

HB 166

HOUSE BILL NO. 166

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/25/91

Referred: Health, Education and Social Services, Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

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

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

4 * Section 1. Section 7, ch. 53, SLA 1982, as amended by sec. 1, ch. 25, SLA 1987, is amended to
5 read:

6 Sec. 7. AS 33.32 is repealed July 1, 1995 [1991].

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

STATE OF ALASKA
Department of Corrections
LEGISLATIVE POSITION PAPER
Lloyd Hemes, Commissioner

P.O. Box 17, Juneau, AK 99801-0017 (907) 465-8878

Carl Niemi, Legislative Liaison

HOUSE BILL NO. 166
ALASKA CORRECTIONAL INDUSTRIES
"SUNSET" LEGISLATION

The Alaska Correctional Industries (ACI) is dedicated to the rehabilitation of prisoners by providing employment in realistic work experiences. The jobs provide prisoners a chance to develop good work habits through a monetary reward for a job well done. The realistic work experience allows for an acquisition of skills and a sense of self-worth. Also important is the fact that ACI provides a strong management tool for providing meaningful activity thus reducing inmate idleness.

Currently, all 50 states, the federal government and Canada operate correctional industries programs. Nationwide, correctional industries has expanded into a \$600+ million industry, employing 57,400 inmates. Approximately 10% of the nation's incarcerated population is actively involved in a industries program.

An average of 150 Alaska prisoners are involved in ACI within its eight industrial operations. This is roughly 6% of the total prison population.

The products and services produced by ACI are available to local, state, federal government, school districts, non-profit organizations and designated wholesalers. In FY 90, ACI generated approximately \$2 million in gross sales. To accomplish this, ACI purchased \$1,352,907.00 from 262 Alaskan Vendors; this represents 83% of ACI purchases.

As of February, ACI has generated \$1.2 million this fiscal year and projects gross sales of \$2.3 million.

Besides becoming a viable program, ACI is addressed in the Cleary Suit. It states the Department shall maintain industries in as many sentenced facilities as possible.

In summary, ACI has become a major factor in keeping State dollars at home. The main value, however, is ACI has been returning productive citizens to society. By providing greater numbers of prisoners work opportunities and teaching a positive work ethic, ACI has reduced recidivism and the cost of incarceration.

FISCAL NOTE:

ZERO
ATTACHED

APPROVED:


Commissioner

DATE:

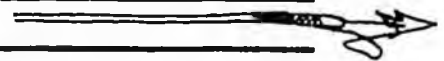
4/6/91



KAWERAK, INC.



P.O. BOX 948 • NOME, ALASKA 99762



(907) 443-5231

SERVING THE
VILLAGES OF:

- BREVIK MISSION
- COUNCIL
- DIOMEDE
- ELIM
- GAMBELL
- GOLOVIN
- KOYUK
- NOME
- SAVOONGA
- SHAKTOOLIK
- SHISHMAREF
- SOLOMON
- STEBBINS
- ST MICHAEL
- TELLER
- UNALAKLEET
- WALES
- WHITE MOUNTAIN

APR 22 1991

April 18, 1991

The Honorable David Finkelstein, Chairman
House Labor & Commerce Committee
P.O. Box V
Juneau, Alaska 99811

Dear Representative Finkelstein:

You will find enclosed a copy of an approved resolution which was formally passed at the 1991 Annual Meeting of the Reindeer Herders Association on March 15, 1991.

The resolution, 91-01, supports the continuation of the correctional industries program, as proposed by SB 227 and HB 166.

Please feel free to contact me for more information at 443-5231.

Sincerely,

REINDEER HERDERS ASSOCIATION

Rose Atuk Fosdick
Rose Atuk Fosdick
Director

Enclosure



KAWERAK, INC.



P.O. BOX 948 • NOME, ALASKA 99762



(907) 443-5231

REINDEER HERDEPS ASSOCIATION CORRECTIONAL INDUSTRIES RESOLUTION 91-01

SERVING THE
VILLAGES OF:

- BREVIG MISSION
- COUNCIL
- DIOMEDE
- ELIM
- GAMBELL
- GOLOVIN
- KOYUK
- NOME
- SAVOONGA
- SHAKTOOLIK
- SHISHMAREF
- SOLOMON
- STEBBINS
- ST. MICHAEL
- TELLER
- UNALAKLEET
- WALES
- WHITE MOUNTAIN

WHEREAS, the Correctional Industries Meat Plant is operating to provide a stable market for Alaska Grown livestock, including reindeer, and

WHEREAS, the meat plant is providing a source of quality local products for consumption by state institutions and purchases by local meat wholesalers and processors and

WHEREAS, the \$850,00 of livestock purchased for local producers stayed in the state economy instead of going to lower 48 producers and

WHEREAS, the slaughter and processing of reindeer through this inspected plant is providing a critical marketing service in expanding the industry and

WHEREAS, the Correctional Industries is providing training in proper handling and marketing of Alaska Grown products for both instate and potential export markets of meat products.

NOW THEREFORE BE IT RESOLVED, that continued operation of the Correctional Industry Meat Plant is recommended to provide a cost effective means of developing the reindeer industry as a key part of the livestock production sector in the Alaska economy.

BE IT FURTHER RESOLVED that the Reindeer Herders Association in its annual meeting March 14-15, 1991 in Nome endorse the Correctional Industries Meat Plant project and the continued processing of reindeer and encourage the Alaska State Legislature to support House Bill 166 which continues the Correctional Industries Program.

Tom [Signature]
President, Reindeer Herders Assn.

11-11-91
Date



RECEIVED
MAR 13 P.M.

March 7, 1991

Representative Lincoln
Health, Ed. and Social Services
P.O. Box V
Juneau, Alaska 99811

Dear Representative Lincoln:

It is my understanding the State Administration has submitted a bill (HB166) that will allow the continuation of Chapter 32, Correctional Industries, and satisfy the sunset clause that will affect this bill if not acted upon.

Though I applaud the efforts of the Administration and Legislature to deal with this ever mounting problem, I do see a need to alter a portion of this act to minimize the negative impact this legislation creates on my business and other Alaskan businesses.

Presently, the Correctional Industries Program creates a mandatory purchasing situation by the State of Alaska with Correctional Industries as it relates to the purchase of office furniture. I have gone along with some of the intended reasons as to the merits of this program except for it's recent entry into the Panel System work station concept. If this is allowed to continue, private business will be totally excluded from providing it's products to the State Of Alaska.

I suggest that a portion of the particular Section be eliminated as an alternative to requiring that the program/products/services undertaken by Correctional Industries *MUST not create a negative impact in the private sector. I am suggesting Section 33.32.030 be repealed and item (c) in it's entirety be remove from the Statute. It would also seem practical that public hearings be held when there is an attempt to expand the program in any manner.

It is my understanding Senator Jim Duncan is in the process of submitting a bill dealing with the problem to which I refer.

If I can provide further information in this matter, please feel free to contact me at any time.

Yours truly,



T.C. Quinn
President & General Manager

* See Sec. 33.32.015 Item (3); "minimal impact"

P.O.

Misc. Correspondence

586-2830 - FAX (907) 463-3850



Chamber of Commerce

124 West 5th St., Juneau, Alaska 99801

Phone: (907) 586-6420 FAX: (907) 463-5670

March 25, 1991

The Honorable Representative Lincoln, Chairman
HESS
State of Alaska Legislature
P.O.Box "V"
Juneau Alaska

referral

Madam Chairman:

I am here to testify on HB166

We, the Greater Juneau Chamber of Commerce, do not believe that the State of Alaska should compete with the private sector for public business. This situation currently exists within the Department of Corrections program. We recognize the importance of vocational training for inmates within our prison system, but feel that some of the existing programs do not train these inmates for jobs currently available within the State of Alaska. If Alaskan taxpayers are paying for this program, inmates should be trained for vocations that exist within our State .

Some of other concerns that we have are as follows;

- (1) Currently the State Department of Corrections has the blessing of the Department of Administration and the Legislature to bypass the established purchasing policy for competitive bids. The Legislature currently mandates that "a product or service provided by correctional industries that meets marketable standards of quality and that meets the needs of state agencies at reasonable cost,... SHALL BE purchased by state agencies. It does not say MAY BE purchased. The administration does not even appear to have a formal method to evaluate comparable value and the Commissioner of Administration is a member of the board of charged with the responsibility to promote this concept.

Currently the Dept of Corrections is in the butcher business, office furniture business, laundry business, agricultural business, garment manufacturing and auto body repair business. They pay far less than current market value for labor, in fact a range of \$.65 to \$1.25 per labor hour.

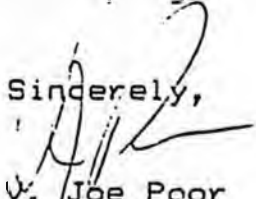
Juneau Col C Position Statement

We do not appreciate the direction that the Department of Corrections appears to be going and strongly object to the provision of the law that allows them to by-pass the competitive bid process of the State of Alaska.

- (2) We do not feel the composition of the existing Corrections Board provides adequate representation from the private sector. Since this Commission authorizes the Department of Corrections to enter or expand commercial revenue generating programs that may compete with the private sector, it is paramount that adequate representation from the private sector be present on this Board. We feel if the Board composition cannot be "balanced" then perhaps the program should be allowed to "sunset".
- (3) We feel the board should be mandated to revisit each prison program at least every two years to insure that the intent of the law is met. Specifically the provision that there is "minimal negative impact" to the private sector.
- (4) We are not aware of any appeal process that can be initiated by the private sector to get a fair, unbiased hearing if it appears the "minimal negative impact" has been exceeded. The appeal process should have a provision for reversal of the Department of Corrections action.
- (5) Finally, please remember that Alaska cannot be compared to the Corrections programs in the "lower 48". The State of Alaska is one of the largest employers within our state and plays a major role in our economic health. Whereas in the "lower 48", State government purchases is a minimal contributor to their economic stability.

If these concerns cannot be satisfied then we recommend that this program be allowed to "sunset".

Sincerely,


W. Joe Poor
Executive Director

NFIB Alaska

National Federation of
Independent Business

POSITION PAPER

OF

NATIONAL FEDERATION OF INDEPENDENT BUSINESS
(NFIB/ALASKA)

TO THE

HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

MARCH 25, 1991

ON

HB 166

AN ACT CONTINUING THE CORRECTIONAL INDUSTRIES PROGRAM.

State Office
9159 Skywood Lane
Juneau, AK 99801
(907) 789-4278



The Guardian of
Small Business

NFIB Position Statement

Madam Chairman, members of the Health, Education and Social Service Committee, my name is Resa Jerrel, and I represent the National Federation of Independent Business - NFIB/Alaska.

NFIB/Alaska is comprised of 5,240 small and independent business owners. The legislative agenda of NFIB/Alaska is determined by our ballot. The ballot is our annual poll of our membership on a series of issues deemed critical to small business. A majority vote, of the members in response to the poll, sets our policy and position on legislative issues. We then share the results of our poll with the legislature and administration. There is not enough space on the annual poll to place every possible issue to our membership. Therefore, we also use the three previous years ballot results as guidance on issues. I have attached a copy of the results of our 1988 and 1991 NFIB/Alaska questions regarding unfair competition.

Currently the Department of Corrections, Correctional Industries Program, is in the Agriculture, Butcher, Office Furniture, Office Panels/Systems, Metal Products, Auto Body Repair, Garment Making and Laundry Businesses. This puts them in direct competition with small businesses.

The Correctional Industries Commission was designed to provide general policy direction for the Program. The Commission has eight members with one from private industry, agriculture, general public, ex-offender and two representatives from organized labor. The Commissioner of Administration serves on the Commission and the Commissioner of Corrections serves as the chairperson. They are required to meet at least four times a year.

In two sections of the statutes AS 33.32.015 (4) and AS 33.32.30(b) the Commission is to determine that an employment project "will have minimal negative impact on an existing private industry or labor force in the state."

The Correction Industries Program is having a growing impact on existing private industry. With only one member on the Commission from the private sector, five from other walks of life and two bureaucrats it easy to see why the Program is having a growing negative impact on business. At the present time the Commission is not fulfilling the statutory obligation of making sure a project "will have minimal negative impact on an existing private industry..."

NFIB/Alaska would suggest that the Commission be allowed to sunset. In the ensuring one year wind down period, see if they can work more cooperatively with private business.

NFIB/Alaska would like to offer some alternatives:

First, require them to hold hearings when they propose either entering into a new area of industry or expanding the scope of an

existing industry. They could better inform the public of their hearings. Their most recent hearing was published in the news paper. The notice did not specify the location of the hearing in Juneau. The first time I called, I was informed that they "thought" it was going to be in the Commissioners office, could I call back. Second, the legislature could eliminate the statute that requires the state to purchase goods and services from the program. Both of these are being proposed in the other body. If you would like to take a look at that bill - it is SB 184. If you are interested, it will be heard for the first time April 3rd.

Also, instead of selling directly to the State of Alaska, they could offer their products directly to private businesses. This would allow the Program to not only indirectly sell to the State but, potentially their products could be purchased by other customers serviced by the private retailer. This way they would be fulfilling their goal of training the inmates, act like a true manufacturer and small business would not be faced with unfair competition from the state.

The following is the result of the 1988 NFIB/Alaska ballot question regarding unfair competition:

Should legislation be enacted to restrict the commercial activities of government entities so they are not permitted to compete with existing private enterprises?

Yes 78% No 12% Undecided 10%

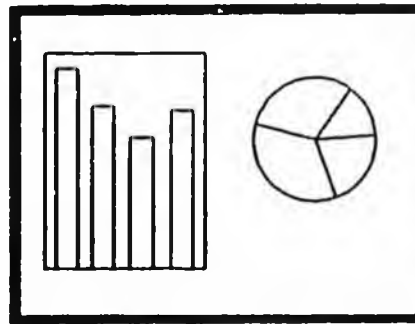
More recently, the following is the result of the 1991 NFIB/A ballot question on this issue:

Should the legislature establish a Private Enterprise Preservation Task force in order to study and recommend legislation to limit competition with private business by state and local government?

Yes 67% No 23.1% Undecided 9.9%

HOUSE BILL 166

ALASKA CORRECTIONAL INDUSTRIES Presentation



to the
17th Legislature

Lloyd Hames, Commissioner
Rich Bentson, Director
Wally Roman, General Manager

FY 92

ALASKA CORRECTIONAL INDUSTRIES PROGRAM

COMMISSION MEMBERS

GOVERNMENT MEMBERS:

Millet Keller, Commissioner
Department of Administration
P.O. Box C, MS 0200, Juneau, Alaska 99811
Juneau Office: 465-2200

Lloyd Hames, Commissioner
Department of Corrections
P.O. Box T, Juneau, Alaska 99811-2000
Juneau Office: 465-3376
Anch. Office: 561-4426

LABOR REPRESENTATIVES:

James Carroll
Ironworker's Union
315 5th Ave., Fairbanks, Alaska 99701
Fbx. Office: 456-6960

AnnaBell Stevens
Laundry & Dry Cleaning Local 333
825 E. 8th Ave., Anchorage, Alaska 99501
Anch. Office: 279-1124

BUSINESS REPRESENTATIVE:

Roger Lewis
635 Main Street, Juneau, Alaska 99801
Juneau Office: 586-1700

AGRICULTURAL REPRESENTATIVE:

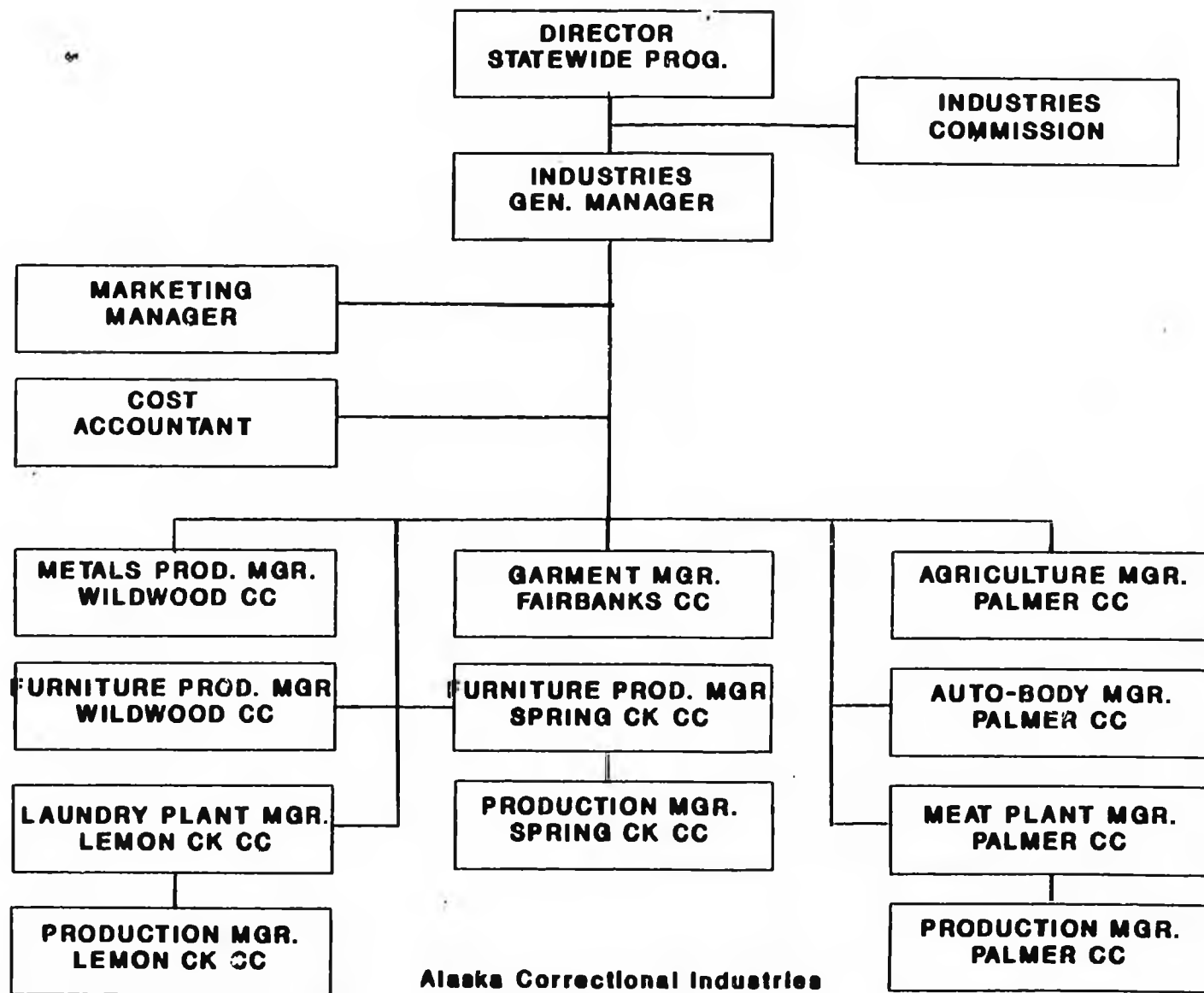
Joan Koponen
710 Chena Ridge, Fairbanks, Alaska 99709
Fbx. Office: 479-6782

PUBLIC REPRESENTATIVE:

Calvin Williams
P.O. Box 200332, Anchorage, Alaska 99520
Anch. Office: 786-8585

EX-OFFENDER REPRESENTATIVE:

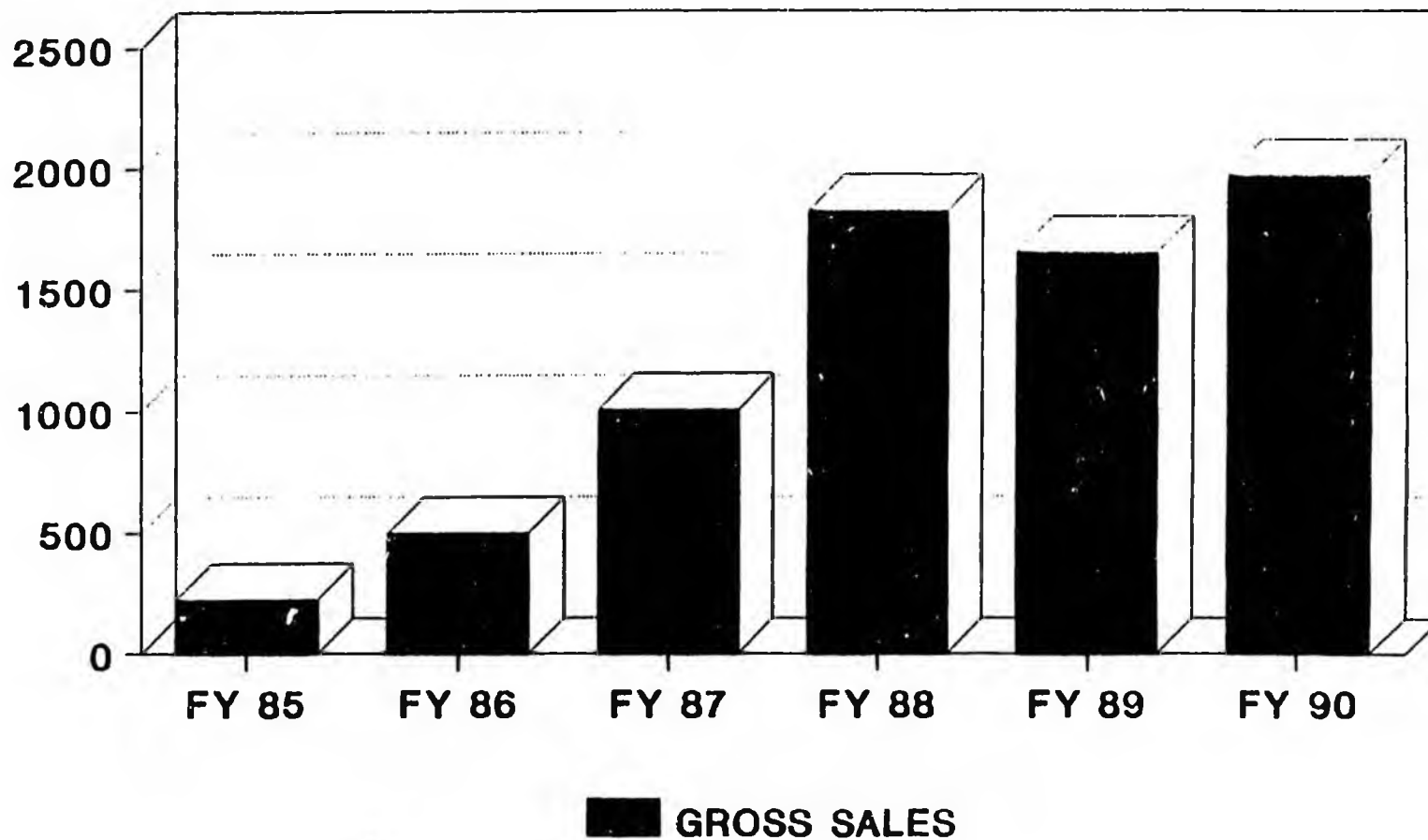
James L. Hesson
601 West Willoughby, Juneau, Alaska 99801
Juneau Office: 463-5577



Alaska Correctional Industries
Organizational Chart
Statewide Programs

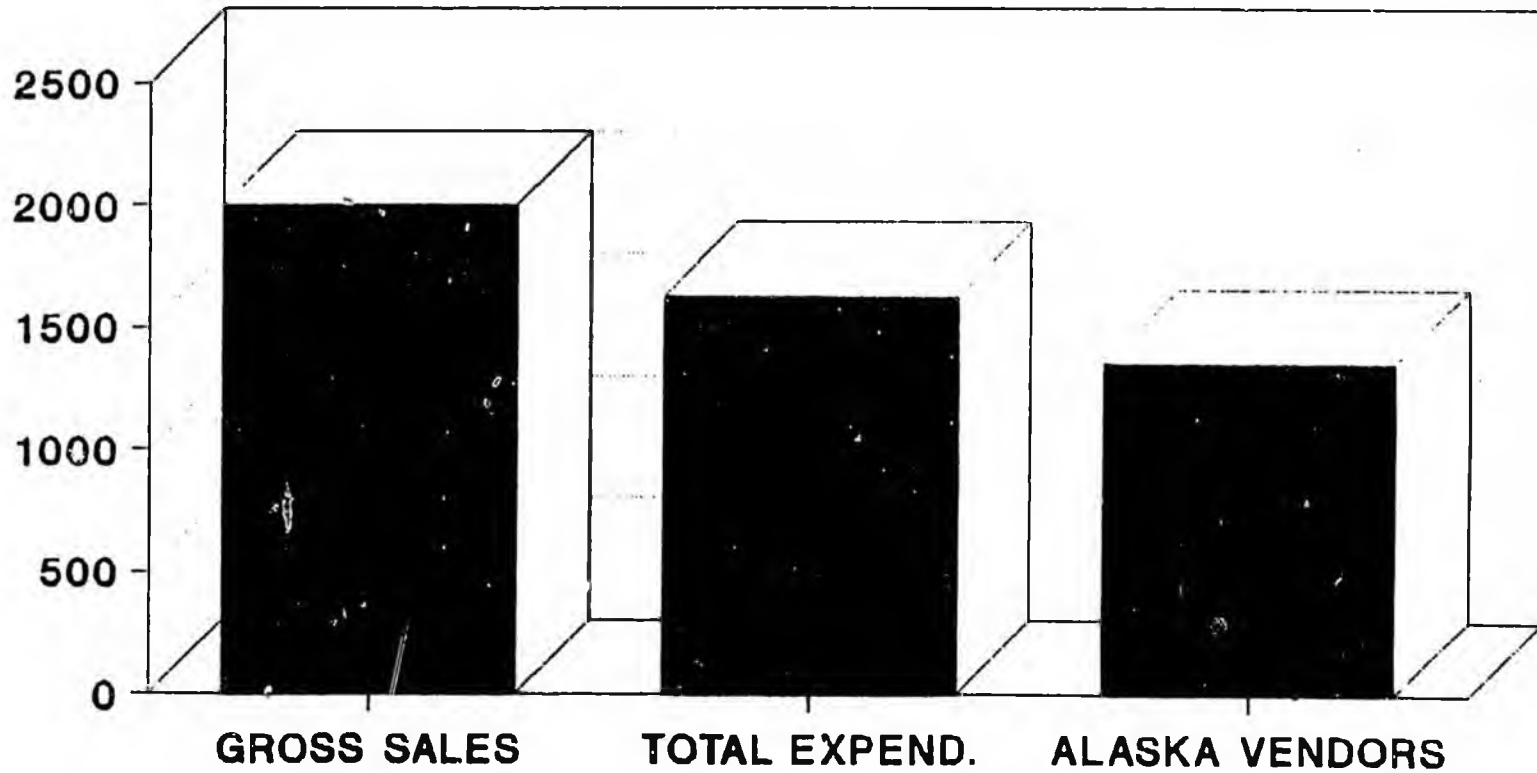
CORRECTIONAL INDUSTRIES

Annual Sales



In Thousands

CORRECTIONAL INDUSTRIES FY 90 SALES



262 ALASKAN VENDORS USED

OR

83% OF ALL
PURCHASES

■ ACI ACTIVITY

IN THOUSANDS

ALASKA CORRECTIONAL INDUSTRIES

LEGISLATIVE REPORT

March 12, 1991

INDUSTRIES OPERATIONS:

The Alaska Correctional Industries program had an active operation by the end of February, 1991 in the following industries:

1. Juneau Commercial Laundry
2. Kenai Metals Plant
3. Kenai Furniture/Office Systems Panels Plant
4. Palmer Farm/Green House Operation
5. Palmer Auto-Body Repair Shop
6. Palmer Mt. McKinley Meat Plant
7. Fairbanks Garment/Flat Goods Shop
8. Seward Furniture Plant

The employment of 160 inmates at the end of February, 1991 represents an increase of 6.6% over the prior year's employment level. This represents employment of approximately 6% of the state's incarcerated inmate population. Since our programs inception in 1982, the program has continued to expand and now in fiscal year 1991 is operating eight industries in six separate locations. Year-to-date in January, the Correctional Industries Program had provided 157,410 hours of inmate labor in the production of its services and products.

REVENUE SALES:

FY-88	\$1,827,000
FY-89	\$1,655,000
FY-90	\$1,970,154

The products and services produced by Alaska Correctional Industries are available to local, state, and federal government, school districts, non-profit organizations, and approved designated wholesalers. This year's year to date gross sales as of January was established at approximately \$1.2 million. projections for this fiscal year's gross sales is anticipated to approach \$2.3 million.

LEMON CREEK CORRECTIONAL CENTER:

The Juneau Commercial Laundry Operation continues doing excellent work for the Alaska Marine Highway system, as well as meeting the correctional center's needs at the Lemon Creek and the Johnson Youth facilities. The Juneau Recovery Unit and the Shrine of St. Teresa are also active customers. Approximately 97% of this operation's business are receipts from the Alaska Marine Highway system who formerly had its laundry serviced in Seattle, Washington and Prince Rupert, Canada. The total operation's FY-90 Gross Sales of \$270,531 surpassed the FY-89 sales volume of \$243,789. The

Laundry's projection for FY-91 indicates a slight increase in gross sales. Due to labor intensity, the Commercial Laundry operation will remain as one of the mainstays of the Industries program.

Staffing: Two production managers and 29 inmate staff

WILDWOOD CORRECTIONAL CENTER:

The Kenai Metal Fabrication Plant came on line in 1986, but did not receive a large production order until 1987. At that time, the plant turned out the metal cell furniture order for the new Spring Creek Correctional Center at Seward, Alaska. The order was originally to be placed with a firm in Hayward, California, but the order was changed so that the correctional industries metal plant could produce the job. Steel was bought from local vendors, the finished products were trucked to the site by local vendors, and the local economy enjoyed an additional \$150,000 of purchases that would otherwise have gone to a California vendor. The plant currently has a small standard product line and will provide custom work for all qualified markets. In FY-90, the shop produced \$60,000 in fish incubator (Kotoi) boxes for the Department of Fish and Game that had previously been awarded to out of state vendors. This shop attained \$145,677 in gross sales which was a large increase over its FY-89 sales level of \$68,536 primarily due to the Fish and Game order.

Staffing: One production manager and 10 inmate staff

The Kenai Furniture Plant began limited operations in 1986 and came fully on line in 1987. Quality control measures have been improved and sales to the State of Alaska agencies have been successful. There are no wholesale sales to the private sector, although several inquiries from private vendors have been received and this market is under analysis for development. The standard products include the more institutional line of couches, chairs, end tables, data tables, conference tables, dorm furniture, and book cases. In January of 1991, the program received the necessary approvals to develop a product line of office panels systems furniture. This product line will replace a majority of products made at the Kenai facility. The current product line will be transferred to the new furniture facility in Seward. The Kenai furniture operation attained a FY-90 gross sales level of \$455,319. \$343,636 was expended to attain this level of sales with 73.5% or \$252,421 of total expenditures through Alaskan vendors.

Staffing: One production manager and 34 inmate staff

PALMER CORRECTIONAL CENTER

The Palmer Farm Operation was instituted as a correctional industry in 1984, and has made slow steady progress over the ensuing time. Additional acreage has been prepared to increase the harvest size to meet the needs of the Department of Corrections. The farm continued in FY-90 and FY-91 in selling potatoes and vegetables to Southcentral Correctional Facilities and other State Institutions

as well as flowers which are utilized by the Anchorage International Airport and for various state beautification projects. The very favorable growing conditions during last summer allowed a banner crop of 330 tons of potatoes to be harvested in FY-90. The very favorable crop success and available sales volume of \$66,753 allowed a modest profit for FY-90.

Staffing: one production manager and 10 inmate staff

The Palmer Auto-Body Repair Shop began as a correctional industry in 1984 with the purchase of new equipment that allowed the shop to produce repairs of commercially acceptable quality. The Auto-Body Shop continues to do all auto-body repair on state vehicles primarily in the Southcentral region of Alaska, providing fast turnaround and high quality work. During FY-90, this operation attained \$71,130 in gross sales. The program is currently working in conjunction with the DOT State Equipment Fleet staff to identify heavy equipment that could be refurbished by this operation to expand the capabilities of this industry.

Staffing: One production manager and 6 inmate staff

The Mt. McKinley Meat and Sausage Company operates in conjunction with the Palmer Correctional Center but is located within the town of Palmer. This operation was acquired under a lease agreement with the Division of Agriculture, Department of Natural Resources in 1987 and was brought back on line after sitting dormant for one year. The original private sector owner of the plant was losing in excess of \$1,000,000 per year due to high labor costs and too low a level of production. While the correctional industry operation has lost money in FY-87, 88, 89, and 90, the operation has continued to improve in its goal to be self-sufficient. Due to increased market demands involving the processing of reindeer, and the ability to sell wholesale to private sector entities, this plant should be able to break even during FY-91. The operation experienced \$910,795 in gross sales in FY-90 and it is estimated it will exceed \$1,000,000 in gross sales during FY-91. Mt. McKinley Meats has been well received by the Alaska Farmers and Stockgrowers Association and the association supports its continuation in providing a stable wholesale market for Alaskan meat products.

Staffing: Two production managers and 28 inmate staff

FAIRBANKS CORRECTIONAL CENTER

The Fairbanks Garment/Flat Goods Operation was approved for implementation in FY-90 and began operations in FY-91. This industry is now in operation and is providing products to the Department of Corrections only. This is due to the concerns of negatively impacting existing private sector businesses. Any additional markets for this operation will be opened only after evaluation by the Correctional Industries Commission and review by the Commissioner of the Department of Corrections. The operation currently produces inmate clothing and flat goods for institutional use. All capital expenditures to open this industry were financed through revenues from the correctional industries program. Year-to-date FY91 sales in January attained the level of \$41,929.

Staffing: One production manager and 15 inmate staff

SPRING CREEK CORRECTIONAL CENTER

The Seward Furniture Plant was developed in FY-90 and became fully operational in FY-91. As noted, this industry will manufacture the program's line of oak furniture that was previously produced at the Kenai Furniture Plant. The new facility will provide additional space and is more conducive to the manufacturing of wood furniture products.

Staffing: Two production managers and a current inmate staff level of 24

ADMINISTRATIVE FUNCTIONS

A Correctional Industries General Manager, Marketing Representative, and Accountant perform the day to day administrative functions of managing and coordinating the Correctional Industries Program. 3 inmates provide assistance in the clerical, marketing, and accounting functions.

OVERVIEW

The entire staffing (14 staff positions) of the correctional industries program is comprised of 11 production managers, 1 accountant, 1 marketing representative, and 1 general manager. The program operates under the supervision of the Director of Statewide Programs, Department of Corrections.

The Correctional Industries program operates under Chapter 32, Section 33 of the Alaska Statutes as approved by the legislature in 1982.

Alaska Correctional Industries has become a major resource to the State of Alaska by keeping tax dollars at home and by providing needed products at affordable prices. However, to an even greater extent, the value of the ACI program lies in its ability to return productive citizens to our society. By providing greater numbers of prisoners with work opportunities to learn employable skills and a positive work ethic, ACI helps to reduce recidivism and reduce the cost of incarceration.