

HB

275

Date referred: 4/17/87

FURTHER REFERRALS: Judiciary
Finance

DATE: 5/6/87
HB 275

The Health, Education and Social Services Committee has considered

"An Act continuing the correctional industries program; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 275 (HESS) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Roll E. Pell

George H. Harkey

John Ellis

Nicole King

Bill Woods

Wesley Stuenkel

SIGNING OTHER RECOMMENDATIONS:

Donald Donley NO REC

John Ellis
Chairman's signature

Bill Woods

3/2/87

DEPARTMENT OF CORRECTIONS
ALASKA CORRECTIONAL INDUSTRIES
FINANCIAL DATA

FISCAL YEAR	PCNs	ADMINISTRATION COMP.		PRODUCT COSTS COMP.		REVENUES
		APPROPRIATED	EXPENDED	APPROPRIATED	EXPENDED	
FY82	(5)	\$ 147,900	\$ 59,434	\$ -0-	\$ -0-	\$ -0-
FY83	(5)	160,200	128,476	355,500	92,017	-0-
FY84	(7)	278,800	216,881	285,600	140,377	32,957
FY85	(12)	524,200	448,231	AMT. AUTH. TO 703,000	SPEND ⁽¹⁾ 377,657	217,849
FY86	(12)	540,100	485,369	871,600	562,124	498,389
Total		<u>1,651,200</u>	<u>1,338,391</u>	<u>641,100</u>	<u>1,172,175</u>	<u>749,195</u>
FY87	(11)	571,600	PROJECTED 555,732	871,600	PROJECTED ⁽²⁾ 994,500	PROJECTED 1,071,600
FY88	(11)	564,300	564,200	1,658,400	1,658,400	2,000,000

Note #1: No money actually appropriated in ensuing years, FY85-88.

Note #2: Total includes \$200.0 loan from Ag. Rev. Loan Fund.

STATE OF ALASKA

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

March 17, 1987

SUMMARY OF: A Special Report on the Department of Corrections, Alaska Correctional Industries, March 17, 1987.

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, this special report has been prepared to document our review of the Alaska Correctional Industries program. Our review was conducted to determine if the program should be allowed to terminate on July 1, 1987, as provided by the enabling legislation.

OVERVIEW OF ALASKA CORRECTIONAL INDUSTRIES

Alaska Correctional Industries (ACI) was established to develop and operate agricultural, industrial, and service enterprises to provide realistic work experience for prisoners, to direct their efforts toward financial responsibility, to improve their effective work habits and occupational skills, and to increase the probability of opportunities for employment after release. The program currently employs 86 inmates with metal and furniture shops in Kenai, agriculture and auto body businesses in Palmer, and laundry and bakery operations in Juneau.

AUDITOR'S CONCLUSIONS

In our opinion, the Alaska Correctional Industries program generally provides realistic work experience and this experience is more realistic than that available through the institutional jobs. We further believe the work experience provided by ACI will improve the likelihood of successful employment after the inmate is released.

We recommend that the ACI program be extended. However, we suggest the extension be for a definite period (perhaps four years). This would allow the Legislature an opportunity to further review the progress of the program and require ACI to demonstrate their success with the program.

FINDINGS AND RECOMMENDATIONS

1. ACI should develop and utilize program cost guidelines for analyzing all existing and proposed industries.

The decision to continue or develop an industry within ACI should be based, in part, upon its financial viability. At present, ACI does not explicitly consider the full cost of an industry in its decision process. Financial statements, by industry, are prepared each month; however, these statements exclude the costs associated with the program's production managers and administrative personnel and the costs of the program's property, plant, and equipment. We estimate the net cost (revenue less expenses) in FY 86 to have been \$600,000, or approximately \$45 per inmate employee per day. The calculated or forecast net cost per day should be compared to a guideline cost established by the Correctional Industries Commission. This guideline should be equal to, or slightly above if justified, the incremental cost to the institution of providing alternative workweek daytime activities for the inmates. ACI should not enter into or continue industries which are not likely to approach this guideline.

2. The Correctional Industries Fund (CIF) financial statements should be presented in the State's Annual Financial Report in accordance with generally accepted accounting principles (GAAP).

CIF is an intragovernmental service fund and should be accounted for on an accrual basis. GAAP requires all the activities and the resources used by ACI to be reflected in their financial statements. The most significant items to be included are property, plant, and equipment and the related depreciation, implicit lease expense, inventory, and accounts receivable.

Alaska Statute 33.32.020 should be modified to require CIF to account for the entire industries program, including approximately \$500,000 of annual personnel costs presently excluded from CIF by statute.

3/2/87

BRIEF HISTORY OF ALASKA CORRECTIONAL INDUSTRIES

GENERAL: 1979 - State of Alaska financed "Alaska Corrections Master Plan" by Moyer and Associates, who recommend implementation of an Industries program. An Industries Manager, Wally Roman was hired October 16, 1981. In the spring of 1982, the Hammond Administration introduced and the Legislature passed HB 194 (enacted as AS 33.32.) which establishes the Alaska Correctional Industries program. In October of 1982, the Governor appointed the Correctional Industries Commission. In July, 1985, a Marketing and Sales Manager was added to the staff, and in September, 1985 the management of the Industries program (three individuals) was relocated from Juneau to Anchorage. Staff which did not transfer was replaced at the new location.

AGRICULTURAL OPERATIONS: Farming operations began as a camp work project at the Palmer Correctional Center over twenty years ago. In March, 1983, the Correctional Industries Commission approved the expansion of the operation as a correctional industry to provide produce for state institutions. Mechanized field and potato processing equipment was purchased for a sum in excess of \$100,000 including many surplus pieces of equipment which were rebuilt at the institution. Acreage under cultivation was increased to approximately 27 acres, and is yielding in excess of 200 tons of potatoes. Flowers are also grown for State projects, including the Anchorage International Airport. 8 to 15 inmates are employed based upon seasonal needs.

AUTO BODY REPAIR: This business also began in prior years sometime in the 1970's, at the Palmer Correctional Center. In March, 1983, upgrading and modernization of the existing auto body shop program was approved by the Correctional Industries Commission. Conversion of an existing shop building yielded a 2900 square foot shop which contains a paint booth, mixing room, tool room, welding facilities, and a state of the art frame straightening rack. The quality control was brought up to rigid commercial standards, and the shop now repairs virtually all State of Alaska vehicles in the southcentral region. This shop employs from 5 to 8 inmates.

COMMERCIAL LAUNDRY: In March, 1983, the Correctional Industries Commission approved the building of a commercial laundry facility at the Lemon Creek Correctional Center to provide service to the State of Alaska Marine Highway system's southeast runs, and all other state institutions in the Juneau area. At that time, the laundry needs of the Marine Highway system were being met in Seattle, Washington, and Prince Rupert, B.C., Canada. Laundry operators in the Juneau area declined this business due to high seasonal nature. Construction of the new facility was begun in the fall of 1983 and completed in December, 1984. Operations have been excellent with almost 3/4 of a million pounds of laundry processed annually, employing 18 to 35 inmates.

COMMERCIAL BAKERY: In October, 1983, the Correctional Industries Commission approved the establishment of a commercial bakery at Lemon Creek Correctional Center to provide baked goods to the Marine Highway system and other state agencies throughout Alaska. This operation was designed to share the same building as the laundry operation, and went into operation in January, 1985. It has continued from that time to supply top quality baked goods to the Marine Highway system at prices at or less than previous suppliers in Seattle, Washington, and Prince Rupert, B.C., Canada. This operation has commission approval for commercial sales which are being developed. The bakery employs 5 to 8 inmates.

FURNITURE ASSEMBLY: July, 1983, the Correctional Industries Commission approved the establishment of a furniture and upholstery production and repair facility. A first consideration was to utilize a quonset hut at the Lemon Creek Correctional Center, but this idea was discarded and the proposed operation was moved to the Wildwood Correctional Center in Kenai, Alaska. The decision was based upon the availability of a building that could be renovated at a relatively low cost, an institutional work force of medium custody inmates, and proximity to the large southcentral market for furniture. In the spring of 1985, a contract was awarded to CPSI, a Boulder, Colorado consulting firm which gives assistance to correctional systems for furniture manufacturing. An agreement with four large national furniture companies provided pre-made components of standard furniture items for assembly at the new plant. Furniture manufacturing began in the Wildwood plant in January, 1986. A substantial dollar volume has been produced since start up of the plant, but further review is necessary due to much lower margins than originally expected, and a major collapse of the furniture market due to budget restrictions. The plant employs 15 to 25 inmates. After careful review of the current product lines, which are quite broad, this operation will probably be reduced to labor intensive oak/upholstered furniture and a few other complimentary lines which have proven very acceptable in our market place, and provide a more adequate profit margin.

METAL FABRICATION PLANT: In October, 1983, the Correctional Industries Commission approved the establishment of a metal fabrication plant to be located at the Wildwood Correctional Center. Plant operations began in January, 1986 and with the receipt of the large Spring Creek Correctional Center production order for bunks and desks, the plant has been running at full production level for the past 8 months with 20 to 30 inmates working full time. This plant produces a variety of products beyond cell furniture, including fish carriers for the Department of Fish and Game, barbecue pits for the Division of Parks, and several communities in Alaska, as well as custom fabricated "one off" specialties.

MT. MCKINLEY MEAT AND SAUSAGE PLANT: In May, 1986, the Division of Agriculture approached the Department of Corrections with the idea of using inmate labor to operate the failed meat plant in Palmer until the private sector was able to operate it again. The Agricultural Revolving Loan Fund purchased the plant and has signed an agreement with the Department of Corrections to operate the facility. Initial public hearings were held on February 6, 1987 and the Industries Commission decided to table the operational proposal until the next meeting, March 16, 1987, when the commission will hear additional public testimony regarding operation of the plant. At the present time the Department of Corrections plans to provide meat for its own consumption only. This facility will employ 20 inmates.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: HB 275
Publish Date: 4-17-87

Revision Date: _____

Agency Affected: Dept. of Corrections
BRU: _____

Title: "An Act confirming the
correctional industries program"

Sponsor: Representative Swackhammer

Components: _____

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Susan E. Knighton, Research Analyst IV

Phone: 465-3376

Division: Statewide Programs

Date: 4-21-87

Approved by Commissioner: Susan Humphrey-Barnett

Date: _____

Agency: Department of Corrections

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Introduced: 4/17/87
Referred: Health, Education &
Social Services, Judiciary and
Finance

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IN THE HOUSE

BY SWACKHAMMER

HOUSE BILL NO. 275

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act continuing the correctional industries
program; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Section 7, ch. 53, SLA 1982 is repealed.

* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

Who We Are

Call Us!

We are a program of the State of Alaska's Department of Corrections, and service enterprises employ individuals incarcerated within the State's Correctional system. Each business is supervised by a skilled and experienced production manager. Our quality products and services are available for sale to all local, state and federal government agencies as well as school districts and non-profit organizations. Our catalog is available to all potential customers.

Quality Products

We offer the type of quality products your organization needs. Every product is fully guaranteed.

Competitive Prices

All prices are maintained at or below market levels, helping reduce your costs of doing business.

Ease of Purchasing

Our Eagle River Sales Office is set up to make ordering easy. No bidding is necessary—our products are included in the State of Alaska Contract Award Manual.

Rehabilitation

Inmates are offered an opportunity to use their time productively by learning marketable skills.

Sales Office

P.O. Box 600 Eagle River, AK. 99577
694-6000

Central Office

2200 E. 42nd Ave. Anchorage, AK. 99508
561-4426

Production Facilities

1. Furniture Manufacturing Plant
Kenai 283-7296
2. Agricultural Operations
Palmer 745-5054
3. Auto Body/Fender Repair Shop
Palmer 745-5054
4. Metal Products
Kenai 283-7296
5. Commercial Bakery
Juneau 780-6105
6. Commercial Laundry
Juneau 780-6106

**ALASKA
CORRECTIONAL
INDUSTRIES**

**QUALITY PRODUCTS FOR ALASKA
MARKETABLE SKILLS FOR THE FUTURE**

What We Make

1. Furniture Manufacturing

Our complete line of top quality, contemporary office and institutional furniture includes durable oak-framed tables, chairs, and sofas as well as metal-framed desks, chairs, tables, file cabinets, book cases, and computer furniture. We wholesale our furniture products to private entities as well as retail to our more traditional government and non-profit markets. Financing is available through third-party leasing companies. Located at the Wildwood Correctional Center in Kenai.

2. Agricultural Operations

Situated in the rich Matanuska Valley, our farm operates two greenhouses and has over twenty-five acres of land under cultivation. We currently focus on providing potatoes and fresh vegetables to institutional users. Located at the Palmer Correctional Center.

3. Auto Body Shop

Offering all the capabilities of any commercial facility, our auto body and fender repair business can restore the frame and body of any vehicle. Commercial painting services are provided on the premises. Current customers include the Matanuska-Susitna Borough and the State of Alaska, Department of Transportation and Public Facilities. Prompt turn-around is assured. Located at the Palmer Correctional Center.

4. Metal Products

Capable of fabricating hundreds of different metal products, our metal fabrication business is a fully equipped job shop. We specialize in working with your custom design to create exactly the product you need. Our current contracts include the fabrication of the institutional cell furniture for the Spring Creek Correctional Center now under construction in Seward. Located in the Wildwood Correctional Center in Kenai.

5. Commercial Bakery

Our bakery business provides a full range of bakery products comparable to any privately-owned commercial bake shop. The bakery takes orders for both standard and custom baked products as well as providing all the baked goods used by the Alaska Marine Highway System. Located at the Lemon Creek Correctional Center in Juneau.

6. Commercial Laundry

Offering a full range of services, our laundry business has the capability to process over four thousand pounds of laundry per day. The 6,500 square foot facility is primarily dedicated to providing the services required by the Alaska Marine Highway System and other state agencies in Southeast. Located at the Lemon Creek Correctional Center in Juneau.

7. More Industries Planned

Help us work for you. Tell us what products and services you need and how we can improve our current offerings. Your input is essential.