

Indiana Department of Correction
PEN Products
2014 – 2015 Biennial State Budget Overview

“PEN Products equips offenders for successful re-entry through meaningful work while operating in a self-sustaining manner” —PEN Products’ Mission Statement

PEN Products serves a unique role for the State of Indiana. PEN combines real world production work with related career training to prepare offenders for meaningful employment and a lifelong career as they transition from prison to life in the community. PEN assists offenders in the development of a career plan and in doing so cultivates a career mindset. PEN does this at no cost to the State of Indiana. PEN operates in a self-funded manner and has received no General Fund appropriations in almost 30 years.

Accomplishments over the last two years:

- PEN has generated substantial savings to the State of Indiana over the past two years and these savings will continue to be realized in the coming biennium.
 - PEN’s Miami Accessible Media Project (MAMP) has saved the State \$953,000 by supplying Braille and large print books to the Indiana Department of Education over the past two years. MAMP employs 50 offenders in its Braille, large print and accessible media shop and with a recent expansion the number will grow to 60 by year’s end.
 - PEN, in conjunction with the Bureau of Motor Vehicles (BMV), redesigned the “In God We Trust” license plate to use preprinting sheeting thus saving the BMV \$1.2 million in Calendar Year 2012 alone.
 - Recreational yard cages were designed by the PEN Research and Design section and manufactured at the PEN’s Indiana State Prison metal fabricating shop. PEN Products was able to save the Indiana Department of Correction (IDOC) over \$640,000.
 - PEN’s Commissary operation has reimbursed the IDOC \$2.5 million over the two previous years for staffing costs associated with fulfilling commissary orders. The Commissary operation has also provided \$130,000 of required transportation at no cost to IDOC.
 - PEN’s laundry services saved the State \$431,875 over the past 2 years. Laundry services are provided to state hospitals and the Indiana Veterans Home.
- PEN Products is the seventh largest employer of offenders out of the 50 state prison industries programs and had 1,901 offenders employed at the end of Fiscal Year 2012. Only states with much larger populations such as California, Texas and New York have more offender workers.
- Offender employment grew by a total of 140 jobs, or 8%, over the previous two fiscal years.
- The PEN Products/IDOC Apprenticeship program received national recognition in 2012 when it was selected by the US Department of Labor (USDOL) as a National Trail Blazer and Innovation in 21st century Apprenticeship. PEN received this award at a USDOL presentation in Washington, D.C. on August 1, 2012.
- PEN Products has the largest USDOL Apprenticeship program among all correctional industries. Currently PEN has approximately 1,500 offenders enrolled in the USDOL

Apprenticeship program. 1,375 US Department of Labor certificates have been awarded to offenders since the program's inception in April 2006.

- Offenders participating in the PEN/IDOC USDOL Apprenticeship program earned time cuts that resulted in more than \$6.5 million in incarceration cost avoidance by the State in Calendar Year 2011 alone.
- PEN Products has been and continues to be an integral part of the HIRE program which is a collaboration between the Department of Workforce Development (DWD), IDOC and PEN to place ex-offenders at high profile companies in Indiana. This program breaks down barriers such as company policy restricting the hiring of ex-offenders in major Indiana employers. PEN offenders have job skills and work ethic that make them ideal candidates for the HIRE program.
- PEN Products is the only Correctional Industries Program in the nation to hold a State Partnership with the National Institute of Corrections for the Offender Workforce Development Specialist Training (OWDS) program. OWDS training is an intense 180 hour training that focuses on Workforce Development. This training, which is conducted twice annually, brings reentry specialists from various jurisdictions to work together on strategies to assist offenders from incarceration to actual employment upon release. PEN will invest well beyond 1,500 staff hours plus additional resources in this training program in 2013.
- PEN has worked hard to reduce its dependency on sales from State of Indiana agencies. The percent of sales to non-State agencies has increased from 8% of total sales in 2008 to 21% of total sales in Fiscal Year 2011.
- PEN Products reported positive net income as measured on a Generally Accepted Accounting Principles (G.A.A.P.) basis for both Fiscal Years 2011 and 2012.
- PEN eliminated the lease of a freezer warehouse saving the State in excess of \$125,000 per year.
- The sale of PEN Products farm land netted the State \$6.0 million and another \$9.8 million in PEN farmland was gifted to other State Agencies and local governments.

Challenges over the Last Two Years:

- Maintaining offender job levels and fiscal integrity during the slowly recovering economy.
- Finding viable private sector partners with work that can be performed within correctional facilities.
- Finding additional available space for expansion inside correctional facilities.
- Maintaining or downsizing business operations that have experienced significant decreases in sales as we work to rebuild their sales and profitability.
- Maintaining qualified staff members.

PEN's Major Objectives for the 2014 – 2015 Biennium include:

- Increase offender employment to 2,065 jobs, or 8.6%, by the end of fiscal year 2015.
- Generate a positive contribution in both Fiscal Years 2014 and 2015 in order to fund current and expanded offender employment as well as PEN's reentry programs while maintaining a healthy revolving fund balance.
- Continue to narrow the net losses by marginal operations while funding these deficits by contributions from more successful operations. Marginal operations, such as sewing,

need to be preserved because they supply work for a lot of offenders in small areas with minimal tooling. Many of these marginal operations reside in older or higher security facilities. Minimal tooling enhances security within a correctional facility. This allows more offenders to learn how to work, gain skills, earn a USDOL Apprenticeship certificate, earn time cuts and get involved in career centered re-entry.

- PEN, the IDOC and OMB are working together to track recidivism among former PEN workers. The recidivism study of PEN offender workers is scheduled to be complete in 2013 and a performance metric tied to the recidivism rate will be implemented.
 - Correctional industries recidivism studies have been completed in nine states and the Federal Bureau of Prisons. All clearly show correctional industry recidivism rates to be below recidivism rates of the total prison population. All correctional industries operations and reentry programming is funded through correctional industries earnings.

PEN Products is constantly working with its joint venture partners to grow jobs and improve financial performance. PEN will continue to replace underperforming joint venture partners with new partners that will improve offender employment levels and profitability. PEN added a joint venture in 2011 and eliminated an underperforming one in 2012.

One limitation PEN is facing in attracting new joint ventures is the availability of desirable production space. PEN currently utilizes 90% of the industrial space available. Space limitations present a marketing challenge and limit PEN's ability to expand offender jobs within facilities and to facilities where PEN does not have a presence.

In order to enhance profitability, PEN is implementing a number of strategies. These include:

- Increase sales using specific sales targets.
- Reengineer existing product lines to reduce production and materials costs.
- Redefine product lines to better meet customers' needs and price points.
- Continue to seek new sales opportunities outside state government.
- Improve profitability of joint venture partnerships as contracts are renewed and new contracts negotiated.
- Improve efficiencies in production scheduling and purchasing of raw materials by extending PEN's Material Requirements Planning (MRP) application to all manufacturing units. An integral part of the MRP roll out is a shift in responsibility for the purchase of most raw materials to the Central Purchasing department.
- Improve efficiencies in purchasing of raw materials where possible.
- Introduced a commissary package weighing system to improve the accuracy in the fulfillment of offender orders and reduce inventory shrinkage.

In setting goals and budget targets for the next biennium, PEN was mindful of the current difficult economic environment. PEN's goals are challenging, achievable and mindful of PEN's ultimate mission— *equip offenders for successful re-entry through meaningful work while operating in a self-sustaining manner.*