

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Justice Appropriations Committee

BILL: CS/CS/SB 192

INTRODUCER: Justice Appropriations Committee, Governmental Oversight and Productivity Committee and Senator Wise

SUBJECT: Prison Industries

DATE: April 24, 2006

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Davis</u>	<u>Cannon</u>	<u>CJ</u>	<u>Fav/1 amendment</u>
2.	<u>Wilson</u>	<u>Wilson</u>	<u>GO</u>	<u>Fav/CS</u>
3.	<u>Sadberry</u>	<u>Sadberry</u>	<u>JA</u>	<u>Fav/CS</u>
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill creates a task force to examine how well the prison industries program has fulfilled its purposes and missions and then report those findings to the Governor and the Legislature. It also amends s. 946.505, F.S., to clarify the state's reversionary interest in property owned by PRIDE.

The bill substantially amends section 946.505, Florida Statutes.

II. Present Situation:

PRIDE'S History

Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE) was created by the Legislature in 1981 as a private, non-profit corporation. In 1983 the Legislature authorized PRIDE to lease and manage the state prison industries program which had been operated by the Department of Corrections. Section 946.501(1), F.S., notes that it is essential to the state that the correctional work programs provide inmates with activities that can then "lead to meaningful employment after release" to help reduce the number of inmates who return to the correctional system. Section 946.501, F.S., defines PRIDE's mission as:

- providing education, training, and post-release job placement to inmates to help reduce recommitment;
- enhancing security by reducing inmate idleness and providing an incentive for good behavior in prison;
- reducing the cost of state government by operating enterprises primarily with inmate labor while not unreasonably competing with private enterprise; and

- rehabilitating inmates by duplicating, as nearly as possible, the activities of a profit-making enterprise.

PRIDE was given several advantages to help offset some of its competitive disadvantages in the marketplace. It has sovereign immunity¹ and is not required to pay unemployment compensation for inmate workers. State agencies are required by statute to purchase products from PRIDE if the products are of similar quality and price to those offered by outside vendors.² Also, PRIDE is not under the authority of any state agency, although it is subject to the auditing and investigatory powers of the Legislature and the Governor.

PRIDE currently operates 36 industrial training programs in 20 state prisons and offers 366 on-the-job training programs. In 2004 alone, 3,794 inmates were trained in jobs and worked 3,702,290 hours in the 36 industries. Some of the industries operated by PRIDE are raising dairy calves, furniture manufacturing, agriculture, printing, binding, data entry, and document imaging services. PRIDE does not receive funding from the Legislature and is supported by the revenues it generates from selling its products. The State of Florida is its major purchaser, accounting for 51 percent of its revenues in 2004. Total revenues for that year were \$65,694,450.³

PRIDE reports that its recidivism rate is lower than that of the general inmate population and that for fiscal years 2002, 2003, and 2004, that rate has steadily declined. PRIDE also reported that it offers a program which helps inmates begin making restitution payment while in prison so that their financial burden is reduced upon release from prison.⁴

Financial and Managerial Issues

In the late 1990's PRIDE developed a new business plan which involved the creation of separate but related business companies to help PRIDE find ways to increase the number of inmate jobs and expand its mission. PRIDE formed Industries Training Corporation (ITC) in July 1999, to enter into business relationships and manage work programs for PRIDE. However, the number of inmate workstations declined by more than 500 between 2000 and 2002, and there are no statistics indicating any increase in the subsequent two years.

In its 2002 Annual Report issued December 2, 2002, the Florida Corrections Commission extensively reviewed Pride's history and current operations. The report focused attention on Pride's fulfillment of its mission, particularly noting that the number of inmate workstations had not kept pace with the growth of the inmate population. The Corrections Commission also raised questions about the new corporate structure and affiliated entities.

In December 2003 OPPAGA issued Report No. 03-68, "PRIDE Benefits the State but Needs to Improve Transparency in Operations." OPPAGA focused on many of the same issues as the Corrections Commission, particularly concerning Pride's organizational structure. OPPAGA also noted some of the challenges faced by PRIDE in the current business operating environment, and that PRIDE sales had declined by more than \$20 million over the preceding 5 years. The

¹ Section 946.5026, F.S.

² Section 946.515, F.S.

³ PRIDE Enterprises Annual Report 2004.

⁴ Id.

OPPAGA report prompted Governor Bush to request his Chief Inspector General to conduct an audit of PRIDE and its related entities.

On February 28, 2005, the Office of the Chief Inspector General issued its findings. In general, the audit noted the significant financial decline of PRIDE and its affiliates, was critical of PRIDE's internal controls and its business and organizational operation, a breakdown in accountability, as well as the Board of Director's lack of oversight.⁵

According to one published article, the PRIDE Board of Directors asked its attorneys in March 2005, to attempt to negotiate and collect up to \$12.9 million from Industries Training Corporation, or ITC.⁶

In September 2005 PRIDE filed suit against ITC, two of its affiliates, and its Treasurer and Chief Financial Officer. The suit sought monetary damages for actions which allegedly promoted the financial interests of some of the management groups while compromising the financial interests of PRIDE. This case is pending and has not been resolved.⁷

Reversionary Interest

Section 946.505, F.S., provides for the reversion of certain PRIDE property to the state if PRIDE dissolves or if a correctional work program ceases to function. Unless PRIDE intends to use the property for another correctional work program, all buildings, land, furnishings, equipment, and other chattels originally leased from the department automatically revert to full ownership by the department. The state also has a reversionary interest in any facilities that are subsequently constructed or otherwise acquired in connection with the operation of the program. "Facilities" is defined in s. 946.503(4), F.S., to mean buildings and land used in the operation of an industry program on state property. In its report, OPPAGA noted that the statute does not provide for reversion of all PRIDE property to the state, nor address the state's interest in property that is transferred by PRIDE during its existence. In its response to the OPPAGA report, PRIDE noted that the state's reversionary interest is ensured in PRIDE's articles of incorporation and further protected by its designation as a 501(c)(3) organization under the Internal Revenue Code.

III. Effect of Proposed Changes:

Section 1 of the bill creates the Prison Industries Task Force to examine and report on the state's prison industries program. Previous reports concerning PRIDE have focused on structural and management issues, examining whether PRIDE is accomplishing its statutory missions. The bill provides a broader mission for the task force, which will determine: (1) how well the program has fulfilled its statutory missions and purposes; and (2) whether the program's statutory missions are still feasible and relevant and whether they will remain so in the future.

The task force will be housed within the Office of Legislative Services, with staff support provided by the Legislative Committee on Intergovernmental Relations. Its first meeting must be

⁵ Audit Number 2004-4, Office of the Chief Inspector General, February 28, 2005.

⁶ "Prison labor firm PRIDE to try to recoup millions," (sic) St. Petersburg Times, March 3, 2005.

⁷ Prison Rehabilitation Industries and Diversified Enterprises, Inc., vs. Industries Training Corporation, Labor Line Services, Inc., Labor Line, Inc. and Robert M. Smith, individually, Case No. 05-006100CI-008, filed in the Circuit Court of the Sixth Judicial Circuit, Pinellas County, Florida.

held by July 15, 2006, and at least 3 public meetings must be held. The task force must submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives no later than February 15, 2007. The bill abolishes the task force on July 1, 2007.

The task force will consist of the following 13 members:

- The Secretary of the Department of Corrections, who shall serve as chair, and 2 wardens of institutions that have prison industries programs;
- A representative from the Agency for Workforce Innovation;
- A representative from the Department of Education's Office of Workforce Education;
- A member of the Senate, appointed by the President of the Senate;
- A member of the House of Representatives, appointed by the Speaker of the House;
- A representative from the PRIDE board of directors;
- A representative from a local governmental entity that purchases products produced by prison industries;
- A representative from a private industry that regularly employs former inmates;
- A representative from a private industry that regularly trains inmates;
- A representative from the academic community with expertise in research concerning reentry of prisoners into society and the employment of former felons; and
- A former inmate who worked in the prison industries program.

The President of the Senate and the Speaker of the House of Representatives must jointly appoint the representatives of PRIDE, local government, private industry, and academia by July 1, 2006.

The bill requires the task force to receive testimony from the Auditor General, the Governor's Inspector General, OPPAGA, PRIDE, and other appropriate officials to address a number of questions regarding the correctional work program's missions:

- Whether the statutory missions of the program, as defined in s. 946.501(2), F.S., are still valid; whether there are other valid missions that should be included; and whether any of the valid current or recommended missions are in conflict;
- Whether the missions should be ranked in order of priority and the extent to which accomplishment of a higher-priority mission can be reduced to accomplish a lower-priority mission;
- Whether duplicating a free-world operation as closely as possible is the most effective way of accomplishing the program's missions;
- Whether the program's management structure should be changed to facilitate accomplishment of the missions;
- Whether operating the program independently of state government is the most effective manner to accomplish its valid missions;
- Whether PRIDE can fulfill the legislative intent in s. 946.502(6), F.S., that correctional work programs use inmates in all levels of custody, with emphasis on reducing idleness among inmates in close custody;
- The extent to which privatization and market changes have reduced PRIDE's sales and impeded its ability to expand training; and

- What creative strategies could enhance the program's ability to accomplish its valid missions.

Section 2 of the bill addresses the concern raised in OPPAGA Report No. 03-68 that state property interests in reversion of PRIDE property to the state need to be clarified. Section 946.505(1), F.S., is amended to clarify that all property and assets related to a correctional work program will revert to state ownership if the program closes and PRIDE does not intend to use the property and assets in another correctional work program. Of course, the property and assets would also revert to the state if PRIDE were dissolved. The bill does not address the status of property that is sold or otherwise transferred by PRIDE. However, PRIDE does not have authority to transfer title to property originally leased from the department or the state, or to permanent enhancements to facilities or work programs.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The fiscal impact to the government is expected to be insignificant. There will be some expense to the state for reimbursement of travel and per diem costs for task force members, but members are not authorized additional compensation. There will also be some administrative costs, although the task force will be supported by current state personnel.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

VIII. Summary of Amendments:

None.

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