

PEN Strategic Plan FY2017 - 19

- **Executive Summary**
 - **Vision/Mission**
 - **Strategic Goals**
 - **Description of PEN Career Focused Reentry**
 - **Offender Jobs**
 - **Financial Overview**
- **Strategic Plan by Product Line**
- **Market Analysis**
- **SWOT**
- **Strategic Goals/Objectives**
- **Measurements**
- **Evaluation/Monitoring**
- **Implementation**

Executive Summary:

Vision

- PEN positively impacts the recidivism rate.

Mission

- To equip offenders for **successful re-entry** through meaningful work and career development while operating in a self-sustaining manner
 - PEN's mission is to reduce recidivism by working offenders in meaningful jobs and helping them learn a work ethic, work skills and develop a career focus that will increase the likelihood of their successful re-entry into society upon their release from confinement.

Strategic Goals

1. Jobs – Maximize offender job training opportunities
2. Financial – Produce revenue to cover all operating costs of PEN's offender job training program
3. Re-entry – Equip offenders for successful re-entry into Indiana's communities

Description of PEN

- PEN is an offender job training program with the goal of successful offender reentry.
- PEN is a Division of the Indiana Department of Correction (IDOC). IDOC, including PEN, is an agency of the State of Indiana.
- To fund offender job training PEN provides and markets offender made goods and services to customers within the state of Indiana. PEN also partners with private companies to bring work to offenders.
- PEN receives no appropriations and is entirely self-supporting. Sales of products/services, and revenue from joint venture partnerships provide all sources of funding for the PEN Offender Job training program.
- Primary target audience
 - Offenders who need job training to develop work ethic and skills to help with their integration back into Indiana communities. To fund this job training PEN is a business-to-business organization. Our market includes state and local governments, schools, nonprofits and the private sector. Our focus is to grow sales to county and local

PEN Strategic Plan for Fiscal Year 2017 - 19

governments, including jails, schools and nonprofits, while maintaining and growing sales to State Agencies. Currently the majority of PEN's sales are to customers who are state agencies, so state agency customers are an important segment.

- Additional audiences who benefit
 - The taxpayers of Indiana benefit:
 - From the successful re-entry of released IDOC offenders. Successful re-entry means reduced crimes, and reduced cost of arrest, conviction and cost of re-incarceration to taxpayers.
 - The first USDOL recidivism rate came out in January 2015 with a rate of 24.2%, the following year USDOL recidivism increased to 29.6% considerably below the 36.7% statewide recidivism rate. This validates that PEN offender job training is an effective tool/force in combating recidivism. Studies consistently show that 85% of ex-offenders re-arrested are unemployed.
 - Cost savings generated by PEN.
 - Braille – Approximately \$900,000 in savings per year in free Braille books to the Indiana Department of Education.
 - Laundry - \$431,875 cost savings over the last two years at three Indiana State Hospitals and Indiana Veterans Home.
 - USDOL Time Cuts results in approximately \$2.3 million per year direct savings such as food, medical, clothing, etc... by giving the means for offenders to earn a United States Department of Labor Apprenticeship. This Apprenticeship qualifies those offenders for a sentence time cut - thereby significantly reducing the expensive cost of incarceration.
 - New Career Development Training – A 90 day time cut should achieve similar savings when fully implemented by the end of calendar 2016. Cost Savings for Entire Year of 2015 = \$87,661.
 - PEN job assignments keep offenders busy in manufacturing operations thus reducing custody manpower resources otherwise needed by the facility Reduction in offender behavioral problems back in the dorms after work hours also helps reduce the custody resources that otherwise is needed to supervise and/or respond to facility disturbances. While this has been recognized and well known intuitively by prison administrators for years, a recent study by IDOC research documented a reduction in dorm incidents for PEN workers. This is now a monthly metric published by IDOC research.

PEN Strategic Plan for Fiscal Year 2017 - 19

- Reduction in facility resources as the time offenders spend working in industry reduces the time they otherwise would be spending in facility funded supplied programming.
- **Employment after release**
 - Metrics from Department of Development Workforce Development:
 - Offenders who earned a USDOL Apprenticeship:
 - **75%** were employed verses **50%** for non-USDOL Apprenticeship (3 year recidivism study January 2015)
 - Time to gain employment
 - **Average time from release to employment - 150** days verses **202** days for non-USDOL (for those offenders who became employed – January 2015)
- PEN Offender Career Development Training (CDT) effort include the following major components:
 - United States Department of Labor Apprenticeship
 - Job Clubs
 - Mentoring
 - Career Development Training – rollout to all facilities in calendar 2016
 - Career Recourse Centers – rollout to all Parole Offices in calendar 2016
 - Career Path Planning Workshops
 - Offender Workforce Development Training
 - Department of Workforce Development Hoosier Initiative for Reentry (HIRE) program

PEN Strategic Plan for Fiscal Year 2017 - 19

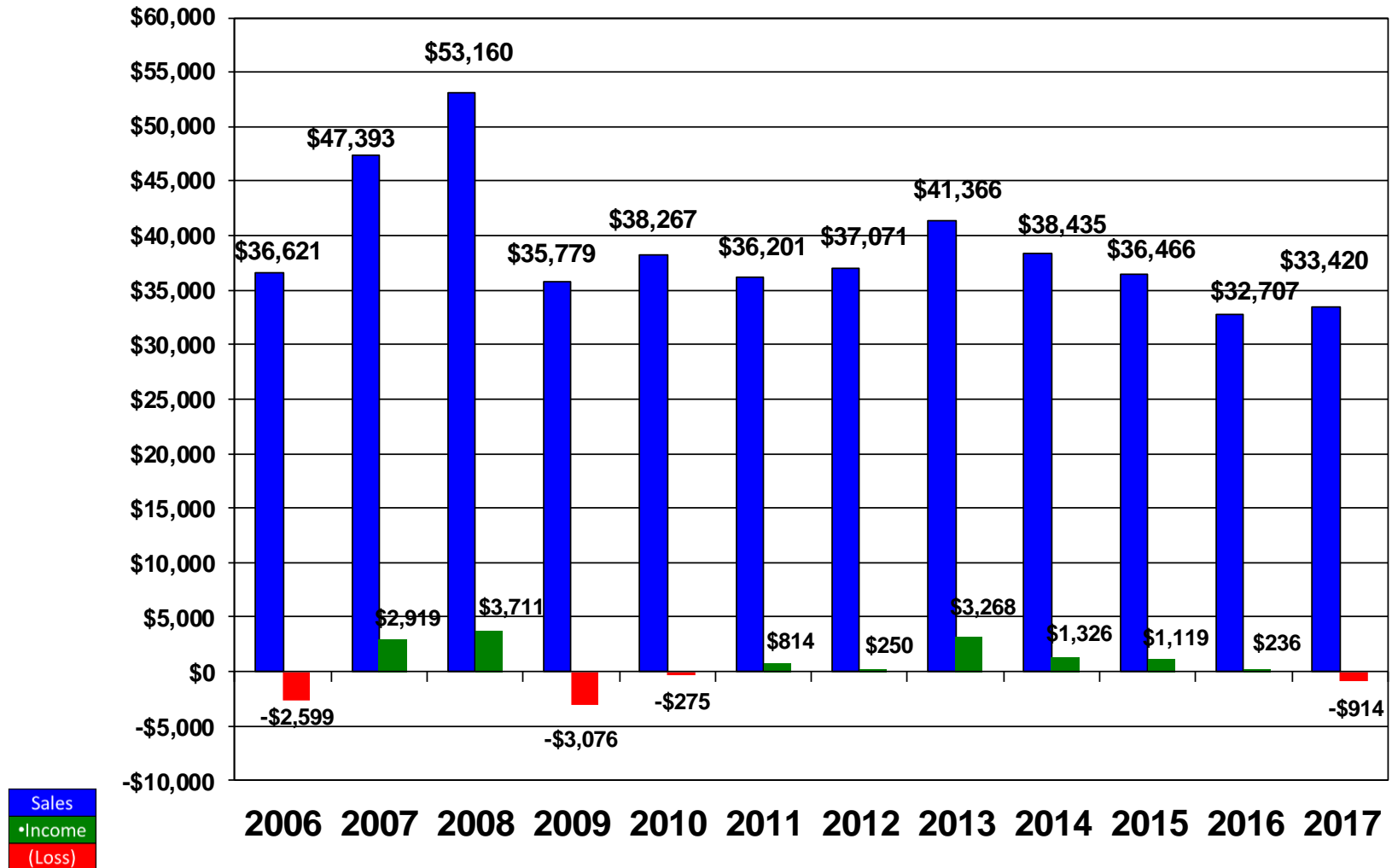
Rank	State	Offender Jobs	Prison Population	% of Prison Population
1	TX	4,820	147,924	3.3%
2	CA	4,967	121,605	4.1%
3	FL	2,573	100,942	2.5%
4	NC	2,306	37,800	6.1%
5	WA	2,267	18,214	12.4%
6	NY	2,080	52,000	4.0%
7	AZ	2,060	42,611	4.8%
8	MD	2,041	21,693	9.4%
9	OH	1,623	50,414	3.2%
10	CO	1,599	20,088	8.0%
11	IN	1,588	27,800	5.7%
12	PA	1,571	48,405	3.2%
13	MN	1,569	9,947	15.8%
14	MO	1,409	33,000	4.3%
15	SC	1,336	21,012	6.4%

Indiana dropped
 From 8th in 2014
 To 11th in 2015

Financial Overview

PEN Strategic Plan for Fiscal Year 2017 - 19

Total Sales and Change in Fund Net Position
Fiscal Years 2005 to 2016 Actuals and Estimated 2017 (000's)



PEN Strategic Plan for Fiscal Year 2017 - 19

Overall Financial Strategy

- **Background (Financial Strategy)**

- Operating a job training program within a correctional facility has the following challenges:
 - High overhead and production costs in spite of low offender wages due to:
 - Offender turnover
 - Continual job training. PEN hires untrained workers with the goal of training them in job skills, work ethic and career mindset knowing they will leave at release. Our competitors strive to hire the best trained workers and keep them getting the benefits of a productive worker who requires minimal training.
 - High Staff costs due to security:
 - Due to working inside a prison security causes loss of production and increased costs (counts, tool check in/out, etc...)
 - High cost of staff to workers. PEN Staff function as security in the PEN shops as well as foreman therefore PEN has a high Staff to worker ratio.
 - Time to get material and products in and out of facilities is costly in staff time.
 - High material costs
 - Factors that cause increased material costs:
 - Economies of scale compared to competitors who sell worldwide. Our competitors sell millions of products while PEN sells thousands per year.
 - State purchasing system which is geared toward consumables instead of raw material that will be turned into a product

- **Strategies to improve financial results:**

- Traditional industries where PEN produces and sells a product or service
 - Reduce material costs

PEN Strategic Plan for Fiscal Year 2017 - 19

- Reduce staff costs while staying within security guidelines
- Improve productivity (from raw material receipt to delivery to customer)
- Improve 1st time quality to reduce raw material scrap
- Expand volume by increasing sales
- Review selling prices
- Evaluate whether a job training operation should be maintained or eliminated weighing the following factors:
 - Number of offender job training position
 - Ability to cover all costs
 - Impact on facility operations such as trucking, security, etc...
 - Impact on facility if industry jobs are lost
 - Impact on offender reentry success
- Long term potential of product line covering costs and supplying offender job training positions
- Use Lean Six Sigma whenever possible
- Joint Ventures Partnerships
 - Price to joint venture partner to cover all costs associated with operation and return a positive contribution to support PEN offender job training
 - Exception - Pallet Operations that supply fuel for IDOC boilers operate at breakeven to encourage pallet partnership to continue to supply fuel for IDOC boilers. While this can be a minor burden to PEN financials (financially marginal operation) the overall benefit to IDOC/PEN is great due to the large cost savings to IDOC of avoiding fuel costs.

Strategic Plan by Operation/Product Line

Westville

Signs

- Purpose – Offender job training program
- Number of offenders 15 - 20
- Description – Road signs (aluminum)
- Customers:
 - IDOT (majority of volume)
 - Other customers include:
 - Counties, Towns, local communities
 - New construction neighborhoods
 - Other such as IndyGo bus Indianapolis
- Current status
 - Operation is financially marginal, generally covering gross margin but not all allocated costs (sales, accounting, administration, reentry programs, etc...) due to:
 - Lack of volume
 - INDOT maintains their own sign shops reducing the volume of orders sent to PEN
 - High cost of raw material
 - Competitors used rolled aluminum as opposed to cut sheet as PEN does. For PEN to use rolled aluminum investment in equipment would be required. Several studies have shown a lack of payback to purchase rolled aluminum equipment
 - Economies of scale compared to competitors who sell worldwide. Our competitors sell millions of products while PEN sells thousands per year.
 - State purchasing system which is geared toward consumables instead of raw material that will be turned into a product

PEN Strategic Plan for Fiscal Year 2017 - 19

- High utility costs. Unfortunately PEN pays the utility cost for the Westville Facility located in the vicinity of the PEN operations including several other areas of the IC complex that are not part of PEN. This overburdens the sign shop by \$120,000 per year of non PEN costs. As the new pallet shop begins to fuel the Bio Mass Boiler in late 2016 this electric bill will be shifted to the facility. This will help the sign operation financially.
- **Strategy 2017 – 2019**
 - Production improvements
 - Reduce aluminum scrap by improving nesting of signs
 - Volume issues
 - Encourage INDOT to shift sign production from their shops to PEN's operation.
 - Pricing
 - Obtain price increase from INDOT on unprofitable signs. If price increase cannot be obtained work with INDOT to move the unprofitable signs to INDOT shops
 - Other
 - Investigate pros and cons of moving sign shop to the metal shop at ISP

INDOT Work Crew

- Purpose – Offender job training program
- Number of offenders 14
- Description – Two work crews are supplied to INDOT with a staff for one crew. One crew “Mechanics Crew” works at the INDOT garage. The other crew “Road Crew” works on various projects directed by INDOT.
- Customers:
 - INDOT

PEN Strategic Plan for Fiscal Year 2017 - 19

- Current status
 - Operation is financially marginal, generally covering gross margin but not all allocated costs (sales, accounting, administration, reentry programs, etc...), but is a large benefit to INDOT and therefore best for the State of Indiana
 - Lack of volume
 - Major issues is getting enough offender to work on the crews on a consistent basis due to:
 - High turnover of level one offender due to being moved to other facilities or work release.
 - The length of time it takes to fill a vacant offender position.
- **Strategy 2017 – 2019**
 - Production improvements
 - INDOT is very satisfied with the work of the two crews
 - Volume issues
 - NA
- Pricing
 - A price increase was negotiated in 2015 to get to a breakeven when the two crews have all offender positions filled consistently. Will need to increase when MOU expires to keep up with any cost increases such as: staff wages, fuel, offender wages, etc...
- Other

JV- Plastics Operation

- Purpose – Offender job training program
- Number of offenders 105 - 150

PEN Strategic Plan for Fiscal Year 2017 - 19

- Description – Recycling of plastics received from JV Partner involving sorting into different types, grinding or bailing then returning to JV Partner
- Current status
 - Operation is financially marginal, generally covering gross margin but not all allocated costs (sales, accounting, administration, reentry programs, etc...) due to:
 - Lack of volume
 - Major issues is getting enough offender to work in the shop due:
 - Unpopularity of the type of work, very repetitive
 - Facility make up of offenders, mostly young close to release – many are not interested in work
 - Layout of facility restricts the offenders that can work in the operation to the IC complex limiting the number of offenders to pull from
 - Joint Venture partner is sometimes unreliable at sending in enough volume and/or keeping grinder up and running
 - Difficulty getting trucks in and out of facility due to the facility only having one sally port
 - Difficult to get price increase
 - Recycling is a very low margin business
 - Offenders calling off work
- **Strategy 2017 – 2019**
 - Production improvements
 - Continue to monitor pounds per hour and implement creative incentives to entice offenders to maintain a high level of production such as food rewards, etc...
 - Continue to study and implement lean processes to eliminate wasted offender time that can be used productively

PEN Strategic Plan for Fiscal Year 2017 - 19

- Volume issues
 - Facility:
 - Additional sally port opened in 2016 reducing the trucking bottleneck to getting trucks in and out.
 - Work with facility to use PLUS participants and PLUS graduates to also work in the Recycle Shop. This has been successful, need to keep up this effort.
 - Work with facility to allow workers from other complexes to work in the Recycle Shop
 - Develop creative ways to incentivize offender to not call off work.
 - Work with JV Partner to improve flow of raw material and grinder uptime.
- Pricing
 - At contract renewal seek increase in price, justified by improved volume due to the “Volume Issues” actions above
- Other
 - Current plans are to move the recycle shop from the large blue building to the smaller brown building. This will allow the pallet shop to expand and increase volume. A byproduct of the increased volume is an increase in scrap to fuel the Westville boiler generating fuel savings over \$800,000 per year. Due to lower volume in the recycle shop this should not adversely affect the recycle shop.

JV- Pallet – New Operation started in July 2015

- Purpose:
 - Provide scrap wood to IDOC boiler generating cost savings
 - Offender job training program
- Number of offenders – at start up 25 – 30 growing to 100-150 by spring of 2017

PEN Strategic Plan for Fiscal Year 2017 - 19

- Description – Refurbishing of wood pallets, similar operation to the Pallet Refurbishing currently at Putnamville and Branchville.
- Current status
 - Operation is in start-up mode. This operation will be at a breakeven for PEN financially, but will generate large savings for IDOC. This operation is a planned breakeven to encourage the JV Partner to send enough volume to generate enough scrap to fully fuel the Westville boiler. While this can be a minor burden to PEN financials (financially marginal operation) the overall benefit to IDOC/PEN is great due to the large cost savings to IDOC of avoiding fuel costs.
- **Strategy 2017 – 2019**
 - Volume issues
 - Current plans are to move the recycle shop from the large blue building to the smaller brown building in the fall of 2016. This will allow the pallet shop to expand and increase volume. A byproduct of the increased volume is an increase in scrap to fuel the Westville boiler generating fuel savings over \$800,000 per year.
 - Continue to work with facility to use PLUS participants and PLUS graduates to also work in the Pallet Shop
 - Pricing
 - At contract renewal seek any price increase needed to maintain a financial breakeven.
 - Other
 - Duplicate/share safety procedures from Putnamville and Branchville to reduce the possibility of offender injury.

Miami

Garments

- Purpose – Offender job training program
- Number of offenders 120 - 130
- Description – Sewing of offender garments (jumpsuits, coats, T-shirts, Boxers, pajamas, etc...
- Customers:
 - IDOC (majority of volume)
 - Other customers include:
 - Jails
- Current status
 - Operation is financially marginal, generally covering gross margin but not all allocated costs (sales, accounting, administration, reentry programs, etc...) due to:
 - High cost of raw material
 - Competitors have lower raw material costs due to economies of scale, selling millions of items compared to PEN's thousand
 - State purchasing system which is geared toward consumables instead of raw material that will be turned into a product
 - High labor costs
 - Competitors use lower cost labor in countries like Bangladesh where hourly wages are 30 cents per hour compared to PEN's 35 to 55 cents per hour. Staff supervisor cost in countries like Bangladesh are a few dollars per day compared to around \$200 per day of an IDOC/PEN staff.
 - High cost of getting raw material and finished product in and out of the facility due to security concerns (excessive staff time.)

PEN Strategic Plan for Fiscal Year 2017 - 19

- Difficulty in getting price increase due to matching low cost product coming from overseas where labor wages are less than offender wages and economies of scale reduce costs. Competitors use lower cost labor in countries like Bangladesh where hourly wages are 30 cents per hour compared to PEN 35 to 55 cents per hour. Staff supervisor cost in countries like Bangladesh are a few dollars per day compared to around \$200 per day of an IDOC/PEN staff.
- **Strategy 2017 – 2019**
 - Production improvements
 - Research improved material cutting to reduce material scrap. Research the possibility of outsourcing the cutting to a company with a precision computer generated cutters, including our JV partner at Wabash Valley.
 - Lean processes team began process improvements meeting in 2016 to reduce direct labor cost and improve quality.
 - Research ways to reduce material costs, ideas include:
 - Research using a more common material specification that is lower cost for all garments
 - Deploy wider trailer to reduce time to get material in and out of facility as soon as new trailers are purchased (go through state approval process.)
 - Volume issues
 - Continue to expand sales to jails:
 - Participate in jail shows and face to face visits with jails stressing common goal of training offenders in working.
 - Where possible produce an upgraded garment and sell on commissary instead of purchased name brand items.
 - Pricing

PEN Strategic Plan for Fiscal Year 2017 - 19

- Work to obtain price increase from IDOC. Garment prices have not been increased for over 10 years as staff wages, fuel and other costs have increased. Difficulty in getting price increase due to matching low cost product coming from overseas where labor wages are less than offender wages and economies of scale reduce costs.

- Other

Mattresses

- Purpose – Offender job training program
- Number of offenders 15 - 20
- Description – Production of mattresses including sewing of mattress cover, cutting foam and cover and assembling mattresses
- Customers:
 - IDOC (majority of volume)
 - Other customers include:
 - Jails
 - DNR
 - State Hospitals
- Current status
 - Operation is financially marginal, generally covering gross margin but not all allocated costs (sales, accounting, administration, reentry programs, etc...) due to:
 - High cost of raw material
 - Competitors have lower raw material costs due to economies of scale, selling millions of items compared to PEN's thousands.
 - State purchasing system which is geared toward consumables instead of raw material that will be turned into a product

PEN Strategic Plan for Fiscal Year 2017 - 19

- High labor costs
 - Competitors use lower cost labor in countries like Bangladesh where hourly wages are 30 cents per hour compared to PEN 35 to 55 cents per hour. Staff supervisor cost in countries like Bangladesh are a few dollars per day compared to around \$200 per day of an IDOC/PEN staff.
- High cost of getting raw material and finished product in and out of the facility due to security concerns (excessive staff time.)
- **Strategy 2017 – 2019**
 - Production improvements
 - Research lean process to reduce direct labor cost and improve quality.
 - Research ways to reduce material costs, ideas include:
 - Research using a more common material specification that is lower cost
 - Purchasing in larger lot sizes to gain volume discount
 - Deploy wider trailer to reduce time to get material in and out of facility.
 - Work to get an MOU with IDOA to garner more mattress business.
 - Volume issues
 - Continue to expand sales to jails:
 - Participate in jail shows and face to face visits with jails stressing common goal of training offenders in working.
 - Pricing
 - Work to obtain price increase from IDOC. Mattress prices have not been increased for over 10 years as staff wages, fuel and other costs have increased.
 - Other

Chemicals

PEN Strategic Plan for Fiscal Year 2017 - 19

- Purpose – Offender job training program
- Number of offenders 25 - 30
- Description – Production janitorial chemicals including cleaners, kitchen, laundry, and floor cleaners/waxes.
- Customers:
 - IDOC (majority of volume)
 - Other customers include:
 - Jails
 - Hotels/motels
 - Government Agencies including:
 - State Hospitals
 - Indiana Government Center
 - DNR
 - Department of Child Services
 - Local/community parks
 - Libraries
 - Etc...
- Current status
 - Operation is financially marginal, generally covering gross margin but not all allocated costs (sales, accounting, administration, reentry programs, etc...) due to:
 - High cost of raw material
 - Competitors have lower raw material costs due to economies of scale, selling millions of items compared to PEN's thousands.

PEN Strategic Plan for Fiscal Year 2017 - 19

- State purchasing system which is geared toward consumables instead of raw material that will be turned into a product
- High cost of getting raw material and finished product in and out of the facility due to security concerns (excessive staff time.)
- **Strategy 2017 – 2019**
 - Production improvements
 - In fall of 2016 deploy wider trailer to reduce time to get material in and out of facility.
 - Work on Lean projects to improve operation
 - Volume issues
 - Continue to expand sales. Large target customer is schools:
 - Participate in school shows and face to face visits with schools stressing goal of training offenders in working.
 - Target Christian and Charter Schools
 - Continue to expand bar soap sales on commissary and look to add other product to commissary.
 - Pricing
 - Work to obtain price increase from IDOA while maintain the State QPA.
 - Other

JV- Industrial Filters (PIE Operation)

- Purpose – Offender job training program
- Number of offenders 75 - 120
- Description – Sewing and assembling of industrial filters
- Current status

PEN Strategic Plan for Fiscal Year 2017 - 19

- Operation is financially sound covering all costs including allocated costs (sales, accounting, administration, reentry programs, etc...):
- **Strategy 2017 – 2019**
 - Production improvements
 - Continue to work with JV Partner to improve processes and quality. JV Partner has a robust lean/quality system that has been implemented in this shop.
 - Volume issues
 - None, but continually work with JV Partner to expand operation if possible to work additional offenders.
 - Pricing
 - Work to obtain price increase at contract renewal to continue sound financial performance
 - Other

JV Packaging

- Purpose – Offender job training program
- Number of offenders 35 - 60
- Description – Packaging of auto parts
- Current status
 - Operation is basically financially sound after price increase in 2015 covering all costs including allocated costs (sales, accounting, administration, reentry programs, etc...). In any given month operation does not cover all allocated costs due to volume:
 - JV partner sometimes has difficulty sending in enough volume which effects our ability to cover our staff costs.
 - Due to high volume of trucking and facility concerns trucking product in and out of facility reduces volume
- **Strategy 2017 – 2019**

PEN Strategic Plan for Fiscal Year 2017 - 19

- Production improvements
 - Continue to work with JV Partner to improve processes and quality
- Volume issues
 - Work with JV partner to secure additional volume.
 - Work to add a wide trailer to the operation to allow more products to go in and out of the facility per load than the current narrow trailers.
- Pricing
 - Work to obtain price increase at contract renewal to continue sound financial performance
- Other

JV Wire Harness Operation Start-up Operation in spring of 2016

- Purpose – Offender job training program
- Number of offenders 20 – 60
- Description – Assembling wiring harnesses
- Current status
 - Operation started up in July 2015. It is financially sound covering all costs including allocated costs (sales, accounting, administration, reentry programs, etc...):
- **Strategy 2017 – 2019**
 - Production improvements
 - Continue to work with JV Partner to ramp up volume and offender jobs
 - Volume issues
 - In ramp up mode.
 - Pricing
 - Work to obtain price increase at contract renewal to continue sound financial performance
 - Other

Braille

JV with Blind School and Department of Education

- Purpose
 - Offender job training program
 - Provide free books to schools in Indiana (large cost savings to Indiana)
- Number of offenders 40 – 60
- Description – Production of Braille and large print books as well as multi-media
- Customers:
 - Blind School and Department of Education
- Current status
 - Operation is mostly funded by the Blind School and the Department of Education through grants. PEN picks up minor costs. This operation has no revenue to cover these minor costs.
 - Offender turnover has created production issues.
 - Difficult finding enough candidates due to low wages and intensive training involved compared to other operations
- **Strategy 2017 – 2019**
 - Production improvements
 - Blind School and the Department of Education have developed a best in the county operation with a stellar reputation.
 - Volume issues - NA
 - Pricing
 - Work to have the Blind School and the Department of Education cover final minor costs with when current MOU expires.
 - Other

CIF

Chairs

- Purpose – Offender job training program
- Number of offenders 10 - 15
- Description – Upholstery and assembly of office chairs
- Customers:
 - IDOC
 - Jails
 - Hotels/motels
 - Government Agencies including:
 - State Hospitals
 - Indiana Government Center
 - DNR
 - FSSA
 - BMV
 - Department of Child Services
 - Libraries
 - Etc...
- Current status
 - Operation is financially marginal, generally covering gross margin but not all allocated costs (sales, accounting, administration, reentry programs, etc...) due to:
 - Volume
 - High facility costs (security)
 - High material costs
 - Factors that cause increased material costs:

PEN Strategic Plan for Fiscal Year 2017 - 19

- Economies of scale compared to competitors who sell worldwide. Our competitors sell millions of products while PEN sells thousands per year.
- State purchasing system which is geared toward consumables instead of raw material that will be turned into a product
- **Strategy 2017 – 2019**
 - Production improvements
 - Operation was moved from Pendleton to CIF late in FY2015 to:
 - Reduce staff costs (reduction in staff from Pendleton operation)
 - Improve ability to get product in and out of the facility quicker (less staff costs)
 - Volume issues
 - Working on obtaining State Chair MOU which should increase volume.
 - Continue to expand sales. Large target customer is schools:
 - Participate in school shows and face to face visits with schools stressing goal of training offenders in working.
 - Target Christian and Charter Schools
 - Pricing
 - Work to obtain price increase from IDOA through QPA process. Show life cycle benefit of PEN chairs, local warranty, repair, refurbishing, etc...
 - Other

Laundry

- Purpose – Offender job training program
- Number of offenders 15 - 25
- Description – Provide laundry service for JV Brake operation, CIF facility, Pendleton Juvenile Facility.
- Customers:

PEN Strategic Plan for Fiscal Year 2017 - 19

- IDOC CIF
- JV Brake Operation
- Pendleton Juvenile
- Current status
 - Operation is generally financially sound, generally covering all costs including allocated costs (sales, accounting, administration, reentry programs, etc...).
- **Strategy 2017 – 2019**
 - Production improvements
 - In 2015 worked with Pendleton Juvenile to reduce the days per week laundry has to be picked up and delivered reducing staff time (costs) to transport laundry.
 - Acquired cooperation of Facility to transport laundry from and to Pendleton JV.
 - Volume issues
 - None
 - Pricing
 - Work to obtain price increase from IDOC. Laundry prices have not increased for over 10 years while staff and fuel costs have increased.
 - Other

JV Brake Refurbishing

- Purpose – Offender job training program
- Number of offenders 180 - 210
- Description – Refurbishing of truck trailer brakes, removing old shoes, cleaning up, repairing if needed and returning to JV Plainfield Operation.
- Current status

PEN Strategic Plan for Fiscal Year 2017 - 19

- Operation is financially sound covering all costs including allocated costs (sales, accounting, administration, reentry programs, etc...):
- **Strategy 2017 – 2019**
 - Production improvements
 - Continue to work with JV Partner to improve processes and quality. Partner has robust production and quality systems that they implement into this operation.
 - Volume issues
 - Work with partner to stream line trucks going in and out of Sally Port. Possibly using the outside warehouse and a yard tractor to shuffle product in and out reducing security check time.
 - Pricing
 - Work to obtain price increase at contract renewal to continue sound financial performance
 - Other

Plainfield

Commissary

- Purpose – Offender job training program
- Number of offenders 140 - 200
- Description – Fulfilling of offender commissary orders, PEN Central Warehouse, Toilet Paper packaging and Forms distribution.
- Customers:
 - IDOC Offenders(majority of volume)
 - Other customers include:
 - Jail Offenders
 - IDOA (forms distribution)
 - PEN Central Warehouse and Toilet Paper Packaging customers include:
 - IDOC
 - Jails
 - Hotels/motels
 - Government Agencies including:
 - State Hospitals
 - Indiana Government Center
 - DNR
 - FSSA
 - BMV
 - Department of Child Services
 - Libraries
 - Etc...

PEN Strategic Plan for Fiscal Year 2017 - 19

- Current status
 - Operation is financially sound covering all costs including all allocated costs (sales, accounting, administration, reentry programs, etc...)
 - High volume and normally consistent volume makes the commissary PEN's best operation in terms of financial and offender jobs.
 - Fill rate is consistently high at 97 – 98%, good for the industry. Every package is weighed to ensure accuracy.
 - The high volume and financial success of this operation makes it attractive to private companies who would like the operation privatized.
 - Occasionally it is difficult to get enough offenders due to the short term of offenders and the number of young offenders who do not value work.
- **Strategy 2017– 2019**
 - Production improvements
 - Continue to consistently hit fill rate to the goal of 98%.
 - Improve procedures to fill flow racks to reduce out of stocks
 - Improve procedures for verifying out of stocks
 - Improve cycle counts to maintain accurate inventory
 - Reduce offender theft, investigate:
 - Work clothes to include green boxers and socks
 - Cameras
 - Increased staff supervision
 - New improved distribution system implemented at Plainfield. Next facility (second facility) to roll out, Putnamville, with other facilities to follow.
 - Work to get PLUS and PLUS graduates to be allowed to work in the operation.
 - Work with facility to reduce offender call offs and passes

PEN Strategic Plan for Fiscal Year 2017 - 19

- Volume issues
 - Continue to expand sales to jails:
 - Participate in jail shows and face to face visits with jails stressing common goal of training offenders in working.
 - Add package program (family and friends purchase) with new vendor to increase volume.
- Pricing
 - New vendor won bulk supply RFP. Lower bulk cost will help improve margins.
- Other
 - Investigate providing central warehouse services for IDOC utilizing the warehouse and the commissary truck fleet to reduce IDOC costs. IDOC is moving slow on this project.

Laundry

- Purpose – Offender job training program
- Number of offenders 45 - 75
- Description – Provide laundry service for Plainfield CF, IWP, IREF, Duval Work Release, Indiana Veterans Home, Richmond and Logansport State Hospitals.
- Customers:
 - IDOC Plainfield
 - IDOC IREF
 - Duval Work Release
 - Indiana Veterans Home
 - Richmond and Logansport State Hospitals
- Current status

PEN Strategic Plan for Fiscal Year 2017 - 19

- Operation is financially marginal covering gross margin but not all allocated costs (sales, accounting, administration, reentry programs, etc...) and repair bills. The 2015 price increase to Indiana Veterans Home and State Hospitals has brought the laundry close to a breakeven.
- At 10 cents per lb, IDOC pays less than half of the market price for laundry. Fortunately IVH and State Hospitals make up most of the short fall. We will continue to try to obtain a price increase from IDOC.
- **Strategy 2017 – 2019**
 - Production improvements
 - Continue to work with all customers to reduce the frequency of pickups and deliveries as transportation is a large cost (reduce staff time.)
 - Volume issues
 - Operation is currently working 2 shifts. Added volume at the right price could improve financial margins (added shift will increase staff costs.)
 - Pricing
 - Work to obtain price increase from IDOC. Laundry prices have not increased for over 10 years while staff and fuel costs have increased.
 - Other

Putnamville

JV-Pallet Operation

- Purpose:
 - Provide scrap wood to IDOC boiler at Putnamville generating cost savings
 - Offender job training program
- Number of offenders 50 - 100
- Description – Refurbishing of wood pallets, similar operation to the Pallet Refurbishing currently at Branchville and the FY2016 start-up at Westville.
- Current status
 - Operation is generally financially sound, generally covering all costs including allocated costs (sales, accounting, administration, reentry programs, etc...). The operation is basically at breakeven for PEN financially, but generates savings for IDOC. This operation is a planned breakeven to encourage the JV Partner to send enough volume to generate enough scrap to fuel the Putnamville boiler. While this can be a minor burden to PEN financials (financially marginal operation) the overall benefit to IDOC/PEN is great due to the large cost savings to IDOC of avoiding fuel costs.
- **Strategy 2017 – 2019**
 - Volume issues
 - Construction Services and PEN have made progress in 2015 & 2016 working with facility to remove barriers to increase production. The goal is to facilitate the JV partner's increase in volume. A byproduct of this increase in volume will be an increase in wood scrap. The partner has plenty of business that they would like to move to Putnamville which will generate enough scrap to fully fuel the boiler. Continue this process in early FY2016 with the goal of increasing volume enough by the winter of 2016 to avoid purchasing fuel for the boiler.

PEN Strategic Plan for Fiscal Year 2017 - 19

- Work with Facility to allow additional “double assignments” starting with PLUS participants to allow them to work in the pallet shop.
- Pricing
 - At contract renewal seek any price increase needed to maintain a financial breakeven.
- Other
 - Maintain safety procedures to reduce the chance for offender injury while operating equipment.

Rockville

JV-Call Center (Start-up in mid FY2015)

- Purpose – Offender job training program
- Number of offenders 60 - 100 (Operating is in ramp up mode growing to 100 offenders in FY2017)
- Description – Business to business calls
- Current status
 - Operation is financially sound covering all costs including allocated costs (sales, accounting, administration, reentry programs, etc...).
- **Strategy 2017 – 2019**
 - Production improvements
 - None – Televerde does a tremendous amount of offender training.
 - Volume issues
 - Work with Facility to allow additional “double assignments” of PLUS participants and graduates to work in the call center.
 - Pricing
 - Work to obtain price increase at contract renewal to continue sound financial performance
 - Other

Wabash Valley

Printing

- Purpose – Offender job training program
- Number of offenders 30 - 40
- Description – Printing Operation
- Customers:
 - Print brokers
 - IDOC
 - Jails
 - Government Agencies including:
 - State Hospitals
 - Indiana Government Center
 - DNR
 - FSSA
 - BMV
 - Department of Child Services
 - Etc...
 - Libraries
 - Etc...
- Current status
 - Operation is financially marginal, generally covering gross margin but not all allocated costs (sales, accounting, administration, reentry programs, etc...) due to:
 - Volume
 - High facility costs of maximum facility
 - High material costs

PEN Strategic Plan for Fiscal Year 2017 - 19

- Factors that cause increased material costs:
 - Economies of scale compared to competitors who sell worldwide. Our competitors sell millions of products while PEN sells thousands per year.
 - State purchasing system which is geared toward consumables instead of raw material that will be turned into a product
- **Strategy 2017 – 2019**
 - Production improvements
 - Continue to transfer all administrative functions possible, such as accounting, sales, etc... to PEN Central office to lower staff costs.
 - Volume issues
 - Continue to expand sales:
 - Currently working with three partners who are bidding on the State printing award. If one of these three partners wins the bid PEN should see an increase in print business.
 - Continue work to expand sales to print brokers
 - Continue to solicit print jobs from our Joint Venture Partners and IDOC partners such as Aramark, Keefe, Union, etc...
 - Participate in school shows and face to face visits with schools stressing goal of training offenders in work.
 - Target Christian and Charter Schools
 - Pricing
 - Jobs are competitively bid; staying within industry pricing is a must.
 - Other

JV Wire Harness Operation

PEN Strategic Plan for Fiscal Year 2017 - 19

- Purpose – Offender job training program
- Number of offenders 60 – 80
- Description – Assembling wiring harnesses
- Current status
 - Operation is financially sound covering all costs including allocated costs (sales, accounting, administration, reentry programs, etc...):
- **Strategy 2017 – 2019**
 - Production improvements
 - Continue to work with JV Partner to improve processes and quality
 - Volume issues
 - Customer expanded in 2015 to second operation a Miami.
 - Pricing
 - Work to obtain price increase at contract renewal to continue sound financial performance
 - Other

JV Sewing Operation

- Purpose – Offender job training program
- Number of offenders 20 - 50
- Description – Sewing hospital and military items
- Customers:
 - Raine, Inc
- Current status
 - Operation is financially sound covering all costs including allocated costs (sales, accounting, administration, reentry programs, etc...)

PEN Strategic Plan for Fiscal Year 2017 - 19

- Operation is transitioning to larger room to increase volume and offender jobs.
- **Strategy 2017 – 2019**
 - Production improvements
 - Continue to work with JV Partner to improve processes and quality
 - Volume issues
 - Operation is transitioning to larger room to increase volume and offender jobs.
 - Due to cutback in military orders have decreased. Raine is bringing in new products such as the back brace to regain some of the lost volume.
 - Pricing
 - Work to obtain price increase at contract renewal to continue sound financial performance
 - Other

Branchville

JV-Pallet Operations

- Purpose:
 - Provide scrap wood to IDOC small Branchville boilers generating cost savings
 - Offender job training program
- Number of offenders – 100 - 115
- Description – Refurbishing of wood pallets, similar operation to the Pallet Refurbishing currently at Putnamville and the start-up at Westville.
- Current status
 - Operation is generally financially sound, covering all costs including allocated costs (sales, accounting, administration, reentry programs, etc...). The operation is basically at breakeven for PEN financially, but generates savings for IDOC. This operation is a planned breakeven to encourage the JV Partner to send enough volume to generate enough scrap to fuel the Branchville boilers. While this can be a minor burden to PEN financials (financially marginal operation) the overall benefit to IDOC/PEN is great due to the large cost savings to IDOC of avoiding fuel costs.
- **Strategy 2017 – 2019**
 - Duplicate safety procedures similar to Putnamville to reduce the chance for offender injury while operating equipment.
 - Volume issues
 - Continue to work with facility to use PLUS participants and PLUS graduates to work in the Pallet Shop. Additionally work with facility to allow double assignments for other programs increasing the worker pool available.
 - Pricing
 - At contract renewal seek any price increase needed to maintain a financial breakeven.
 - Other

Call Center

- Purpose – Offender job training program
- Number of offenders 50 - 80
- Description – Outbound Business to Business calls
- Current status
 - Operation is financially sound covering all costs including allocated costs (sales, accounting, administration, reentry programs, etc...).
 - We are beginning to maximize the number of offenders available to work at Branchville.
- **Strategy 2017 – 2019**
 - Production improvements
 - None
 - Volume issues
 - Work with Facility to allow additional “double assignments” in addition to PLUS participants to allow them to work in the call center.
 - Pricing
 - Work to obtain price increase at contract renewal to continue sound financial performance
 - Other

JV- Plastics Operation

- Purpose – Offender job training program
- Number of offenders 50-75
- Description – Recycling of plastics received from JV Partner involving sorting into different types, bailing then returning to JV Partner

PEN Strategic Plan for Fiscal Year 2017 - 19

- Current status
 - Operation is a partnership with Branchville CF to work offenders who have had difficulty within the facility. This operation gives offenders an opportunity to work their way back into general population. The facility supervises this operation while PEN pays the offender wages and provides administrative support. The operation does not cover gross margin. It is kept open to benefit the facility and give offenders a second chance. The operation is financially poor due to:
 - Lack of volume
 - Lack of appropriate industry space. Operation is outside is under a double shelter house.
 - Lack of a grinder due to lack of space.
 - Low productivity due to the above two reasons and attitude of offenders. These are offenders who had trouble and are not in the general population (it may take several months or longer to turn an offender's attitude around.)
 - Unpopularity of the type of work, very repetitive
 - Joint Venture partner is sometimes unreliable at sending in enough volume and/or keeping grinder up and running
 - Difficult to get price increase
 - Recycling is a very low margin business
- **Strategy 2017 – 2019**
 - Production improvements
 - Continue to monitor pounds per hour and implement creative incentives to entice offenders to maintain a high level of production such as food rewards, etc...
 - Continue to study and implement lean processes to eliminate wasted offender time that can be used productively

PEN Strategic Plan for Fiscal Year 2017 - 19

- Volume issues
 - Facility:
 - Work with facility to find or build acceptable indoor space for the operation.
 - Work with JV Partner to improve flow of raw material and grinder uptime.
- Pricing
 - At contract renewal seek increase in price
- Other

Market Analysis

PEN Strategic Plan for Fiscal Year 2017 - 19

Market Analysis

- Traditional Sales
 - PEN has historically focused product sales primarily on Indiana State Government customers. This market has reached its plateau. If PEN is to continue to meet its' mission PEN's strategy includes increasing sales of goods and services to non-State government units, non-profit, and private sector customers while continuing to meet the needs of State customers. PEN's primary market is business-to-business. The logistical and legislative restrictions imposed on prison industries inhibit the effectiveness of retail marketing.
 - PEN's competitors are companies that sell similar products, such as: offender garments, office seating, cleaning/laundry chemicals, regulatory road signs, printing, etc. Many times their product offerings are more in-depth than what PEN can offer. Some companies have national catalog offerings where many products are imported from overseas. In order for PEN to be able to compete effectively with these companies, PEN must grow its' business with State Government agencies, local governmental units, non-profits, schools and in the private sector.
 - PEN must advertise and communicate to its' potential customers both the value of our products (quality, price and delivery) and the benefits to society as a whole of PEN's success in providing job training to offenders, preparing offenders for employment upon release, and their successful reentry back into society.
 - An effective method of marketing to non-State government customers is to attend trade shows and annual conferences of local governments, trade associations, and etc., including direct customer contact.
 - PEN must continue to grow commissary sales and offender employment by adding county jail commissary through partnerships.
 - The following ideas are core to the success of PEN
 - PEN works closely with county jails, local governments and non-profits throughout Indiana to provide them with cleaning supplies, commissary items, detention furniture, mattresses and offender clothing. PEN also uses IDOC jail inspectors to promote our products by supplying the inspectors' PEN sales literature and sample products they distribute during their jail inspections.
 - PEN attends Indiana conferences, trade shows, and conventions geared toward our target markets to promote PEN's presence and product lines.
 - PEN employs sales staff who travel to counties to meet with local government, jail staff, law enforcement, and school and city officials to introduce PEN.

PEN Strategic Plan for Fiscal Year 2017 - 19

- PEN must continue making inroads into the both K-12 and university school markets.
- The 4 P's Product, Price, Place and Promotion
 - Products provided to target audience
 - Products – PEN main product is an ex-offender who is able to get and retain a job. By providing job training, skill certification, career development and Offender workforce Development Training (for staff) PEN is a force in reducing the cycle of recidivism. To fund this offender job training reentry program PEN sells products and manufacturing services across a large variety of product groups, and in so doing we train and work offenders in the making and delivering of products and services and prepare them for a successful release. The “Real” product PEN produces is an offender who is career focused, equipped and ready to enter the workforce, who has acquired a good work ethic, and who is less likely to recidivate.
 - Price – PEN's customers are price sensitive and PEN strives to deliver quality products, on time at competitive prices. Inherent PEN barriers to competitive pricing include:
 - Productivity lost due to facility security;
 - Increased staff due to security requirements;
 - Trucking product in and out of facility is time consuming due to security issues;
 - Small operations that are unable to take advantage of economies of scale (but small operations are desirable so private industry is not threatened); and
 - Government regulations that limit PEN's ability to function as a business and the advantages that status offers.
 - Place – the where and when PEN comes into contact with its target audience.
 - PEN offers offenders job training within facilities at the Indiana Department of Correction. To fund the job training PEN targets new customers at trade shows, conventions, product deliveries, PEN website or visits by PEN's sales staff.
 - Promotion – to Whom?
 - PEN is focused on providing job training and career development to offenders within the Indiana Department of Correction. To fund the job training PEN provides quality products and services on-time at competitive prices while

PEN Strategic Plan for Fiscal Year 2017 - 19

providing a social good (rehabilitating offenders for successful reentry into Indiana communities)to:

- State and local governments
 - Law enforcement/jails/community corrections
 - Non-profits
 - Private businesses
 - Schools K-12 and universities
- PEN's marketing and Advertizing budget is developed yearly (FY2015 budget)

SWOT

Strengths – Weaknesses-

Opportunity-Threats

PEN Strategic Plan for Fiscal Year 2017 - 19

Situation Analysis (SWOT):

Internal and external elements:

- **Strengths–**

- PEN is uniquely positioned to provide offender job training and work related reentry programs that help offenders get a job and retain employment after release. The ability to gain and retain employment is a major factor in reducing Indiana’s recidivism. Offenders need to gain a work ethic, skills (USDOL Apprenticeship Program) and a career mindset (Career Development Training) to become and remain gainfully attached to the workforce.
- PEN has demonstrated an ability to provide unique custom products for customers’ special needs. In the last few years PEN has saved substantial dollars in cost savings for Indiana in products such as: detention cells, detention fencing, low cost laundry, others. Specific examples include:
 - PRE-FAB RECREATION YARD EXERCISE ENCLOSURES - The pre-fab recreation yard enclosures PEN designed and is building will save IDOC \$128,000 per facility enclosure. Several of these enclosures are needed by IDOC per year.
 - LAUNDRY SERVICES PEN’s competitively priced laundry service has saved Indiana large sums of money at Indiana State Hospitals and Indiana Veterans Home.
 - BRAILLE TRANSCRIPTION - PEN’s Braille shop has saved Indiana approximately \$1 million per year since 2011 by providing Braille and Large Print Books free to Indiana School Corporations.
- Although PEN has difficulty competing with mass produced products from overseas, local presence and ease of purchase for State Government customers is a competitive edge. PEN produces quality products at competitive prices.
- PEN’s mission strikes a positive chord with our local government customers, community leaders, etc. - - all of whom face the prospect of returning IDOC offenders to their communities almost weekly. By working PEN offenders in meaningful jobs, PEN customers are actually helping themselves when these offenders return to their communities with job skills and a career focus that enable the offenders to fit back into society. PEN must strive to maintain product pricing close to overseas pricing and sell its mission to customers.
- Combining “real world on the job training” along with related study, USDOL Apprenticeships and Career Development Training to lower Indiana’s recidivism rate is unique to Prison Industries. Being self-funded, this PEN cost savings is provided at no cost to Indiana Tax payers.

PEN Strategic Plan for Fiscal Year 2017 - 19

- **Weaknesses–**

- A high labor turnover rate (inherent within correctional industries) lowers PEN productivity and raises PEN operating cost. Unlike the typical correctional industries scenario, a successful private sector company does not hire unskilled workers with the intent of developing a skilled workforce and focus on the workers leaving the organization to start a career somewhere else. PEN is a job training program for offenders, while positive for Indiana’s recidivism rate this adds costs to products.
- An inordinate amount of “on the job training” disrupts the productive process and increases material cost when parts are found defective. This also increases staff supervision costs.
- PEN operates under State and Federal regulations not geared toward operating self-sustaining manufacturing or sales operations. These regulatory restrictions include: not being able to pay commissions to State employed salespeople and architects; restricted marketing efforts such as restricted out-of-state travel (such as might be needed for special training or outreach to private sector business partners); and state-mandated purchasing regulations that may be appropriate for purchasing end-use products but are not efficient for the purchase of raw materials used to manufacture PEN’s manufactured products.
- Security requirements increase the cost of PEN goods and services. Productivity is lost when workers are pulled from the shop for counts, inspections, lockdowns, tedious/time consuming tool control, raw material inspections, etc.
- Security requirements increase the cost of staff supervision, as foremen’s time is used for security duties. The ratio of offender workers per staff supervisor is low as compared to a comparative private sector operation, adding further cost inefficiency to the equation.
- PEN, by design, has small operations so the impact to the Indiana Workforce is negligible. Small PEN operations do not benefit from the economies of scale that benefit PEN’s private sector competitors.
- Some within state government have the perception that PEN prices are high because they misunderstand PEN’s mission, are unaware that PEN must pay all costs, and they falsely assume PEN receives general fund dollars. This perception needs to be mitigated by informing state customers about PEN. An effective strategy to change this misconception is through face-to-face sales calls.

PEN Strategic Plan for Fiscal Year 2017 - 19

- **Opportunities–**

- PEN has a positive effect on Indiana’s recidivism rate and has the opportunity to become a major factor in reducing Indiana’s recidivism rate.
- PEN has targeted school corporations with chemical cleaning line, seating and other products. We feel we can save school corporations dollars by offering cost competitive products while allowing them to join in our mission of offender rehabilitation.
- Use the success of the Braille operation to work with the School for the Blind (Braille partner) to encourage the Department of Education to help open doors in Indiana K-12 schools systems to purchase products from PEN.
- Work closer with IDOC facility buyers to find ways that PEN Products can supply additional products to put more offenders to work.
- Ensure IDOC facility administrators/buyers understand PEN’s mission and value to the re-entry effort of IDOC.
- Make facility customers aware that PEN has delivered savings to IDOC by manufacturing custom detention products. Similar savings to Indiana jails can be obtained with expanded and frequent sales calls.
- Expand commissary sales to jails.
- Expand kitchen chemical sales to all IDOC kitchens.
- Improve, in a number of ways, the perception of PEN Products by some state employees who do not understand PEN’s mission, and are unaware PEN is required to be self-sufficient. This can only be done by increased face to face sales calls, use of the IDOC “Scoop,” IDOC computer based training; IDOC in-service training, and articles are other ways to raise the awareness of PEN’s mission and value to Indiana.

- **Threats–**

- Competing with Overseas Products - It is difficult to match pricing on products made in third world and emerging economies which can be brought into the United States in large volumes. These products are sold worldwide, they take advantage of economies of scale, and they are produced with low wages (lower than offender wages). PEN must strive to maintain product pricing close to overseas pricing and sell its mission to customers.
- State cost cutting budget restrictions directly reduce PEN sales to State Agencies. PEN must overcome this threat in order to maintain offender jobs and continue to operate in a self-sustaining manner. The most effective way to minimize this threat (loss of sales) is to maintain a viable and effective sales force to target outreach to non-State Agencies. Maintaining PEN’s sales force has been very difficult since commission cannot be paid to sales people. It is common to pay Sales professionals commissions.

PEN Strategic Plan for Fiscal Year 2017 - 19

- Misunderstanding of PEN “Mission” and disregarding PEN’s value to the State of Indiana by some State personnel brings unintended consequences that hamper PEN Products efforts to achieve our business and re-entry goals. State budget process makes it difficult for PEN to keep marginal business open. Many businesses have product lines that are marginal, but must, at the same time, be supported by other product lines where PEN is more successful in order to maintain/increase the offender work effort needed to increase the positive impact on Indiana’s recidivism. PEN must be supported in its effort to continue working, training, and preparing offenders for a successful reentry in financially marginal business that can be offset by more successful businesses.
- Private sector companies offering to take over PEN operations that fund job training. Operations such as the commissary help fund offender job training. Private sector companies see this operation as an opportunity to divert funds used for job training to their bottom line. This would have a negative impact on Indiana recidivism. Unfortunately private sector companies are able to put a good spin on their involvement while reducing needed offender job training.
- Private sector complaints of unfair competition are a constant concern. PEN must always consider its negative perceived impact on private business sales. One way PEN does this is to maintain a diverse product line. While this reduces economies of scale and increases PEN’s costs overall, it does minimize the potential negative impact any one PEN business might have on a neighboring private sector business. Ideally, PEN Products finds ways to work with private sector businesses in joint ventures that removes the threat and turns a potential adversarial relationship into a win-win-win relationship - a win for the private business, a win for the offender/taxpayer/society as a whole, and a win for PEN Products.

Strategic Goals/Objectives

PEN Strategic Plan for Fiscal Year 2017 - 19

Strategic Goals

1. Jobs – Maximize the number of offender jobs
2. Financial – operate in a self- sustaining manner
3. Re-entry – Equip offenders for successful re-entry and Reduce Indiana’s Recidivism Rate

Objective #1

Increase Joint Venture Offender Jobs

- Joint Venture Strategies
 - Maintain Joint Ventures profitability by negotiating contracts that ensure revenue is greater than costs
 - During each contract renewal and/or re-open negotiations if an operation remains unprofitable for an extended period of time
 - Add new Joint Ventures that are self-sustaining and increase offender jobs(see Market Analysis)
 - Continue to grow Joint Venture offender jobs
 - Target outreach to business through direct contact, networking, PEN Products website (information and contact information available for business looking for partnerships.)
 - Continually keeping a list of potential JV partners to pursue.
 - Pursue all business segments that fit into IDOC security requirements and work offenders, target operations business include:
 - Targeting Services
 - Packaging
 - Remanufacturing
 - Rework Returns
 - Refurbishing
 - Kitting
 - Call Centers
 - Repatriation of products produced over seas
 - Emerging Businesses

PEN Strategic Plan for Fiscal Year 2017 - 19

- Obtain additional viable space within adult facilities to locate additional “new” joint ventures

Objective #2

Maximize the number of offender jobs in Traditional Industries (Product Manufacturing and Service Operations)

- PEN must grow sales to non-state agency customers; marketing strategy described in this plan.
- Work to obtain MOUs with IDOA on Chairs and mattresses
- Initiate cost control actions to keep prices competitive (prices must be competitive to be successful)
 - Cost Reductions
 - PEN must continue to control cost and avoid increased costs where possible
 - Strategies include:
 - Maintain minimum staffing at central office and at facilities, keeping in mind IDOC security requirements
 - Investigate, evaluate and implement best practices where appropriate by investigating and emulating other prison industry operations, private business practices when possible and Lean Six Sigma.
 - Finalize the centralization of purchasing and production control – a multi-year process that should be complete in late FY2015
 - This will allow more effective use of offenders performing these functions and more effective use of ERP system including the MRP module.
 - This will improve customer delivery and inventory management
 - Continue to downsize, reducing costs, or eliminate operations that are below a breakeven financially long term (short term swings are acceptable) - keeping in mind the impact to IDOC and offender jobs and recidivism.
 - Continue to streamline resources required to populate PeopleSoft, by bridging data from PEN’s ERP system.
 - Continue to grow commissary jobs by expanding commissary sales to the jail market
 - PEN will partner with private sector to pick/pack and deliver commissary to jails currently serviced by the private sector.

PEN Strategic Plan for Fiscal Year 2017 - 19

- Implement offender package program where family and friends can purchase commissary for offenders, expanding sales
- Develop and propose new commissary distribution at facilities. This will free up facility staff, streamline distribution, and reduce issues. Propose and implement an offender commissary price increase to cover costs.

PEN Strategic Plan for Fiscal Year 2017 - 19

Objective #3

Ensure Self-Sufficiency

- PEN develops a three year financial plan yearly by business unit
 - Sales and expenses are forecasted and monitored monthly
- Goal is - “Financial Breakeven or Better”
- Continue to expand the customer base beyond State Agencies
- Maintain Joint Ventures industries operations at breakeven, or better

Self-Sufficiency is measured by the balancing of:

- Positive Revolving Fund (not a maximized Revolving Fund) - **No General Funds needed to support PEN’s Offender**

Job Training

- With the recent loss of license plate revenue to support offender job training, the Commissary Operation and Joint Ventures will become the major source of offender job training funding and funding operations /programs that work a lot of offenders.
- Maximized Offender Jobs
 - Continued Growth of Offender Reentry, jobs and programs.
 - This gets the biggest return for Indiana
 - Lower Recidivism
 - Reduced Crimes
 - Reduction of people incarcerated = less tax money spent on housing offenders
 - Reduction of facility issues and staff time

Objective #4

Engage offenders in Career Development

- Shop Staff must help offenders learn “soft skills” by emulating as close to real world work environment as possible (being at work regularly, following work processes, productivity, quality, on-time delivery, production process, etc...)
- Continue to support US Department of Labor Apprenticeship Program IDOC-wide

Continue with the USDOL for PEN Products workers

- Roll out Career Development Training program to all Facilities. Provide support, audits, etc... for CDT statewide.

PEN Strategic Plan for Fiscal Year 2017 - 19

- Continue to hold Offender Workforce Development Training
- Continue to expand the network of ex-offender service providers and employers
 - Refer offenders to providers and employers
 - Collaborate with DWD's HIRE Program to help offenders get and retain jobs

Measurements

PEN Strategic Plan for Fiscal Year 2017 - 19

Measurements:

- Specific measurable goals
 - Jobs
 - Due to the loss of plate revenue and the recent legislative changes which decreases the number of offenders available for work goal is to maintain current offender worker level or increase by 1% yearly for the next three years.
 - Financial
 - Overall – limit financial loss in FY2017 to \$400,000 and breakeven each year after with the growth of new operations
 - Increase sales dollars to non-State Agency customers by 2% each year.
 - Sell to 20 new customers each year
 - Joint Ventures job training operations at better than breakeven to support reentry programs and offender jobs.
 - Reentry
 - Continue to support US Department of Labor Apprenticeship Program IDOC statewide – monitor and increase offender participation yearly
 - Complete roll out “Career Development Training” (CDT) and implement audit to ensure integrity of the program and oversee administration of CDT each year going forward.
 - Conduct Offender Workforce Development Specialist Training (OWDS) classes (three week classes) each year.
 - Measure recidivism for PEN Products workers who have completed PEN reentry program each year
 - First study completed in January 2015 for USDOL completers - 24.2% Recidivism (Offenders released in 2011 - out for 3 years). In 2016 recidivism increased to 29.6%. Both numbers are well below the 36.7% statewide recidivism rate.
 - Continue to measure recidivism every year.
 - Continue to report ex-offender success numbers. One source is the Department of Workforce Development to measure % of ex-PEN offenders who are:
 - Employed after release
 - Average pay for released offenders

PEN Strategic Plan for Fiscal Year 2017 - 19

- Other

Evaluation/Monitoring

PEN Strategic Plan for Fiscal Year 2017 - 19

Evaluation and Monitoring:

- PEN will measure success by
 - Jobs
 - Offender jobs is measured compared to the offender job growth plan
 - Financial
 - Financial stability is measured by having enough funds in the dedicated revolving fund to maintain operations. PEN will be considered to fail at this measure if PEN needs to use Indiana State General Fund money for operations.
 - Re-entry
 - Measure Recidivism Rates for PEN workers, USDOL completers and CDT completers with the goal of a lower rate than the general population and a goal of lowering the overall recidivism rate for Indiana.
 - Measure for PEN workers:
 - % of offenders employed after release
 - Average ex-offender pay
 - **Employment after release**
 - Recent numbers from DWD include:
 - Offenders who earned a USDOL Apprenticeship:
 - **75%** were employed verses **50%** for non-USDOL Apprenticeship (3 year recidivism study January 2015)
 - Time to gain employment
 - **Average time from release to employment - 150** days verses **202** days for non-USDOL (for those offenders who became employed – January 2015)

Implementation

The Strategic Plan is a multiyear plan that is to be updated yearly, implementation and monitoring is to occur throughout the year.

- Staff performance plans should be based on this Strategic Plan
- Decisions throughout the year should be based on the Strategic Plan
- All PEN Staff should review, understand and help achieve the Strategic Plan.

PEN Strategic Plan for Fiscal Year 2017 - 19

S/Administration/Strategic Plan PEN/PEN Strategic Plan FY 2017
7/25/2016