. In response to FY 81 sales, legislation was recently enacted mandating industries to make an annual profit. Many of the industries include apprentice programs, which has been a sensitive issue because of organized labor's fears that prison work might displace outside labor. 	Consolidated laws of N.Y. (10B) Art.7 1 AD 7	\$.11-\$.60 per hour		No: Would implement if minimum wage provided.
OREGON	2,400	\$33.00	<ul style="list-style-type: none"> Oregon prison industries began in 1933. Legislation was enacted in 1981 which allows prison industries to market their products to the private sector. Marketing to the private sector has not occurred due to poor economic climate in Oregon. Prison industry program is required by law to be self-sustaining. There has been a 98% placement rate of paroled individuals who participated in the industry apprentice program. 	421.305	\$3.00 per (6.5 hour day)		No: Due to low wages.

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TEXAS	33,000	\$ 9.80	<ul style="list-style-type: none"> •Texas system operates a "traditional" industries program that is virtually self-sustaining. •Prisoner work is mandatory; approximately 30% of the population is employed (10% in prison industries). •Texas began to sell its products in 1978. •Marketing analysis is done prior to developing new products to determine extent of private sector competition. •Have encountered no complaints regarding perceived unfair competition. 	1.9.67	None	Good Time: Maximum 2 days credit for 1 day worked dependent on skill, attitude and behavior.	No.
UTAH	1,214	\$38.08	<ul style="list-style-type: none"> •Prison industry program was implemented in 1953. •65-75 prisoners participate in the program. •In 1981, industry policies were amended to enable workers participating in private industry to receive a minimum wage. •The prison print shop is the most profitable of the program's industries; it experienced a 36% increase in production this year with a staff increase from 5 to 14. 		\$.63 per hour; minimum wage paid to private industry workers		Yes: For minimum wage earners 10% of wage earned
WASHINGTON	4,000	N/A	<ul style="list-style-type: none"> •Correctional industries program is divided into 5 categories: Free Venture, Tax Reduction Industries, Institutional Support Industries, Community Work Industries, and Community Service Programs. •The Washington Free Venture program, distinct from the federally funded program, enables private industry to set up private prison industries; 2 Free Venture programs currently operational. •The Tax Reduction Industries employs inmates to produce products for the public sector. •Washington statutes do <u>not</u> mandate industries to make a profit. •Costs of incarceration have definitely decreased due to reduction of guard requirements and revenue generated from industry products. •In 1981, the program grossed \$1.4 million; only \$14,000 of this was profit. 	72.09 & Corrections Reform Act 71	\$.30-\$1.00 per hour; minimum wage paid to private industry workers at 60% of prevailing wage.		Yes: \$5.00 per day for Free Venture participants.

STATE	ESTIMATED PRISON POPULATION	AVERAGE COST PER PRISONER PER DAY	PRISON INDUSTRY FEATURES	STATUTORY CITATION	PRISONER SALARIES	OTHER REMUNERATION	ROOM & BOARD CHARGED
WYOMING	450	\$30.00	<ul style="list-style-type: none"> • Approximately 75 prisoners participate in the correctional industries program. • There has been no profit in the industries program; however, the program is self-sustaining. • The program's most successful industry is its sign shop. • Incarceration costs have increased; industry revenues will not offset the rising costs of incarceration in Wyoming. • Production quota bonus for prisoners has resulted in a 5% production increase. 	N/A	\$.15-\$.30 per hour.	Limited bonus incentive - pay bonus based on production quota	No.