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DATE: April 4, 2001

**HOUSE OF REPRESENTATIVES
COUNCIL FOR HEALTHY COMMUNITIES
ANALYSIS**

BILL #: CS/HB 1133

RELATING TO: Operations of Correctional Work Programs

SPONSOR(S): Council for Healthy Communities and Representative Brutus

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) CRIME PREVENTION, CORRECTIONS & SAFETY YEAS 6 NAYS 0
 - (2) COUNCIL FOR HEALTHY COMMUNITIES YEAS 14 NAYS 0
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

Council Substitute for House Bill 1133 amends the definition of "corporation" as it relates to prison industries in Part II of Chapter 946, F.S. The Council Substitute provides for PRIDE (Prison Rehabilitative Industries and Diversified Enterprises, Inc.) to create an additional nonprofit member corporation, as long as PRIDE is the sole member of the corporation and the Board of Directors of the corporation is composed of at least 51% of PRIDE's board members. The member corporation will be subject to the same duties and responsibilities as that of PRIDE.

The reasoning behind the Council Substitute is to allow PRIDE to continue to emphasize its traditional correctional work programs (involving manufacturing and agriculture), but also, through a new PRIDE-controlled corporation, begin to concentrate on different issues involving new business development, private sector business partnerships, high-tech enterprises, and other non-traditional endeavors.

Council Substitute for House Bill 1133 also allows PRIDE to apply to become a participant in the state group health insurance programs and the prescription drug coverage program. The Council Substitute also makes several technical corrections to Chapters 946 and 957 of the Florida Statutes, fixing incorrect and obsolete statutory language and references.

The Council Substitute will have no fiscal impact on the state of Florida.

The Council Substitute provides that the act shall take effect upon becoming law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

PRIDE

PRIDE (Prison Rehabilitative Industries and Diversified Enterprises, Inc.) is a statutorily authorized, private, nonprofit corporation based in St. Petersburg, Florida. PRIDE, which was founded in 1981, is a general manufacturing and services company that is authorized by the state of Florida to manage the state's diverse prison industries through the development of strategic business partnerships. PRIDE is funded solely through revenues generated by the sales of its goods and services, which are manufactured by a workforce of approximately 5,000 inmates.

PRIDE provides on-the-job skills training as well as post-release job placement and support for Florida inmates. During calendar year 2000, PRIDE was responsible for training approximately 5,000 inmates. These inmate workers, who were housed in 20 different state correctional institutions, generated \$98.5 million in sales, contributed \$1,092,905 to the state of Florida, and paid \$276,417 toward victim restitution.¹

PRIDE is currently responsible for a wide variety of correctional work programs in the state of Florida, including 21 PIE programs.² Traditionally, PRIDE has focused mainly on agricultural and manufacturing type industries, such as farming and furniture manufacturing. However, in an effort to remain up-to-date and offer more contemporary services, as well as provide relevant workforce training to inmates, PRIDE has begun to offer more technologically advanced work programs, such as computer mapping, data entry, and data conversion.

PIE

The PIE (Prison Industry Enhancement) certification program is a federally administered program that authorizes public and private partnerships to employ inmates in correctional systems to produce items for open sale to the private sector *if certain criteria are met*. These criteria include paying the inmates who work for a PIE program a "prevailing" industry wage, taxing the wages, and

¹ Information obtained from Greg Hackley, registered lobbyist for PRIDE.

² PRIDE correctional work programs include: dairy, farming, poultry, feed mill, swine, sanitary supply, textiles, transportation, forestry, decal and maintenance, dental, furniture manufacturing (metal and wood), furniture refurbishing, tire remanufacturing, traffic paint manufacturing, optical, print, modular furniture manufacturing, cattle, citrus, food product distribution, sugar cane, administrative office materials, shoe manufacturing, box manufacturing, heavy vehicle renovation, warehousing, tags manufacturing, broom manufacturing, automated mapping, data entry, and data conversion. PIE programs include: wood and metal furniture, optical (eyeglasses), paint and coatings, forestry and wood products, produce processing, printing/imaging, textiles and garments, and corrugated containers.

providing inmates with workers' compensation coverage. The goal of the federal PIE program, which has been in existence since 1979, is to ease interstate commerce restrictions on joint private-public prison manufacturing ventures as long as local industries are unaffected and the program meets the various criteria mentioned earlier.

Chapter 99-260, Laws of Florida, transferred the oversight and certificate for PIE programs from the Department of Corrections to PRIDE. On May 27, 1999, the Bureau of Justice Administration approved PRIDE as the official PIE certificate holder. However, all contracts for use of inmate labor in PIE programs must receive the approval of the Department of Corrections.

State Group Health Insurance

There are approximately 400 PRIDE employees. Currently, these employees do not have access to any of the state group health insurance programs or prescription drug programs.

C. EFFECT OF PROPOSED CHANGES:

Council Substitute for House Bill 1133 will allow PRIDE to create a second, private nonprofit corporation that has PRIDE as the sole member of the corporation and has a Board of Directors that is composed of at least 51% of PRIDE's board members. Essentially, this Council Substitute will allow PRIDE to duplicate its corporate structure and have a new corporation subject to the same duties and responsibilities applicable to PRIDE.

By allowing PRIDE to create an additional nonprofit corporation, this Council Substitute will allow PRIDE and its current managers to do two things: **1)** continue to support PRIDE's traditional correctional work programs (involving manufacturing and agriculture), and **2)** shift the more technologically advanced correctional work programs, such as data conversion, to the new corporation with new management and different skills. The new nonprofit corporation will be able to concentrate on different issues other than manufacturing and agriculture, such as new business development, private sector business partnerships, high-tech enterprises, international business and exporting, and other non-traditional endeavors.

The Council Substitute for House Bill 1133 will allow PRIDE to apply to the Department of Management Services for participation in the state group health insurance program and the prescription drug coverage program. The Council Substitute will also allow for PRIDE's leased properties (machinery and equipment) to be insured by the State Property Insurance Trust Fund. Currently, only property owned by PRIDE is eligible for such insurance coverage.

The Council Substitute also corrects cross-references and deletes obsolete language throughout Chapter 946, F.S. The Council Substitute makes one cross reference change to § 957.04, F.S.

D. SECTION-BY-SECTION ANALYSIS:

Section 1: This section changes a statutory reference to more accurately define the section of the Chapter that describes the corporation of PRIDE. PRIDE currently carries out §§ 946.502 through 946.524, F.S. However, the statutes currently refer only to §§ 946.502 through 946.518, F.S. Rather than correct each section number this year, and then year after year as the numbers may continue to change, the term "this part" has been substituted in an effort to encompass all of PRIDE's activities and responsibilities without referring to the specific range of statute numbers. This technical revision appears numerous times throughout the Council Substitute. Section 1 also removes obsolete language from the statutes.

Section 2: The section contains a technical revision changing the word "chapter" to "part."

Section 3: This section deletes a statutory reference and replaces the reference with the words “under this part.”

Section 4: This section amends the statutory definition of the term “corporation” as used in Chapter 946, F.S. The new, expanded definition allows for the creation of a nonprofit member corporation, as long as PRIDE is the sole member and the Board of Directors of the corporation is composed of at least 51% of PRIDE’s board members. The member corporation would be subject to the same duties and responsibilities as PRIDE under Part II of Chapter 946, F.S.

Section 5: This section amends a statutory reference to more clearly define the section of the Chapter that describes the corporation. (See **Section 1** explanation.)

Section 6: This section provides that the State Property Insurance Trust Fund may insure PRIDE’s leased properties (equipment and machinery) as well as its owned properties. Currently, only property owned by PRIDE is eligible for such insurance coverage.

Section 7: This section corrects a statutory reference. The PIE program is now described in § 946.523, F.S., not in § 946.006(3), F.S.³

Section 8: This section amends statutory references to more clearly define the section of the Chapter that describes the corporation. (See **Section 1** explanation.)

Section 9: This section changes the date by which PRIDE must submit its Annual Report to the Governor and the Legislature. This date change reflects PRIDE’s switch in accounting methods from a fiscal year to a calendar year.

Section 10: This section adds references to two statutory citations that concern PIE programs.

Section 11: This section amends references to the different parts of Chapter 946, F.S. According to PRIDE, the reason behind this change was to clarify that both PRIDE and PIE are in the same “part” of Chapter 946, F.S., and that inmate assignment provisions apply to both PRIDE and PIE participants.

Section 12: This section corrects an obsolete statutory reference.

Section 13: This section provides legislative intent that supports the option for PRIDE to join the state group health and prescription drug programs.

Section 14: This section defines the requirements that PRIDE must meet in order to apply and be accepted for participation in the state group health insurance program and the prescription drug coverage program. If PRIDE is deemed eligible for participation in the programs, then PRIDE must agree to the following terms: 1) the minimum enrollment or contractual period shall be 3 years, 2) PRIDE will pay \$2.61 per enrollee per month, 3) termination of PRIDE’s participation in the program will require a written notice 1 year before the termination date, 4) if participation is terminated, PRIDE may not reapply for a period of 2 years, 5) PRIDE will reimburse the state for 100 percent of its costs, 6) if PRIDE fails to make the required payments, the payments will be deducted from PRIDE by the Department of Revenue or the Department of Banking and Finance, and 7) PRIDE will furnish any information requested by the Department of Management Services in order to manage the program. There will be no fiscal amount associated with this section because PRIDE will reimburse the state for all costs associated with being a member of the insurance programs. The Department of Management Services is given authority to adopt rules to administer this section.

³ § 946.006, F.S., was repealed in 1999.

Section 15: This section requires the Department of Management Services to request letters of approval or disapproval from the Internal Revenue Service. A letter of approval from the IRS will certify that PRIDE's participation in the state group health insurance program and the prescription drug coverage program will not in any way disqualify or decertify either of the two programs.

Section 16: This section provides that the bill shall take effect upon becoming law, except as otherwise provided.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority of counties or municipalities to raise revenues.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Crime Prevention, Corrections & Safety adopted one amendment on March 29, 2001. The amendment defines the composition of the Board of Directors for any new, nonprofit PRIDE corporation. The Council for Healthy Communities adopted a second amendment on April 4, 2001. The second amendment allowed PRIDE to apply to become a participant in the state group health insurance programs and the prescription drug coverage program.

At the request of the bill's sponsor, both amendments were incorporated into a Council Substitute at the Council for Healthy Communities meeting on April 4, 2001. This bill analysis is written to the Council Substitute.

VII. SIGNATURES:

COMMITTEE ON CRIME PREVENTION, CORRECTIONS & SAFETY:

Prepared by:

Melinda Smith

Staff Director:

David De La Paz

AS REVISED BY THE COUNCIL FOR HEALTHY COMMUNITIES:

Prepared by:

Melinda Smith

Council Director:

Mary Pat Moore