



#620
May 15, 2018

Report to the Mississippi Legislature

A Review of the Mississippi Prison Industries Corporation



PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms, with one Senator and one Representative appointed from each of the U.S. Congressional Districts and three at-large members appointed from each house. Committee officers are elected by the membership, with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

PEER Committee
Post Office Box 1204
Jackson, MS 39215-1204

(Tel.) 601-359-1226
(Fax) 601-359-1420
(Website) www.peer.ms.gov

The Mississippi Legislature

Joint Committee on Performance Evaluation and Expenditure Review
PEER Committee

SENATORS
VIDET CARMICHAEL
Chair
KEVIN BLACKWELL
TERRY C. BURTON
LYDIA CHASSANIOL
THOMAS GOLLOTT
GARY JACKSON
SAMPSON JACKSON II

TELEPHONE:
(601) 359-1226

FAX:
(601) 359-1420



Post Office Box 1204
Jackson, Mississippi 39215-
1204

James A. Barber
Executive Director

www.peer.ms.gov

REPRESENTATIVES
BECKY CURRIE
Vice Chair
TIMMY LADNER
Secretary
RICHARD BENNETT
STEVE HORNE
MARGARET ELLIS ROGERS
RAY ROGERS
PERCY W. WATSON

OFFICES:
Woolfolk Building, Suite 301-A
501 North West Street
Jackson, Mississippi 39201

May 15, 2018

Honorable Phil Bryant, Governor
Honorable Tate Reeves, Lieutenant Governor
Honorable Philip Gunn, Speaker of the House
Members of the Mississippi State Legislature

On May 15, 2018, the PEER Committee authorized release of the report titled *A Review of the Mississippi Prison Industries Corporation*.

A handwritten signature in cursive script that reads "Videt Carmichael".

Senator Videt Carmichael, Chair

This report does not recommend increased funding or additional staff.

Table of Contents

Letter of Transmittal	i
Executive Summary.....	v
Introduction	1
Authority	1
Purpose and Scope	1
Method.....	1
Prior PEER Reviews of Mississippi Prison Industries Program	2
Background.....	3
Prison Industries Defined	3
Creation and Administration of Mississippi's Prison Industries Program.....	3
MPIC Organization and Work Programs	6
Is the Mississippi Prison Industries Corporation financially sustainable?	10
Assessment of MPIC's Financial Health and Sustainability	11
Factors Contributing to MPIC's Decline in Financial Health and Sustainability.....	15
Is the Mississippi Prison Industries Corporation fulfilling its statutory mandate to reduce recidivism? ...	23
Deficiencies in MPIC Program Participant Data	23
Deficiencies in MPIC Recidivism Analysis	27
Certain MPIC Worker Employment Practices Hinder the Corporation's Ability to Reduce Recidivism	28
Missing Program Elements Designed To Increase the Program's Effectiveness in Reducing Recidivism	30
Conclusion.....	34
Immediate Considerations for the MPIC Board of Directors	34
Policy Considerations for the Legislature	36
Best Practices for Operation of a Successful Prison Industries Program	38
Appendix A: Major Findings of Previous PEER Reviews of the State's Correctional Industries Program..	40
Appendix B: Major Statutory Requirements of the Mississippi Prison Industries Act of 1990 and the Entity or Entities Responsible for Fulfilling the Requirements.....	41
Appendix C: Master Plan for Prison Industries	44
Appendix D: U.S. Bureau of Justice Assistance Mandatory Criteria for Prison Industry Certification Program Participation	47
Appendix E: List of MPIC Products by Industry Shop, Facility, and Type of Program (Traditional or PIECP)	48
Appendix F: Total Projected Average Annual Job Openings in Mississippi for Correctional Industry Jobs, by Standard Occupational Classification Code and Self-Reported Number of Participants as of December 1, 2017.....	50
Agency Response.....	53

List of Exhibits

Exhibit 1:	Non-Inmate MPIC Employees by Department/Shop, FY 2017	7
Exhibit 2:	MPIC Industry Shop Locations (as of December 2017)	9
Exhibit 3:	MPIC Ending Net Position (Net Worth), by Fiscal Year	12
Exhibit 4:	MPIC Income (Loss) and Change in Net Position from Operations FY 2012-FY 2017	13
Exhibit 5:	MPIC Cash Flow Activity, FY 2016 and FY 2017	14
Exhibit 6:	MPIC Operating Income (Loss) FY 2015 and FY 2017, by Product Line	16
Exhibit 7:	MPIC Operating Income (Loss) for New Product Lines, FY 2017	17
Exhibit 8:	MPIC Central Office Administrative Overhead FY 2015 and FY 2017	19
Exhibit 9:	Description of Mississippi Prison Industries Program Participant Datasets Provided to PEER	23
Exhibit 10:	Comparison of the Two “All Prison Industries Program Participants” Datasets	24
Exhibit 11:	Comparison of the Two Datasets Containing Information on Participants Released from Prison Between 2009 and 2014.....	26
Exhibit 12:	Examples of Estimated Number of MPIC Participant Jobs, by Standard Occupational Classification Code, Misaligned with Job Opportunities in Mississippi (December 2017)	30
Exhibit 13:	Number of Technical Certifications Earned by Inmates in MDOC Custody from FY 2014 through FY 2017	32

A Review of the Mississippi Prison Industries Corporation

Executive Summary

Introduction

In accordance with MISS. CODE ANN. Section 5-3-51 et seq. (1972), PEER conducted a review of the Mississippi Prison Industries Corporation (MPIC) seeking to determine whether MPIC is financially sustainable and is meeting its statutory mandate to reduce recidivism.

Background

The Mississippi Prison Industries Act of 1990 established the current prison industries program. The act created a nonprofit corporation to operate prison industries independent from, but in cooperation with, the Mississippi Department of Corrections.

MISS. CODE ANN. Section 47-5-533 (1972) defines MPIC's mission and goals. The primary mission of the prison industry programs as established by law is to provide inmates with useful activities that can lead to meaningful employment after release in order to assist in reducing the return of inmates to the system, i.e., reducing recidivism.

Although state law created an independent nonprofit corporation to administer the state's prison industries program, MISS. CODE ANN. Section 47-5-533(1) assigns responsibility for the program to both MPIC and the Mississippi Department of Corrections.

The Master Plan for prison industries (see Appendix C, page 44) created in February 2015 by the Mississippi Prison Industries Corporation and the Mississippi Department of Corrections pursuant to MISS. CODE ANN. Section 47-5-573 gives MDOC the responsibility for providing inmates with the opportunity to gain vocational skills that can prepare them for gainful employment once released. The plan makes MPIC responsible for providing inmates with the opportunity to gain additional skills through its work programs, with an operational premise that inmates' skills are enhanced through MDOC and MPIC collaboration.

The Master Plan assigns MDOC responsibility for facilitating post-release job placement by assisting inmates in obtaining employment-related documentation, such as a birth certificate and Social Security number. MDOC is also responsible for working with the Mississippi Department of Employment Security to create a computerized system by which the inmate will be able to input employment information directly into the Mississippi Department of Employment Security system before the inmate leaves prison.

The Master Plan also describes MPIC's Transitional Housing Program, designed to reduce recidivism by providing temporary housing to offenders being released, as well as any needed support services, such as counseling, employment skills (training), GED classes, and alcohol and drug treatment. The program was terminated in September of 2016 due to a lack of sufficient funds necessary to keep the program operational.

MPIC operates eight prison industry work programs at the three state prisons, the Jefferson-Franklin County Correctional Facility, and a warehouse located in Jackson. These programs use inmate labor to manufacture products and services for purchase by state agencies, local governments, educational institutions, and private entities as authorized by state law.

Is the Mississippi Prison Industries Corporation financially sustainable?

Poor Financial Condition Threatens Long-Term Viability

MPIC's audited financial statements for fiscal years 2012 through 2017 showed a significant decline in the financial health and sustainability of the corporation, a decline that threatens MPIC's future viability as an ongoing business enterprise and its ability to operate an effective prison industries program. From FY 2012 through FY 2017, MPIC's ending net position (net worth) declined by \$6.7 million, from approximately \$10 million to \$3.3 million and fiscal year-end cash balance declined from approximately \$4.8 million to \$560,707. Costs for goods and services, increased payroll, acquisition and construction of capital assets, and capital lease obligations, as well as other expenses, contributed to the significant decrease of approximately \$3.7 million in cash during FY 2016 and FY 2017.

Through February 28, 2018, MPIC's FY 2018 net operating loss totaled \$628,970, including a net operating profit of approximately \$24,000 during February 2018. At the end of February 2018, MPIC's cash balance was \$329,970.

Increases in Product Line Direct Costs without Appreciable Increases in Sales and Increases in Administrative Overhead Expenses Led to Deterioration of Financial Sustainability

While MPIC's financial operations were relatively stable from FY 2012 through FY 2015, significant operating losses of approximately \$3.5 million during fiscal years 2016 and 2017 have affected the corporation's financial health. Since fiscal year 2015, MPIC has experienced a deterioration of its financial sustainability as the result of losses in long-term product lines, unsuccessful expansion into new product lines, and failure to control administrative overhead expenses, such as salaries and benefits, contractual services, and operating expenses.

Increases in direct costs associated with MPIC product lines without appreciable increases in sales caused five of MPIC's six existing long-term product lines to move from being profitable in

FY 2015 to being unprofitable in FY 2017. Costs associated with MPIC's expansion into two new product lines—fish tanks and suture spool recycling—have contributed to a deterioration of the corporation's overall financial condition. In addition, when establishing these two new product lines, MPIC did not conduct marketing feasibility studies, hold public hearings, or consult with Mississippi Delta Community College regarding the lines' financial sustainability as required by state law in the establishment of new product lines.

Administrative overhead expenses associated with MPIC's central office in Jackson increased from \$1,594,494 in FY 2015 to \$2,781,701 in FY 2017, a 74% increase. Despite a freeze on employing new MPIC personnel, wage increases, and year-end incentive payments for all MPIC employees, MPIC salaries and benefits increased 27% from FY 2016 to FY 2017.

Is the Mississippi Prison Industries Corporation fulfilling its statutory mandate to reduce recidivism?

Due to the poor quality of Mississippi's prison industries program data, it is not possible to accurately assess the program's effectiveness in reducing recidivism. Furthermore, Mississippi's implementation of its prison industries program is missing several key components designed to increase the program's effectiveness in reducing recidivism.

Because MDOC and MPIC do not maintain accurate program participant data, it is not possible to determine whether MPIC is fulfilling its statutory mandate to reduce recidivism of program participants.

The participation data available for Mississippi's prison industries program varies significantly from source to source, making it impossible to identify an accurate count of program participants. None of the four datasets examined by PEER had sufficient expected agreement for the data to be deemed reliable.

In addition to the lack of expected agreement between participant datasets, errors within individual dataset included the following:

- The MPIC payroll dataset contained 56 MPIC worker identification numbers with no linkage to worker names or MDOC inmate identification numbers. Each of these 56 inmate worker identification numbers received multiple paychecks.
- The MDOC "All Participants" dataset included 92 cases for which time in the MPIC program was zero or less, indicating that the inmate left the prison industries program before entering the program.

Lack of Reliability in Recidivism Rate Calculations

Recidivism rates presented in MPIC's FY 2016 annual report are not reliable and do not support conclusions regarding the effectiveness of the prison industries program in reducing recidivism:

- Recidivism calculations were performed on an unverified source of data.
- Recidivism calculations involved an unverified subset of the original data.
- Recidivism calculations did not attempt to distinguish program effects from chance or confounding effects.
- Recidivism calculations should be made from all participants, not year-plus participants.

Lack of Alignment with Best Practices

The NIC¹ Guide and high-quality research on prison industries programs identify best practices for inmate worker employment. The following MPIC inmate worker employment practices do not align with best practices, which impedes the corporation's ability to reduce recidivism:

- maximizing the number of prison industry job opportunities available to inmate workers;
- targeting the inmate population most likely to yield a reduction in recidivism; and
- employing inmate workers in industries with job prospects in Mississippi.

Lack of Ensuring Attainment of Post-Release Transitional Assistance

MPIC is not ensuring that prison industries program participants are receiving the technical and soft skills certifications or the pre- and post-release transitional assistance needed to obtain and retain employment upon release.

Conclusion

The Mississippi Prison Industries Corporation is at a critical juncture. The time has come for MPIC and the Legislature to consider seriously whether the state's prison industries program has a future and, if so, what changes can be made operationally and legislatively to ensure that the program has a positive outcome.

Immediate Considerations for the MPIC Board of Directors

The MPIC Board of Directors must immediately assess the financial condition of the corporation and make decisions relative to the corporation's future.

Assuming the MPIC Board of Directors were to be successful in addressing the corporation's ongoing concern issues, the board should employ a chief executive officer and senior leadership with

¹National Institute of Corrections.

the experience and skills necessary to operate an effective prison industry program.

Policy Considerations for the Legislature

The Legislature could amend relevant laws found in MISS. CODE ANN. Section 47-5-531 et seq. to transfer the state's prison industry program to the Mississippi Department of Corrections.

If Mississippi's prison industry program is allowed to continue operating as a not-for-profit corporation, the Legislature could establish qualifications for board members and implement a purchase preference requirement.

Best Practices for Operation of a Successful Prison Industries Program

No matter the direction of Mississippi's prison industries program, there are best practices for operating a successful correctional industries program, such as those contained in the NIC Guide. A prison industries program, such as MPIC, attempting to implement best practices, should study key documents of successful correctional industries programs (e.g., strategic business plans, sales and marketing plans, policies, and procedures) in developing its own plans and policies. It is also critical to identify the management reporting tools and performance measures that successful programs use to keep on track financially and programmatically, and to collect and report accurate data.

For more information or clarification, contact:

PEER Committee
P.O. Box 1204
Jackson, MS 39215-1204
(601) 359-1226
peer.ms.gov

Senator Videt Carmichael, Chair
Meridian, MS

Representative Becky Currie, Vice Chair
Brookhaven, MS

Representative Timmy Ladner, Secretary
Poplarville, MS

A Review of the Mississippi Prison Industries Corporation

Introduction

Authority

In response to a legislative request, the PEER Committee conducted a review of the Mississippi Prison Industries Corporation (MPIC).

PEER conducted the review pursuant to the authority granted by MISS. CODE ANN. Section 5-3-57 et seq. (1972) and acted in accordance with MISS. CODE ANN. Section 5-3-51 et seq.

Purpose and Scope

In conducting this review, PEER sought to address the following:

- Is the Mississippi Prison Industries Corporation financially sustainable?
- Is the Mississippi Prison Industries Corporation fulfilling its statutory mandate to reduce recidivism?

Method

In conducting this review, PEER

- reviewed applicable state and federal laws and regulations;
- reviewed administrative and financial records of the Mississippi Prison Industries Corporation, including the following:
 - audited financial statements,
 - annual reports and other ad hoc reports,
 - minutes of MPIC Board of Directors meetings and materials provided to board members prior to each meeting,
 - organizational charts and job descriptions, and
 - data related to production and participation rates;
- reviewed data from the Mississippi Department of Corrections, the Mississippi Department of Employment Security, and the National Strategic Planning and Analysis Research Center (NSPARC) located at Mississippi State University; and
- interviewed MPIC staff and the Chairman of the MPIC Board of Directors as well as staff of the Mississippi Department of Corrections.

Prior PEER Reviews of Mississippi Prison Industries Program

Since passage of the Mississippi Prison Industries Act of 1990, PEER has conducted two evaluations of Mississippi's prison industries program: Report #309, January 1994, and Report #571, June 2013 (both reports may be found on the PEER website, www.peer.ms.gov). Appendix A, page 40, summarizes the major findings of these two reports, by area of concern.

The reports included conclusions in the following areas:

- *Planning and performance monitoring*—e.g., inadequate long-range planning, lack of a marketing plan, and insufficient data collection and analysis;
- *Financial sustainability*—e.g., not following state law for creating new industries and lack of a cost-accounting system; and
- *Soft and technical skills training*²—e.g., failure to work with community colleges and failure to align prison industries with the job market.

1994 Performance Audit

PEER conducted its 1994 performance audit of Magnolia State Enterprises (MSE), the nonprofit corporation established to operate Mississippi's prison industries program, pursuant to the legal mandate for a review cited in MISS. CODE ANN. Section 47-5-559 (1972) of the Mississippi Prison Industries Act of 1990. This section of state law mandated the State Auditor and the PEER Committee to conduct an audit of the corporation for the period beginning January 1, 1991, through January 1, 1993, and thereafter upon the request of certain named legislative committees. The review found significant weaknesses in the oversight, direction, and management of the prison industries program.

2013 Performance Review

PEER conducted its 2013 review of MPIC in response to a request from a legislator who was concerned that the corporation was accumulating a large asset base, selling products not manufactured by inmates, and unreasonably competing with private businesses. The 2013 review focused on determining whether the corporation was achieving its statutory mission. The review found that neither MDOC nor MPIC had tracked and reported post-release employment or recidivism data for MPIC program participants. In addition, MPIC had not provided inmates with the best opportunities to increase their work skills and employability.

²Soft skills are characteristics that are behavioral in nature and include such factors as attitude, work ethic, critical thinking, flexibility, and the desire to learn and be trained.

Background

This chapter includes the following:

- a definition of prison industries,
- discussion of the creation and administration of Mississippi's prison industries program, and
- a description of MPIC's organization and work programs.

Prison Industries Defined

Prison industries are work programs in correctional facilities that aim to provide “real-world” work experience and training to inmates to increase inmates’ job skills and employability upon release.

According to the National Correctional Industries Association³ (NIA), *prison industries*, also known as correctional industries, are

...programs in correctional facilities that provide real-world work experience and training to offenders in order to prepare them for successful reentry and employment after their release.

Creation and Administration of Mississippi’s Prison Industries Program

The Mississippi Prison Industries Act of 1990 established the current prison industries program and defines MPIC’s mission and goals.

Statutory Authority

The Mississippi Prison Industries Act of 1990 established the current prison industries program. The act created a nonprofit corporation to operate prison industries independent from the Mississippi Department of Corrections.

During the 1990 Regular Session, the Legislature passed the Mississippi Prison Industries Act of 1990, which called for the formation of a nonprofit corporation to operate industries independent from the Mississippi Department of Corrections and provide work opportunities and training for the state’s inmates. The act transferred control and management of already existing program assets and funding to this nonprofit corporation. The act also gave the corporation the authority to create any additional prison industry program it deemed appropriate, except for any program that duplicated a prison agricultural enterprises program or product.

The Mississippi Prison Industries Corporation (previously known as MPIA, Inc. and Magnolia State Enterprises, Inc.) filed its articles of incorporation as a nonprofit corporation with the Secretary of

³The National Correctional Industries Association (NCIA) is an international nonprofit professional association whose members represent federal, state, county, and international correctional industry agencies, as well as suppliers and partners in apprenticeship and work programs.

State in May 1990. The corporation assumed responsibility for the state's prison industries program in February 1991. The board of directors voted to change the corporate name to Mississippi Prison Industries Corporation (MPIC) in 1995.

According to a determination letter dated May 21, 1991, MPIC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. While established as a not-for-profit corporation, MPIC carries out public purposes associated with preparing inmates for meaningful employment after release and thereby reducing the return of inmates to the system. Several times the Attorney General has opined that the corporation is an arm or "alter ego" of the state, which carries out portions of the sovereign powers of the state. As examples, opinions of the Attorney General have concluded that MPIC may avail itself of the sovereign immunity of the state, and corporation employees may participate in the state's retirement programs. (See *Attorney General's Opinion to Holladay*, April 5, 1991, and to *Attorney General's Opinion to Robertson*, September 30, 2011).

MPIC's Statutory Mission and Goals

MISS. CODE ANN. Section 47-5-533 (1972) defines MPIC's mission and goals. The primary mission of the prison industry programs as established by law is to provide inmates with useful activities that can lead to meaningful employment after release in order to assist in reducing the return of inmates to the system.

MISS. CODE ANN. Section 47-5-533 (1972) states the legislative findings regarding the state's prison industry program, as follows:

- (1) It is the finding of the Legislature that prison industry programs of the State Department of Corrections are uniquely different from other programs operated or conducted by other departments in that it is essential to the state that the prison industry programs provide inmates with useful activities that can lead to meaningful employment after release in order to assist in reducing the return of inmates to the system*
- (2) It is further the finding of the Legislature that the mission of a prison industry program is:*
 - (a) To reduce the cost of state government by operating prison industries primarily with inmate labor, which industries do not seek to unreasonably compete with private enterprise;*
 - (b) To serve the rehabilitative goals of the state by duplicating as nearly as possible, the operating activities of a free-enterprise type of profit-making enterprise; and*
 - (c) To serve the security goals of the state by reducing the idleness of inmates and by providing an incentive for good behavior while in prison.*

Shared Responsibilities with the Mississippi Department of Corrections

Although state law created an independent nonprofit corporation to administer the state's prison industries program, MISS. CODE ANN. Section 47-5-533(1) assigns responsibility for the program to both MPIC and the Mississippi Department of Corrections.

While the Mississippi Prison Industries Act called for the formation of an independent nonprofit corporation, it assigns both the corporation and the Mississippi Department of Corrections responsibilities with respect to operation of the state's prison industries program. Appendix B, page 41, summarizes the major requirements of the act and the entity or entities responsible for carrying out each requirement.

As shown in Appendix B, both Mississippi Prison Industries Corporation and the Mississippi Department of Corrections bear the responsibility for fulfilling the primary mission of the state's prison industries program. Among other responsibilities, MPIC is responsible for carrying out all business functions related to the program and for furnishing its own security within the parameters of any prison industry work area. MDOC is responsible for developing master plans and guidelines for correctional work programs, as well as for considering the needs of the corporation when assigning and transferring prisoners to correctional institutions.

Of the 49 states operating a prison industries program (Alaska's Legislature repealed its prison industries program in 2005), only Mississippi and Florida operate their programs through a nonprofit prison industries corporation working with the state's department of corrections. In the other 47 states, either the state's department of corrections bears sole responsibility for operation of the program or a division of the department of corrections functioning as a semiautonomous agency operates the program.

Assignment of Responsibilities under the Master Plan

The Master Plan for prison industries (see Appendix C, page 44) created in February 2015 by the Mississippi Prison Industries Corporation and the Mississippi Department of Corrections pursuant to MISS. CODE ANN. Section 47-5-573 gives MDOC the responsibility for providing inmates with the opportunity to gain vocational skills that can prepare them for gainful employment once released. The plan makes MPIC responsible for providing inmates with the opportunity to gain additional skills through its work programs, with an operational premise that inmates' skills are enhanced through MDOC and MPIC collaboration.

The Master Plan sets out the expectation that eligible inmates will first obtain vocational skills training from MDOC prior to being hired by MPIC, with the exception that an inmate who achieves a GED (general equivalency diploma) but who is not interested in vocational skills training could also apply for an open MPIC position. MDOC also offers MPIC inmate workers housed at the

Mississippi State Penitentiary (Parchman) the opportunity to increase their skills through night vocational programs—e.g., welding—and evening literacy programs.

The Master Plan assigns MDOC responsibility for facilitating post-release job placement by assisting inmates in obtaining employment-related documentation, such as a birth certificate and Social Security number. MDOC is also responsible for working with the Mississippi Department of Employment Security (MDES) to create a computerized system by which the inmate will be able to input employment information directly into the MDES system before the inmate leaves prison. The Master Plan also includes a discussion of MDOC's collaboration with the MPIC Transitional Housing Program, which is designed to allow inmates who have been released from prison to live in a stable environment while actively pursuing employment opportunities. The program, which ceased operations in September 2016, was intended to support inmates' successful reentry into the community upon release by providing temporary housing and support services, such as counseling, employment skills, and alcohol and drug treatment as needed.

MPIC Organization and Work Programs

MPIC is governed by a 13-member board, composed of 11 members appointed by the Governor with the advice and consent of the Senate, and two ex officio members—the Commissioner of Corrections and the President of Mississippi Delta Community College. The corporation employs full-time, non-inmate employees and, as of December 2017, operates eight prison industry work programs at the state prisons with inmate labor.

MPIC Organization

MPIC is governed by a 13-member board, including two ex officio members—the Commissioner of the Mississippi Department of Corrections and the President of Mississippi Delta Community College. In FY 2017, MPIC employed 34 full-time, non-inmate employees to operate its prison industries. Employees are located at MPIC's office/retail shop⁴ in Jackson, the manufacturing and service facilities at the three state prisons, one regional facility, and a warehouse located in Jackson.

The MPIC Board of Directors consists of the following:

- one member from the manufacturing industry,
- one member from the agriculture industry,
- one member from the banking and finance industry,
- one member representing labor,
- one member from the marketing industry,
- six state-at-large members,

⁴A "shop" is the area in a facility where assembly or production is conducted.

- the Mississippi Department of Corrections Commissioner (ex officio), and
- the Mississippi Delta Community College President (ex officio).

MPIC Employees and Office Locations

The board is responsible for appointing a chief executive officer to administer the daily operations of the corporation, hire and dismiss employees, execute contracts, and perform other management duties. The former CEO served from July 16, 2015, until March 21, 2018.

In FY 2017, MPIC employed 34 full-time, non-inmate personnel to administer and operate its prison industries.

MPIC’s central office/retail sales shop and warehouse are located in Jackson, and its seven other prison industry shops are located in the following correctional facilities:

- Mississippi State Penitentiary (MSP), Parchman;
- Central Mississippi Correctional Facility (CMCF), Pearl;
- South Mississippi Correctional Institution (SMCI), Leakesville;
- Jefferson-Franklin County Correctional Facility, Fayette.

Exhibit 1 shows the number of non-inmate MPIC employees and their work locations during FY 2017. Fifteen of the 34 non-inmate employees work in the central office; the remainder are dispersed among the various production shops and warehouse.

Exhibit 1: Non-Inmate MPIC Employees by Department/Shop, FY 2017

Department/Shop	Non-Inmate Employees
Central Office	15
Production Management for MSP, SMCI, and the Warehouse	1
MSP Garment/Textile Shop	3
MSP Metal Shop	3
SMCI Garment Shop	2
Production Management for CMCF and Jefferson Regional Facility	1
CMCF Print Shop	2
CMCF Furniture Shop (metal)	1
CMCF Service Shop (clean room)	2
Jefferson Regional Recycling Shop	3
Transition Center*	1
Total	34

*MPIC closed the Transition Center during FY 2017 (see discussion on page 33) and repurposed it into a warehouse and distribution facility.

SOURCE: PEER analysis of MPIC organization charts and staff directory.

MPIC Work Programs

MPIC operates eight prison industry work programs at the three state prisons and the Jefferson-Franklin County Correctional Facility. These programs use inmate labor to manufacture products and services for purchase by state agencies, local governments, educational institutions, and private entities as authorized by state law.

Mississippi Prison Industries Corporation operates two main types of inmate work programs:

- Traditional prison industry work programs—MPIC owns and operates industries that sell inmate-manufactured products and repackaged⁵ merchandise to entities as authorized by state law. MISS. CODE ANN. Section 47-5-549 (1972) states that items may be sold to “any legislative, executive or judicial branch of the state, any political subdivision or any governing authority of the state, any other state, any school college or university of the state, any foreign government, any agency of the federal government or to any private entity.”
- Prison Industry Enhancement Certification Program⁶ (PIECP)—PIECP exempts certified state and local departments of corrections and other eligible entities from normal restrictions on the sale of inmate-made goods in interstate commerce. Additionally, certified PIECP entities can sell inmate-made goods to the federal government in amounts exceeding the \$10,000 maximum normally imposed on such transactions. The Bureau of Justice Assistance (BJA) of the U.S. Department of Justice certified MPIC as an eligible entity under the program in March 2000.

PIECP has two primary objectives:

- To generate products and services that enable offenders to make a contribution to society, help offset the cost of their incarceration, compensate crime victims, and support their families; and
- To reduce prison idleness, increase inmates’ job skills, and improve the prospects for successful inmate transition to the community upon release.

Appendix D, page 47, lists the mandatory criteria for an eligible entity to participate in the Prison Industry Enhancement Certification Program. In 2017 the Bureau of Justice Assistance conducted an assessment of MPIC’s compliance with PIECP statutory and administrative requirements. According to BJA staff, the bureau’s final assessment report of MPIC’s PIECP program should be available “mid-year 2018.”

⁵Repackaging is the act of putting a product that was not produced by MPIC into a new package for sale to its customers.

⁶Congress first authorized the Prison Industry Enhancement Certification Program (PIECP) as part of the “Justice System Improvement Act of 1979.” The PIECP was created to encourage states and counties to establish employment opportunities for inmates, which approximate those found in the private sector. Under PIECP, the U.S. Bureau of Justice Assistance within the U.S. Department of Justice certifies that local or state prison industry programs meet all the necessary requirements to be exempt from federal restrictions on prisoner-made goods in interstate commerce.

Exhibit 2 lists MPIC’s manufacturing and service industry shops. Appendix E, page 48, details the types of products produced at each shop.

Exhibit 2: MPIC Industry Shop Locations (as of December 2017)

Shop Location	Type of Shop(s)
Mississippi State Penitentiary, Parchman	Metal and Garment
Central Mississippi Correctional Facility, Pearl	Print, Metal, and Clean (medical suture spool recycling)
South Mississippi Correctional Institution, Leakesville	Garment
Jefferson-Franklin County Correctional Facility, Fayette	Recycling Center
Jackson, State Street and I-55 South	Retail Sales and Warehouse*

*The MPIC warehouse, formerly the Men’s Transition Center, is the facility MPIC uses to store and distribute finished manufactured goods from the various shops and to store pass-through items—e.g., sheets, blankets, towels—that are sold to the Mississippi Department of Corrections and its facilities.

SOURCE: MPIC.

Inmate Participants and Wages

MPIC operates the prison industries program primarily with inmate labor. Inmate workers in MPIC’s traditional prison industry programs earn base hourly compensation that varies from \$0.20 to \$1.30 depending on an inmate’s length of participation in the program.

The starting pay for inmate workers participating in the PIECP is the federal minimum wage of \$7.25 per hour. Pay varies by the number of hours worked in the PIECP program and the Standard Occupational Classification (SOC) system code⁷ that the PIECP work falls into. MPIC’s top PIECP wage rate of \$16 per hour is for inmates working at CMCF in SOC Code 51-4122—welders, soldering and brazing machine setters, operators, and tenders—who have worked more than 3,120 hours in PIECP.

⁷According to the website of the United States Department of Labor Bureau of Labor Statistics, the Standard Occupational Classification (SOC) System is a statistical standard used by federal agencies to classify workers into occupational categories for the purpose of collecting, calculating, or disseminating data. All workers are classified into one of 867 detailed occupations according to their occupational definition.

Is the Mississippi Prison Industries Corporation Financially Sustainable?

Beginning in FY 2016, MPIC's financial stability declined significantly. The corporation's poor financial condition threatens its viability as a business enterprise and its ability to operate an effective prison industries program.

This chapter includes discussion of the following:

- the importance of financial sustainability to an effective prison industries program;
- an assessment of the financial health and sustainability of MPIC based on a review of the corporation's financial statements; and
- factors contributing to the decline in the corporation's financial health and sustainability.

Importance of Financial Sustainability

The National Correctional Industries Association reports that correctional industries programs are typically self-funded, generating income through the sale of the products and services their programs produce.

According to best practices for correctional industries included in the publication *Correctional Industries: A Guide to Reentry-Focused Performance Excellence*,⁸ financial sustainability exists when sales revenue generated covers all costs and financial obligations associated with the correctional industry operations.

The concept of a triple bottom-line in correctional industries focuses on the following:

- the needs of the prison industry's customers;
- funding of the social mission of prison industries—e.g., providing vocational and soft skills training and certifications to inmates, which should lead to increased opportunities for employment following release; and
- the value provided by the organization to inmates for successful reentry and an associated reduction in recidivism.

⁸In 2017 the National Correctional Industries Association, in collaboration with the National Institute of Corrections, developed a best practices-based model for operating a correctional industries program titled *Correctional Industries: A Guide to Reentry-Focused Performance Excellence*. According to its website, the National Institute of Corrections is an agency within the U.S. Department of Justice, Federal Bureau of Prisons, whose mission is to be a center of learning, innovation and leadership that shapes and advances effective correctional practice and public policy.

Assessment of MPIC's Financial Health and Sustainability

PEER's review of MPIC financial statements for fiscal years 2012 through 2017 found a significant decline in the financial health and sustainability of the corporation, a decline that threatens MPIC's future viability.

The following three basic financial statements offer insight into the financial health and sustainability of governmental and quasi-governmental enterprises, such as MPIC:

- statement of net position,
- statement of revenues and expenses and changes in net position, and
- statement of cash flow.

Each of the financial statements focuses on different aspects of an entity's financial operations, but when viewed in totality, the three provide indicators of the overall financial health and sustainability of a governmental enterprise.

Statement of Net Position

From FY 2012 to FY 2017, MPIC's ending net position (net worth) declined by about \$6.7 million, from approximately \$10 million to \$3.3 million.

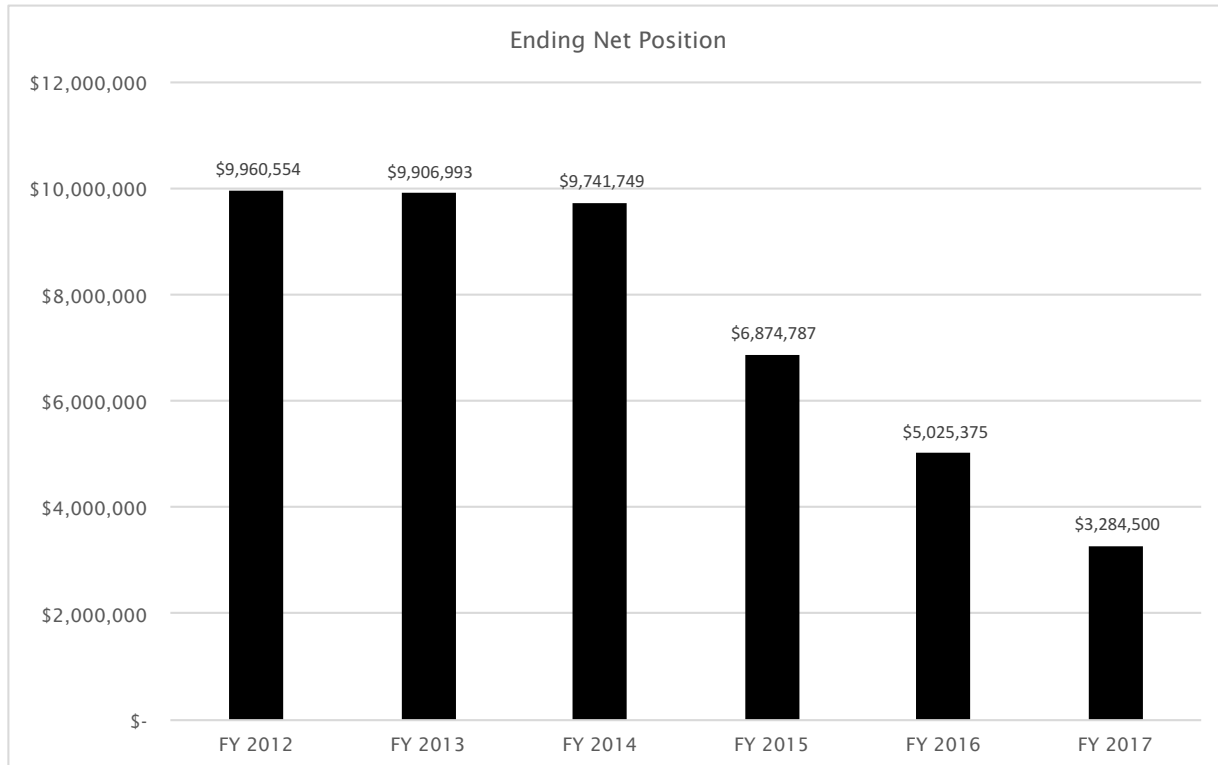
The statement of net position, commonly referred to as a "balance sheet" in for-profit entities, reflects financial position at a particular point in time, such as the end of a fiscal year. In its simplest form, net position (net worth) is determined by subtracting an entity's total liabilities from its total assets.

As shown in Exhibit 3, page 12, MPIC's ending net position has declined significantly from approximately \$10 million in FY 2012 year-end June 30 to approximately \$3.3 million in FY 2017. The decline began to increase rapidly beginning in FY 2015.

While approximately \$2.9 million of the decline is attributable to the Governmental Accounting Standards Board's (GASB) required changes in FY 2015 regarding how entities report pension liability,⁹ significant financial losses totaling \$3.5 million in FY 2016 and FY 2017 also exacerbated the decline (see pages 12-13).

⁹GASB policy statements set guidelines that determine generally accepted accounting principles (GAAP) for state and local governments in the United States. GASB Statement No. 68 requires government entities to report their future pension liabilities as part of the entities' financial statements. Although these pension liabilities must be met in future years, the liabilities will be met through MPIC's continued payments of statutorily mandated employer contributions to the Public Employees' Retirement System of Mississippi and do not require MPIC's immediate commitment of additional resources.

Exhibit 3: MPIC Ending Net Position (Net Worth), by Fiscal Year



SOURCE: PEER analysis of MPIC audited financial statements.

Statement of Revenues and Expenses and Resulting Changes in Net Position from Operations

While MPIC's financial operations were relatively stable from FY 2012 through FY 2015, significant operating losses of approximately \$3.5 million during fiscal years 2016 and 2017 have affected the corporation's financial health.

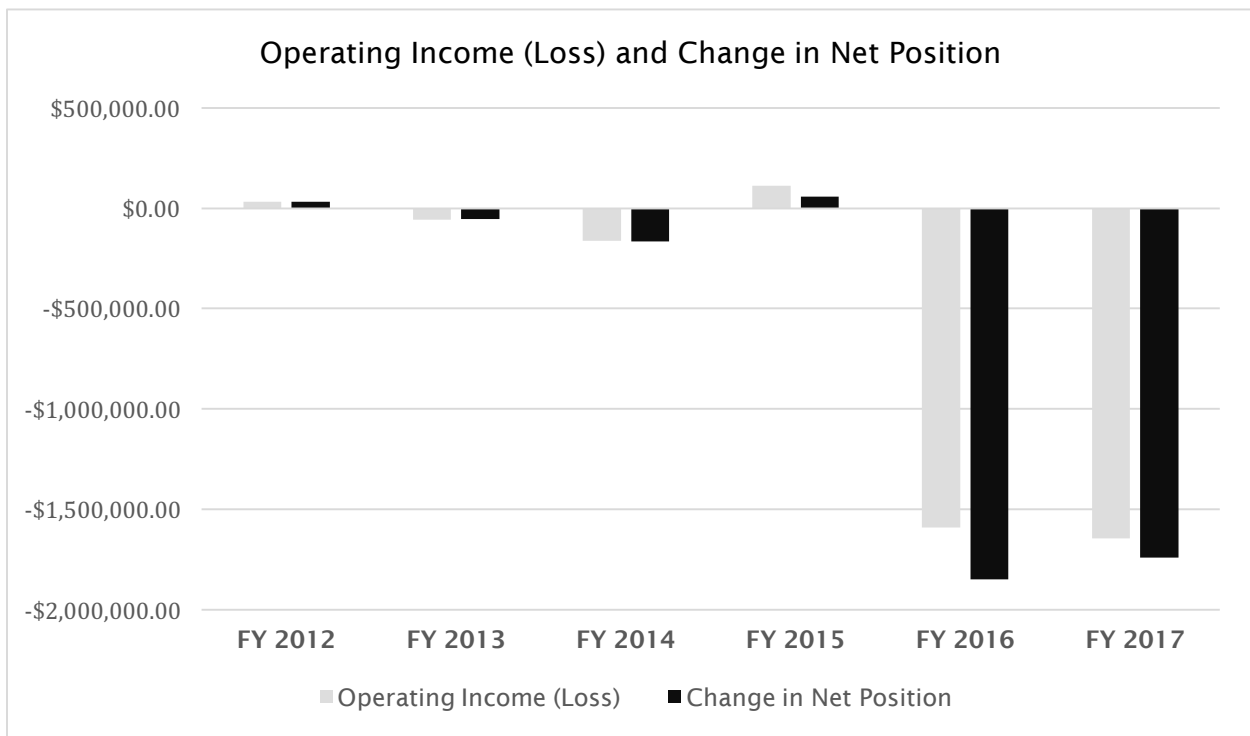
The statement of revenues and expenses, referred to as an "income statement" in for-profit entities, shows the results of an entity's operations for a specified period, such as a fiscal year. The purpose of this statement is to report whether an entity's operations resulted in a net operating income or loss. The statement provides details regarding an entity's revenues and expenses from operations and how the income or loss affected the entity's net position. The change in net position in this section of the report discusses the entity's overall net income or loss from operations for the statement period and does not include financial statement adjustments required by GASB in accounting for pensions.

Net operating income or loss is the amount of an entity's sales minus the costs associated with operating the entity, such as salaries, commodities, administration, and materials used to produce items for sale. Net operating income or loss is very important when analyzing the financial health of any entity

because it indicates whether an entity's operations are profitable or are losing money. Nonoperating revenue and expenses include such items as interest income, interest expenses, and gains or losses on disposal of assets. These types of items represent events that occur but are not directly related to the main operations of an entity. An entity's total change in net position is calculated by adding the net operating income or loss and nonoperating revenue and expenses.

As shown in Exhibit 4, MPIC's financial operations from FY 2012 through FY 2015 were relatively stable with a total net operating loss from operations of approximately \$77,000, and a negative change (loss) in net position from operations of approximately \$130,000 after including nonoperating revenues and expenses. MPIC's financial operations for fiscal years 2016 and 2017 showed a significant increase in the corporation's net operating losses—i.e., \$1.59 million loss in FY 2016 and another \$1.64 million loss in FY 2017. Further, after including nonoperating revenues and expenses, MPIC's changes in net position from operations were negative for those fiscal years also—i.e., negative \$1.8 million in FY 2016 and negative \$1.7 million in FY 2017.

EXHIBIT 4: MPIC Income (Loss) and Change in Net Position from Operations FY 2012–FY 2017



SOURCE: PEER analysis of MPIC audited financial statements.

Statement of Cash Flow

For the period FY 2012 through FY 2017, MPIC's fiscal year-end cash balance declined from approximately \$4.8 million to \$560,707.

A statement of cash flow reports how much cash is provided or used by an entity. Under Generally Accepted Accounting Principles (GAAP), cash generated or used by an entity differs from the entity's reported income or loss. For example, if an entity sells a product on credit to a customer, the sale will increase the entity's reported income, but until the customer actually pays the entity, no cash is generated. Therefore, analysis of cash flow assists in determining how well an entity is generating cash for use in future operations and, conversely, if an entity is using more cash than it is producing, how this may impact future operations.

According to MPIC's audited financial statements, the corporation's ending cash balances for fiscal years 2012 through 2017 were as follows:

- FY 2012: \$4,756,627
- FY 2013: \$4,855,918
- FY 2014: \$4,359,363
- FY 2015: \$4,268,880
- FY 2016: \$2,794,379
- FY 2017: \$560,707

Costs for goods and services, increased payroll, acquisition and construction of capital assets, and capital lease obligations, as well as other expenses, contributed to the significant decrease in cash in FY 2016 and FY 2017. See Exhibit 5.

Exhibit 5: MPIC Cash Flow Activity, FY 2016 and FY 2017

Cash Inflow or (Outflow)	FY 2016	FY 2017
Cash received from customers	\$6,589,991	\$9,306,187
Cash paid to suppliers of goods and services	(5,423,629)	(7,975,006)
Cash paid to employees for services	(1,566,727)	(1,979,713)
Acquisition and construction of capital assets	(604,167)	(1,239,497)
Net other revenues and expenses	(453,113)	(288,627)
Payments on capital lease obligations	(16,856)	(57,016)
Net increase (or decrease) in cash for the fiscal year	\$(1,474,501)	\$(2,233,672)

SOURCE: PEER analysis of MPIC audited financial statements.

Through February 28, 2018, MPIC's FY 2018 net operating loss totaled \$628,970, including a net operating profit of approximately \$24,000 during February 2018.

For FY 2018 through February 28, 2018, MPIC's net operating loss totaled \$628,970. However, in February 2018, MPIC had a net operating income of \$23,607. At this point it is difficult to determine whether the board of directors' cost-cutting measures of late 2017 and early 2018—e.g., reduction of employee positions, reduction in travel expenses—will ameliorate the recent decline of the corporation's financial health.

MPIC faces serious financial challenges. As of February 28, 2018, MPIC's cash on hand totaled \$329,970 while its outstanding accounts receivable—i.e., sales made by MPIC for which the corporation has not yet received payment—amounted to \$515,459. Of this amount, \$135,816 is more than 90 days old and MPIC could have difficulty collecting this delinquent amount. In addition, as of February 28, 2018, MPIC had accounts payable of \$1,381,506, which represents MPIC purchases that have not yet been paid. Of this amount \$367,482 is more than 90 days old.

In the simplest terms, MPIC owes approximately \$1.4 million in past purchases and is due \$515,459 in past sales, which means that MPIC needs approximately \$900,000 to settle current debts, assuming MPIC collects all accounts receivable outstanding. In order to meet these obligations, MPIC will require increasing profitability margins in product lines and cooperation from creditors to work with MPIC in settling outstanding debts.

Factors Contributing to MPIC's Decline in Financial Health and Sustainability

Since fiscal year 2015, MPIC has experienced a deterioration of its financial sustainability as the result of losses in long-term product lines, unsuccessful expansion into new product lines, and a failure to control administrative overhead expenses.

Based on a review of MPIC's audited financial statements and current operations, PEER concludes that MPIC is in financial decline and distress for the following reasons:

- increases in direct costs without appreciable increases in sales,
- unsuccessful expansion into new product lines, and
- increases in administrative overhead costs.

Increases in Direct Costs without Appreciable Increases in Sales

Increases in direct costs without appreciable increases in sales caused five of MPIC's six existing long-term product lines to move from being profitable in FY 2015 to being unprofitable in FY 2017.

As shown in Exhibit 6, page 16, in FY 2015 MPIC operated six product lines (textile, garment, print, metal fabrication, warehouse and retail sales, and office furniture) and each line was profitable. Cumulatively, the six lines produced operating income of \$1.7 million. However, by FY 2017, increases in direct costs in five of the six lines without appreciable increases in sales resulted

those five lines becoming unprofitable. In FY 2017, the six lines experienced a cumulative operating loss of about \$351,000.

According to MPIC's audited financial statements for fiscal years 2016 and 2017, MPIC managers expended \$1.9 million for building improvements, machinery, and equipment on the six existing product lines and two new product lines that became operational in FY 2017 (Exhibit 7, page 17). The financial statements do not indicate which product lines were responsible for the \$1.9 million in expenditures. MPIC management's actions to increase direct costs expenditures in the existing product lines without being able to generate additional sales negatively affected MPIC's financial position and sustainability.

Exhibit 6: MPIC Operating Income (Loss) FY 2015 and FY 2017, by Product Line

Product Line	Operating Income (Loss), by Fiscal Year	
	FY 2015	FY 2017
Textile		
Sales	\$2,379,563	\$2,202,745
Direct Cost	<u>1,545,957</u>	<u>2,204,309</u>
Operating Income (Loss)	\$833,606	(\$1,564)
Garment		
Sales	\$886,448	\$776,923
Direct Cost	<u>559,556</u>	<u>793,937</u>
Operating Income (Loss)	\$326,892	(\$17,014)
Print		
Sales	\$671,243	\$765,649
Direct Cost	528,505	842,654
Operating Income (Loss)	\$142,738	(\$77,005)
Metal Fabrication		
Sales	\$832,525	\$840,045
Direct Cost	<u>659,458</u>	<u>1,544,835</u>
Operating Income (Loss)	\$173,067	(\$704,790)
Warehouse/Retail Sales		
Sales	\$48,393	\$1,209,903
Direct Cost	<u>26,430</u>	<u>577,422</u>
Operating Income (Loss)	\$21,963	\$632,481
Office Furniture/Services		
Sales	\$1,887,105	\$26,679
Direct Cost	<u>1,680,641</u>	<u>209,533</u>
Operating Income (Loss)	\$206,464	(\$182,854)
Total Operating Income (Loss)	\$1,704,730	\$(350,746)

SOURCE: PEER analysis of MPIC audited financial statements.

Unsuccessful Expansion into New Product Lines

Costs associated with MPIC's expansion into two new product lines—fish tanks and suture spool recycling—have contributed to a deterioration of the corporation's overall financial condition.

In the “Management’s Discussion and Analysis” section of MPIC’s FY 2016 and FY 2017 financial audits, MPIC managers attribute the deterioration of the corporation’s overall financial operations and net positions to MPIC’s transition into two new product lines—i.e., fish tanks for commercial fish farmers and medical suture spool recycling.¹⁰ Each new line required the investment of MPIC resources to become operational. For the industrial fish tanks, MPIC purchased the machinery and equipment necessary to manufacture the fiberglass fish tanks. For the medical suture spool recycling line, MPIC remodeled areas at the Central Mississippi Correctional Facility to function as a “clean room,” which means the room environment must be sterile to prevent contamination of the medical suture spool recycling effort. MPIC’s only customer for the fish tanks is VeroBlue Farms (Plano, Texas), while the only customer for the recycled suture spools is Johnson & Johnson (Atlanta).

As shown in Exhibit 7, during FY 2017 the industrial fish tank line medical suture spool recycling line had an operating loss of approximately \$93,000.

Exhibit 7: MPIC Operating Income (Loss) for New Product Lines, FY 2017

Product Line	Operating Income (Loss)
Fish Tanks	
Sales	\$4,762,031
Direct Cost	3,068,846
Operating Income (Loss)	\$1,693,185
Medical Suture Spool Recycling	
Sales	\$54,225
Direct Cost	147,151
Operating Income (Loss)	(\$92,926)

SOURCE: PEER analysis of MPIC audited financial statements.

MPIC’s fish tank customer described the aquaculture technology as a “proprietary leading-edge aquaculture process.” As with any new technology, questions arise regarding the customer’s financial and business model sustainability for this particular aquaculture system and, therefore, MPIC’s level of risk in engaging in this type of product line. Generally speaking, high-risk

¹⁰Suture spool recycling is reclamation of the spools that hold surgical sutures.

ventures have the potential for high investment returns when successful, or little to no investment returns if the venture fails.

After MPIC completed the first order of fish tanks for VeroBlue Farms, the company's leadership team in Germany directed its leadership team in the United States to stop production. It was reported to PEER that the company wanted to analyze and improve the fish tank design in order to increase the number of fish each tank would yield. Although MPIC managers reported to the MPIC Board of Directors in August 2017 that they anticipated producing 240 super tanks for VeroBlue Farms by November 2017 and 70 mini-tanks by spring of 2018, MPIC had to cease production of the tanks completely in the fall of 2017 because of technical difficulties with a component not related to MPIC's production process. As a result, MPIC did not record any fish tank sales during the period of October 2017 through December 2017. However, in January and February of 2018, MPIC collected \$8,400 in revenue each month from VeroBlue Farms for the storage of completed fish tanks.

MPIC did not adhere to state law in the establishment of the fish tank and suture spool recycling product lines.

With regard to the establishment of new prison industries—i.e., product line—MISS. CODE ANN. Section 47-5-545 states the following.

Except as otherwise specifically provided by law, after the commissioning and implementation of a marketing feasibility study for any proposed new prison industry, the corporation may establish such prison industry. Before any new industry is established, the corporation shall hold a hearing to determine the impact such industry may have on the private sector market.

In addition, MISS. CODE ANN. Section 47-5-547 states:

Mississippi Delta Community College shall provide assistance in business planning, marketing and analysis of existing or projected industries.

MPIC established the fish tank and suture spool recycling product lines without conducting marketing feasibility studies, holding public hearings, or consulting with Mississippi Delta Community College regarding the financial sustainability of the two new product lines. Despite MPIC's investment of its resources, both product lines apparently were not well-conceived prison industries from a business standpoint—e.g., low-risk, stable returns.

Increases in Administrative Overhead Expenses

Administrative expenses associated with the MPIC central office in Jackson increased from \$1,594,494 in FY 2015 to \$2,781,701 in FY 2017, a 74% increase.

MPIC's central administrative office in Jackson has staff consisting of its CEO, Director of Administration/Accounting, Director of Operations, Vice President of Sales, and related support positions.

Exhibit 8 is a comparison of MPIC's central office administrative expenses for FY 2015 and FY 2017.

Exhibit 8: MPIC Central Office Administrative Overhead FY 2015 and FY 2017

Category	FY 2015	FY 2017
Salaries and Benefits	\$879,547	\$1,232,122
Contractual Services†	376,121	781,293
Operating Expenses*	85,430	89,235
Pension Expense	67,039	333,233
Depreciation	115,043	165,227
Travel^	71,314	180,591
Total	\$1,594,494	\$2,781,701

†Contractual services include professional fees for legal, lobbying, and accounting services, insurance, independent contractors, equipment rental, repairs and maintenance, utilities, advertising, and computer/technology.

*Operating expenses include office supplies, fuel, and interest expense.

^Travel includes expenses of non-inmate MPIC employees as well as expenses associated with board members attending meetings.

SOURCE: PEER analysis of MPIC audited financial statements and records.

Increases in Salaries and Benefits

The increases in salaries and benefits for the central office administrative overhead category from FY 2015 to FY 2017 are attributable to an increase in the number of administrative office staff, higher salaries for new office staff, and salary increases for existing office staff.

In FY 2015, MPIC had 12 employees in the administrative overhead category with salaries and benefits of approximately \$880,000. In FY 2017, MPIC management increased the number of administrative personnel to 15 employees with total salaries and benefits of approximately \$1.2 million.

From FY 2015 to FY 2017, six employees with salaries totaling approximately \$376,000 left MPIC employment and the MPIC board and management hired nine new employees with salaries totaling approximately \$521,000. Additionally, MPIC management awarded \$49,000 in raises to six employees that were at MPIC in FY 2015 and still employed by MPIC in FY 2017. PEER notes that

some of the employees receiving raises were promoted to positions with additional responsibilities.

Increases in Contractual Services

From FY 2015 to FY 2017, contractual services expenditures increased from approximately \$376,000 to approximately \$781,000.

MPIC's contractual services records the expenses associated with services from outside parties, such as legal services, lobbying services, accounting services, independent contractors, insurance, computer technology, freight, shipping, and utilities. The largest increases for contractual services resulted from the following expenses:

- professional fees, \$145,033
- utilities, \$92,229
- computer/technology, \$79,916
- independent contractors, \$74,055
- repairs and maintenance, \$33,102

Increases in Pension Expense

From FY 2015 to FY 2017, MPIC's pension expense increased from approximately \$67,000 to approximately \$333,000. Although correctly reported as expenses, these amounts do not represent an actual expenditure of funds.

Under the guidelines of GASB 68 (see page 11), employers, such as MPIC, who participate in a cost sharing retirement plan, such as the Public Employees' Retirement System of Mississippi (PERS), are required to report in their financial statements their proportionate share of the plan's total actuarially calculated pension expense. This proportional share varies each year due to changes in the plan's calculated total pension expense that are attributable to factors beyond the employer's control, such as returns on the plan's investments being greater or lesser than predicted in the retirement plan's actuarial assumptions. As a result, MPIC's pension expense, while showing as an expense on the financial statements, is not an increase in the expenditure of funds for pension payments. It is only an accounting entry (or a non-cash expense) that accounts for MPIC's proportionate share of the PERS plan's overall pension expense.

Increases in Travel Expenditure

MPIC's travel expenses increased from \$71,314 in FY 2015 to \$180,591 in FY 2017, an increase of approximately 154%.

According to MPIC's travel policies dated January 2017, MPIC adheres to the travel guidelines established by the Department of Finance and Administration (DFA). By following DFA guidelines,

MPIC employees are subject to the same limitations on travel reimbursements as other state agency employees.

As shown in Exhibit 8, page 19, MPIC's travel expenses increased from \$71,314 in FY 2015 to \$180,591 in FY 2017, a 154% increase. In an effort to determine possible reasons for the increase, PEER reviewed MPIC travel documentation for June 2017 through September 2017. PEER noted the following lack of adherence to MPIC's travel policies, which indicates a lack of control over travel expenditures:

- Examining the records of only five employees, PEER identified dozens of instances in which MPIC paid for "day trip" meals when no overnight travel was involved. According to IRS Publication 5137 (Fringe Benefit Guide), meals reimbursed without overnight travel are taxable to the employee as income. Therefore, "day trip" meals represent taxable income to employees and would require MPIC to include the value of the meals as part of an employee's taxable income and withhold applicable income taxes, Social Security taxes, and Medicare taxes. Also, as taxable income, MPIC would be required to pay the corresponding employer payroll taxes based on the value of the day meals. MPIC did not withhold taxes from employee wages for the value of the meals and did not pay the employer share of Social Security and Medicare taxes on the meals.
- In violation of DFA policy, MPIC reimbursements to employees exceeded the allowable maximum meal amounts of \$41 per day for in-state travel and of up to \$51 per day for out-of-state travel.
- MPIC employees did not adequately document business meal expenses by listing clients and staff whose meals were covered by the corporation and the purpose of such meals.
- MPIC's Marketing Director resides in North Carolina rather than Mississippi. For the period reviewed by PEER, MPIC paid more than \$6,200 in travel-related expenses—e.g., airfare, hotels, meals, and parking—for this employee to travel to Jackson to conduct MPIC business. (The MPIC Board of Directors eliminated the Marketing Director position in January 2018 as part of a cost-reduction effort, resulting in savings of approximately \$135,000 in salary and benefits, plus travel expenses.)

Payment for Club Membership

MPIC paid the initiation fee and monthly dues on behalf of the newly hired CEO and his wife to become members of the River Hills Club of Jackson.

In November 2015, the MPIC Board of Directors voted to pay the initiation fee and monthly dues on behalf of the newly hired CEO and his wife to become members of the River Hills Club of Jackson, which amounted to approximately \$4,000 for the duration of the membership. The board voted in July 2017 to discontinue payment of the monthly dues.

Lack of Adherence to Austerity Measures

Despite a freeze on new hires, wage increases, and incentive payments, MPIC salaries and benefits rose by 27% from FY 2016 to FY 2017.

In recognition of MPIC's deteriorating financial condition, the MPIC Board of Directors, in July 2016, placed an immediate freeze on the employment of new MPIC personnel; wage increases for all levels of employees; and all year-end incentive payments for MPIC employees until the corporation could report a profitable year.

Despite the board's mandate, MPIC salaries and benefits increased from \$1,573,590 in FY 2016 to \$1,995,699 in FY 2017, a 27% increase. By reviewing the board's minutes for its December 2016 meeting, PEER identified several violations of the board's self-imposed austerity measures, including the following:

- The board authorized the employment of a new foreman in the metal and fiberglass shops (\$14 per hour, plus benefits) as well as a bookkeeper at the central office with a salary of \$38,000 per year, plus benefits. MPIC's CEO asserted that he needed "extra employees" to keep up with current production.
- The Board increased the salary of one employee to \$66,000 per year, plus benefits, after promotion to production manager, in which capacity he oversaw 400 inmates at two facilities.
- The Board authorized the CEO to provide all MPIC staff with \$100 gift cards for Christmas, at a cost of \$3,400.

Is the Mississippi Prison Industries Corporation fulfilling its statutory mandate to reduce recidivism?

Due to the poor quality of Mississippi’s prison industries program data, it is not possible to accurately assess the program’s effectiveness in reducing recidivism. Furthermore, Mississippi’s implementation of its prison industries program is missing several key components designed to increase the program’s effectiveness in reducing recidivism.

This chapter addresses the following:

- deficiencies in program data and analysis that make it impossible to draw a conclusion as to the effectiveness of Mississippi’s prison industries program in reducing recidivism;
- inmate worker employment practices hindering the program’s ability to reduce recidivism; and
- missing program elements designed to increase the program’s effectiveness in reducing recidivism.

Deficiencies in MPIC Program Participant Data

Because MDOC and MPIC do not maintain accurate program participant data, it is not possible to determine whether MPIC is fulfilling its statutory mandate to reduce recidivism of program participants.

The participation data available for Mississippi’s prison industries program varies significantly from source to source, making it impossible to identify an accurate count of program participants. During the course of this review, PEER examined the four datasets described in Exhibit 9, purported to provide counts of MPIC program participants.

Exhibit 9: Description of Mississippi Prison Industries Program Participant Datasets Provided to PEER

Prison Industries Program Participant Dataset	Time Period Covered	Source
All Participants	1990–Present	MDOC (Offendertrak)
All Participants Ever Paid by MPIC	1990–Present	MPIC Payroll Records
Participants Released from Prison	2009–2014	MDOC (Offendertrak)
Monthly Participant Data for Selected Shops	Varies, by shop	MPIC Shop Records

SOURCE: PEER analysis of MDOC and MPIC data.

None of the datasets examined had sufficient expected agreement for the data to be deemed reliable

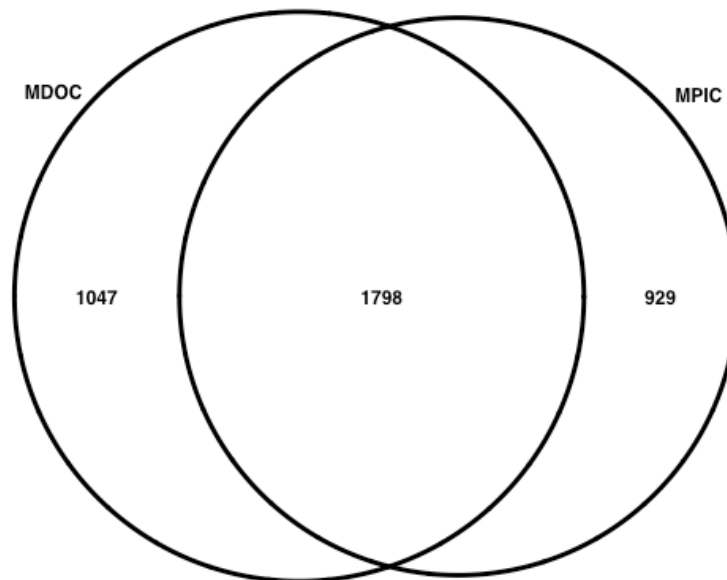
The MDOC file of all program participants and the MPIC payroll database should contain an identical set of distinct inmates. The other two datasets should be subsets of the first two. PEER's analysis of the participants listed in the datasets revealed that the expected relationships between the datasets do not hold.

As discussed on page 2 of this report, the absence of accurate participant data has been ongoing since PEER's earlier reviews of the corporation.

The two "All Participants" datasets do not match.

First, as illustrated in Exhibit 10, the two datasets that should include an identical set of distinct inmates do not include the same participants.

Exhibit 10: Comparison of the Two "All Prison Industries Program Participants" Datasets



SOURCE: PEER analysis of MDOC and MPIC "All Participants" datasets.

While the MDOC generated "All Participants" dataset contains 2,845 distinct inmates (1,047 + 1,798), the "All Participants Ever Paid by MPIC" dataset (1,798 + 929) contains 2,727 distinct inmates, which is 118 fewer distinct inmates than the MDOC count.

Also, as Exhibit 10 shows, each dataset contains approximately 1,000 distinct individuals not found in the other dataset. Only 1,798 distinct inmates appear in both datasets. There are 1,047 distinct inmates in the "All Participants" MDOC dataset not in the

MPIC pay records dataset, and 929 distinct inmates in the MPIC pay records dataset not in the MDOC “All Participants” dataset.

The shop floor dataset contains participant data not found in the “All Participants” datasets.

According to MPIC staff, there is no centralized record of shop floor data and some shops only recently began maintaining their records in electronic format. While MPIC provided PEER with shop floor records from 2010–2017, there were no complete records for any shop; most shops were missing all data for most months, and no shop had data for all months. Because the most complete MPIC shop floor data was from Shop 100—i.e., a garment shop located at Parchman—for the period of 2010–2013, PEER used the data from this shop for its analysis.

MPIC’s Shop 100 dataset from 2010–2013 contains 429 distinct inmates. Fifteen of the distinct inmates in the Shop 100 floor dataset are not in the “All Participants Ever Paid by MPIC” dataset and 114 of the distinct inmates in the Shop 100 dataset are not in the MDOC “All Participants” dataset.

The “Participants Released from Prison” dataset does not agree with release data contained in MDOC’s “All Participants” dataset.

The data revealed that the MDOC dataset of MPIC program participants released from prison between 2009 and 2014 does not match inmate release data from the “All Participants” MDOC data file for the same time period.

As shown in Exhibit 11, page 26, there is a sizable difference between the two datasets in the reported total number of participants released from prison between 2009 and 2014. The “All Participants” MDOC dataset contains 494 distinct individuals (348 + 146) reported to have been released from prison between 2009 and 2014. The “Participants Released from Prison” dataset contains 1,008 (660 + 348) distinct individuals released between 2009 and 2014.

Further, the two datasets only have 348 inmates in common who were reported to have been released. The “Participants Released between 2009 and 2014” MDOC dataset contains 660 distinct individuals who do not appear in the “All Participants” MDOC dataset while the “All Participants” dataset contains 146 distinct individuals who are not in the “Participants Released” dataset.

Errors were found within individual datasets.

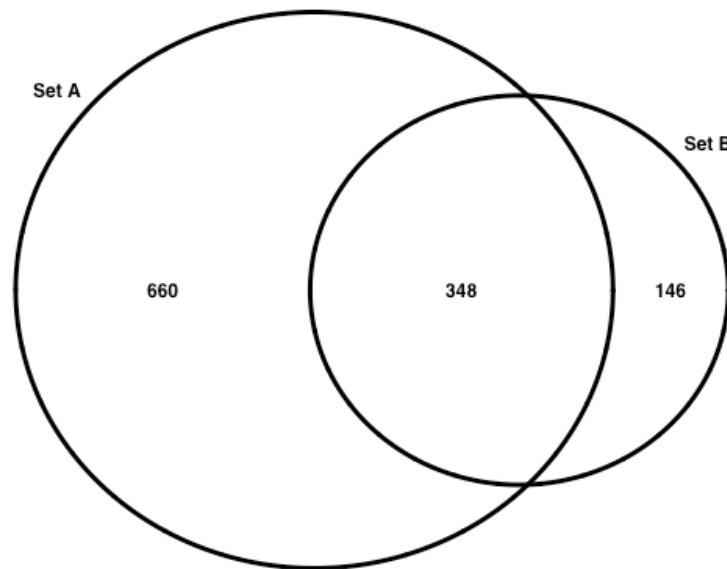
In addition to the lack of agreement between participant datasets, PEER found errors within individual datasets, for example the following:

- The MPIC payroll dataset contained 56 MPIC worker identification numbers with no linkage to worker names or

MDOC inmate identification numbers. Each of these 56 inmate worker identification numbers received multiple paychecks.

- The MDOC “All Participants” dataset included 92 cases in which time in the MPIC program was zero or less, indicating that the inmate left the prison industries program before entering the program.

Exhibit 11: Comparison of the Two Datasets Containing Information on Participants Released from Prison Between 2009 and 2014



Set A: MPIC participants released from prison, 2009-2014
Set B: Subset of 'all MPIC participants' data released during 2009-2014

SOURCE: PEER analysis of MDOC datasets.

While these appear to be errors in the reported data, there may be other errors in the data fields that would not be as obvious, e.g., recording an incorrect, but plausible, number of months in the program. MDOC and MPIC staff stated that the anomalies that PEER observed resulted from some combination of data entry error, improper deletion, and attempts to derive data that were not recorded directly. An example of a data entry error would be recording start time in a program before incarceration date, for instance, recording that an inmate first incarcerated in 2015 began a prison industries program in 2010. An example of improper derivation of data would be calculating an inmate’s time in a program as the difference between the start date for one program and the start date for a subsequent program—even though the inmate may have left the first program before starting the second program.

Deficiencies in MPIC Recidivism Analysis

Recidivism rates presented in MPIC's FY 2016 annual report are not reliable and do not support conclusions regarding the effectiveness of the prison industries program in reducing recidivism.

Because the incarceration of an individual represents significant financial costs to the state for the housing and security of that individual, the state has a vested interest in ensuring that inmates released from prison do not return. While an effectively run prison industry program may reduce recidivism, MPIC (as well as the Mississippi Department of Corrections) must collect and reconcile the data necessary to gauge the corporation's effectiveness in reducing recidivism.

Problems with Reported Recidivism Rates for MPIC

MPIC stated that it did not include recidivism rates in its FY 2017 annual report because its recidivism rate study methodology was under review by MDOC and the National Strategic Planning and Analysis Research Center of Mississippi State University.

PEER determined that recidivism rate calculations presented in MPIC's 2016 Annual Report were problematic for the following reasons:

- *Recidivism calculations were performed on an unverified source of data.* The recidivism calculations were based on the MPIC participants included in the "Participants Released from Prison, 2009-2014" dataset. The accuracy of this dataset's count of participants released during the relevant period cannot be verified (see page 26).
- *Recidivism calculations involved an unverified subset of the original data.* Seventy-four percent of the inmate participants for relevant years included in the above dataset were excluded from the recidivism calculation. MPIC nominally counted only inmates who participated in the prison industry program for one year or more. Using MDOC's "All Participants" dataset, PEER generated a list of inmates with at least one year in program who were released during the relevant period. This list did not match the list used in the reported recidivism calculation.
- *Recidivism calculations did not attempt to distinguish program effects from chance or confounding effects.* No statistical mechanisms to distinguish meaningful from chance variation were employed in the reported recidivism calculation. No attempt at establishing a control group equivalent to the MPIC group was made. In the absence of these efforts, even if the reported numbers were correct, it is not possible to establish that the numbers represent the effects of the program and not random variation or the effects of some other, unreported phenomenon. For instance, if MPIC hires a large number of inmates who already possess a significant skill level, a low recidivism rate could result from the pre-existing skill sets of those workers rather than from any program effects.

- *Recidivism calculations should be made from all participants, not year-plus participants.* Even if the data previously mentioned were correct and the necessary additional calculations are made, evaluating only inmates with at least a year of program participation interferes with valid inferences regarding program effectiveness and introduces an arbitrary cutoff.

Lacking better data and evaluative procedures, it is not possible to draw meaningful conclusions about the effectiveness of Mississippi's prison industries program in reducing recidivism.

Certain MPIC Inmate Worker Employment Practices Hinder the Corporation's Ability to Reduce Recidivism

Certain MPIC inmate worker employment practices that do not align with best practices impede the corporation's ability to reduce recidivism.

Through its review of the NIC¹¹ Guide and high-quality research on prison industries programs, PEER identified the following best practices for inmate worker employment:

- maximizing the number of prison industry job opportunities available to inmate workers;
- targeting the inmate population most likely to yield a reduction in recidivism; and
- employing inmate workers in industries with job prospects in Mississippi.

As discussed in the following sections, MPIC's deviation from these best practices hinders the corporation's effectiveness in reducing recidivism.

Maximizing the Number of Correctional Industries Job Opportunities Available to Inmates

According to calendar year 2016 self-reported data, Mississippi ranked 43rd in the percentage of inmates employed in prison industries programs.

As stated on page 4, MPIC is charged with providing the state's inmate population with "useful activities" that can lead to post-release employment in order to reduce an inmate's return to prison. According to the NIC Guide, a well-run correctional industries program should maximize the number of correctional industries job opportunities available to inmates to increase the percentage of released inmates prepared for work, which should result in a reduction in recidivism.

According to calendar year 2016 data self-reported to the National Correctional Industries Association, the percentage of a state's inmate population employed in its prison industries program ranged from a high of 15.7% in Minnesota to 1.33% in Michigan. Of the 48 states reporting this data to NCIA, Mississippi ranked 43rd,

¹¹National Institute of Corrections.

with only 1.66% of its inmate population participating the state's prison industries program.

Targeting the Inmate Population Most Likely to Yield a Reduction in Recidivism

Historically, MPIC has employed a large percentage of inmates who are serving life sentences, which takes job slots away from inmates who could benefit from the program by gaining work skills that could help them obtain and retain a job upon release.

To be effective in reducing recidivism, the limited resources available for the prison industries program should be targeted at inmates who will be released from prison in the near term. According to MPIC records, the corporation has historically employed a large percentage of inmate workers who are serving life sentences. MPIC staff stated that it is helpful to include inmates serving life sentences in its inmate workforce because they are considered to be productive workers and their experiences makes them good mentors to less experienced inmate workers. However, the hiring of a large number of inmates serving life sentences reduces the number of MPIC inmate jobs available to inmates who could use the skills learned in the program to improve their ability to obtain and retain employment following release.

In recognition of this issue, in February of 2015, the MPIC Board of Directors adopted a policy to only consider inmates for MPIC job openings who have 10 years or less left on their sentences. Based on data provided to PEER by MDOC, MPIC hired at least five inmates serving life sentences after February 2015.

Employing Inmate Workers in Industries with Jobs Available in the Local Economy

MPIC is providing inmates with work skills in occupations for which there are expected to be few to no job prospects in Mississippi.

To increase employment opportunities and lessen the probability of inmates returning to prison after release, MPIC must provide inmate workers with skills relevant to available jobs in the local economy. Training inmates in occupations for which there are no or very few employment prospects in the local labor market is not likely to result in a reduction in recidivism. Job skills relevant to the local labor market are especially important for inmates because the applicant pool for jobs in the free world includes individuals who have no criminal record.

As shown in Appendix F page 50, of the 20 Standard Occupational Classification codes in which MPIC's inmate worker jobs currently fall, eight had fewer projected average annual job openings in Mississippi than the number of inmates reportedly working in that classification code. On the other end of the spectrum are Standard Occupational Classification codes with few reported

MPIC inmate workers and significant projected average annual job openings in Mississippi. Examples of each are shown in Exhibit 12.

Exhibit 12: Examples of Estimated Number of MPIC Participant Jobs, by Standard Occupational Classification Code, Misaligned with Job Opportunities in Mississippi (December 2017)

Standard Occupational Classification (SOC) Code	Occupation	Total MPIC Participants	Total Projected Average Annual Job Openings
Examples of MPIC Inmate Worker Jobs with Few to No Job Prospects in Mississippi			
51-6031	Sewing Machine Operators	268	20
51-9399	Production Workers, All Other	179	15
51-2091	Fiberglass Laminators and Fabricators	60	0
51-9031	Cutters and Trimmers, Hand	48	5
51-9022	Grinding and Polishing Workers, Hand	24	5
Examples of Occupations with Good Job Prospects, but Few MPIC Inmate Workers			
53-7062	Laborers and Freight, Stock, and Material Movers, Hand	32	800
43-9061	Office Clerks, General	35	330
53-7064	Packers and Packers, Hand	14	200
53-7051	Industrial Truck and Tractor Operators	4	195

SOURCE: Mississippi Occupational Employment Projections for Year 2010 to Year 2020 and MPIC staff.

Missing Program Elements Designed To Increase the Program’s Effectiveness in Reducing Recidivism

MPIC is not ensuring that prison industries program participants are receiving the technical certifications, certificated soft skills, or pre- and post-release transitional assistance needed to obtain and retain employment upon release.

The NIC Guide states that to be successful in reducing recidivism, a prison industries program must provide participants with technical and soft skills training as well as job leads and transitional assistance. According to the guide, through the creation of a “culture of employment readiness and retention,” inmates are provided with the skills and resources they need to obtain and retain a job post-release. Research indicates that individuals who are able to obtain and retain employment following their release are less likely to recidivate. Implementation of many of the best practices discussed in the NIC Guide requires the commitment of financial resources that MPIC no longer has.

Providing Certified Technical Skills Training

MPIC is not ensuring that prison industries program participants earn the technical skills certifications that would help them to obtain and retain a job following release.

Because technical certifications have standards that are known industrywide, certification communicates to a potential employer that the holder has attained the technical skills needed to perform the job. According to the NIC Guide, certification can set a job applicant apart from other candidates applying for the same job and can help the ex-inmate to overcome some of the barriers to employment that having a criminal history can create.

From the standpoint of the correctional industry, certified technical training programs help to maximize output and quality through a well-trained inmate workforce.

According to the MDOC/MPIC Master Plan for Mississippi's Prison Industries Program, MPIC inmate workers should obtain vocational skills training through MDOC prior to being employed in the MPIC work program, with the exception of inmates who have a GED and do not want to pursue a technical certification. The language in the Master Plan requiring prior vocational skills training comports with the language in MISS. CODE ANN. Section 47-5-573 (1972) directing the Mississippi Department of Corrections in its adoption or modification of master plans for correctional work programs to "develop a logical sequence of vocational training, employment by correctional work programs, and post-release job placement for inmates participating in correctional work programs. However, it should be noted that contrary to the Master Plan, MPIC staff stated that they will hire any inmates interested in employment as long as they "pass MDOC's mental health evaluation."

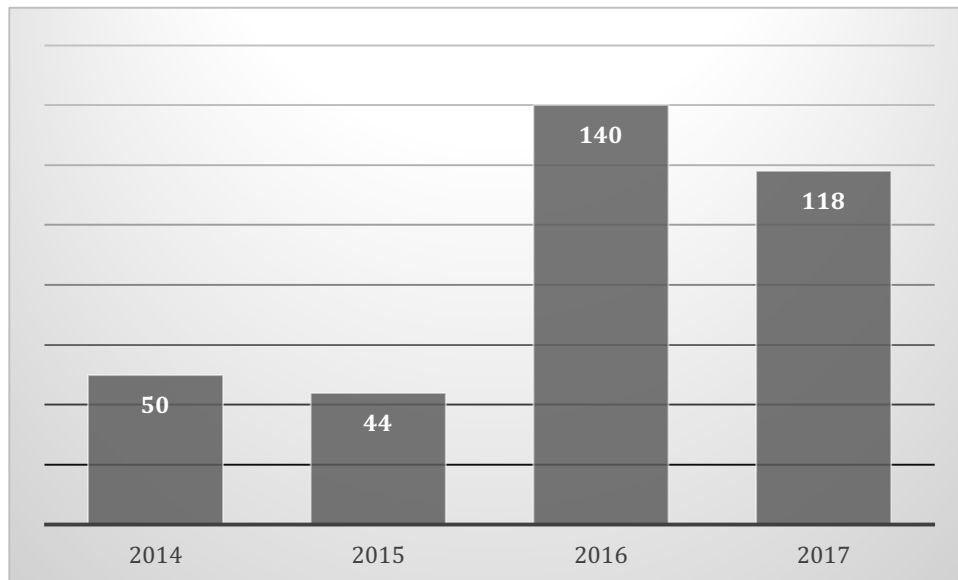
Because MPIC does not maintain a complete record of technical training programs completed and certifications earned by inmate workers in the state's prison industries program, it is not possible to determine the extent to which the state's prison industries program is adhering to the sequence described in the Master Plan.

As shown in Exhibit 13, page 32, MDOC has increased the number of technical certifications earned by inmates in its custody since FY 2014. However, MPIC and MDOC were unable to provide PEER with a complete list of the inmates who have earned these technical certifications. In FY 2016, MDOC offered vocational training to inmates in 19 skill areas with a combined total of 21 different possible certifications.¹²

MPIC currently provides one technical skills certification program in-house, a forklift operator certification, obtainable by female inmates working at its warehouse in Jackson. According to MPIC, 10 inmate workers earned a forklift operator certification in FY 2017.

¹²For a list and description of the vocational training programs and certifications offered, see PEER Performance Accountability Office *Issue Brief #1: Opportunities for Improving the Outcomes of Adult Prison-based Intervention Programs*.

Exhibit 13: Number of Technical Certifications Earned by Inmates in MDOC Custody from FY 2014 through FY 2017



SOURCE: PEER analysis of data provided by MDOC.

Termination of Relationship with Community Colleges to Provide Technical Skills Training

MISS. CODE ANN. Section 47-5-547 (1972) empowers and authorizes MPIC to “establish in participation with Mississippi Delta Community College, any training or auxiliary program for existing prison industries or for any industries which the corporation might create.” The section further states “these industrial services shall be contracted with appropriate community colleges when these industries are developed at other correction sites.” While the law does not specifically reference certified technical skills training, it would allow MPIC to partner with the colleges to provide certified technical training.

From FY 2016 to mid-FY 2017, MPIC offered its inmate workers at the South Mississippi Correctional Institution the opportunity to earn a certificate in basic manufacturing¹³ as well as an OSHA 30 certificate¹⁴ through a contract with Jones County Junior College. The September 13, 2016, contract between Jones County Junior College and MPIC required the corporation to pay the instructor of the course \$1,050 plus actual travel expenses. According to MPIC, in FY 2016, 18 MPIC inmate workers at SMCI earned the basic manufacturing certificate and three of the 18 also earned an OSHA 30 certificate. However, due to the corporation’s

¹³Manufacturing Skills Basic Certification is a program designed to provide the basic skills needed to be successful in a high-performance manufacturing environment.

¹⁴The Occupational Safety and Health Administration (OSHA) 30-hour Construction Course is a comprehensive safety program designed to emphasize hazard identification, avoidance, control, and prevention.

deteriorating financial condition, the MPIC Board of Directors and management team ended all external education and training opportunities for MPIC inmate workers effective December 2016 until such time that the corporation's financial condition would allow for a resumption of external training opportunities.

Providing Post-Release Employment Services

In September of 2016, MPIC closed its Transition Placement and Training Center because it lacked the financial resources to continue the program. Prior to its closure, the center was providing services to help inmates obtain and retain employment following their release.

According to the NIC Guide, post-release employment services are those services designed to connect inmates who were trained in correctional industries to long-term employment. Examples of these services include creating partnerships with potential employers and providing inmates with assistance to successfully transition to life outside of prison.

Until its closure in September of 2016, MPIC operated a 76-bed Transition Placement and Training Center in Jackson that provided pre- and post-release employment services to male inmates being released from MDOC custody. These services included the following:

- assisting with job searches, networking, applications, résumés, and interviews;
- building social skills;
- providing adult basic education and GED programming; and
- helping obtain birth certificate, Social Security number, and state identification.

In September of 2015, MPIC's CEO informed the board that he planned to open additional transition centers throughout the state by seeking financial support from MDOC and external grants.

MPIC never opened additional transition centers, and in September of 2016, the MPIC Board of Directors authorized its CEO to close the one transition center that it had been operating because the corporation was unable to obtain sufficient funding from external sources and could no longer afford the approximately \$25,000 per month expense required to keep the center open. With closure of the transition center, MPIC no longer offers post-release employment services to prison industries program participants.

Conclusion

As stated on page 2, PEER has reviewed and made recommendations regarding Mississippi's prison industry program twice since the Legislature's enactment of the Mississippi Prison Industries Act of 1990. It is disconcerting to note that many of the same major operational deficiencies identified in the first review, conducted 24 years ago, and the second review conducted in 2013, persist in the Committee's current review of the Mississippi Prison Industries Corporation.

Struggling to sustain itself financially and unable to prove its effectiveness in reducing recidivism, MPIC is at a critical juncture. The time has come for MPIC and the Legislature to consider seriously whether the state's prison industries program has a future and, if so, what changes can be made operationally and legislatively to ensure that the program has a positive outcome.

Immediate Considerations for the MPIC Board of Directors

The MPIC Board of Directors must immediately assess the financial condition of the corporation and make decisions relative to the corporation's future.

As detailed on pages 12 through 15, the Mississippi Prison Industries Corporation has experienced increases in annual operating losses over the past two fiscal years and significant cash losses over the same periods (see Exhibits 4 and 5, pages 13 and 14). The corporation's lack of operational and financial success in recent years raises serious concerns regarding MPIC's ability to survive as a going concern over the short-term. At present, the corporation seems to have limited options to address its declining financial position, including the following:

- *Eliminating MPIC's least profitable industries:* Exhibit 6, page 16, shows the industries in which MPIC has been historically engaged. From FY 2012 through FY 2015, each industry was profitable. In FY 2017 each of these industries had become unprofitable with the exception of retail sales. In FY 2017, metal fabrication and office furniture/services industries were the least profitable industries. For the corporation to strengthen its cash position and have the resources necessary to meet its current obligations, it would be prudent for MPIC's Board of Directors to close any industry that has experienced continual losses and is a drain on the corporation's cash position. In some cases the board of directors might consider selling fixed assets associated with the closed industries in an effort to generate a one-time infusion of cash. State laws dealing with property and inventory management (see MISS. CODE ANN. Section 29-9-9) permit the sale of unnecessary property. Because MPIC must follow these laws (see *Attorney General's Opinion to Johnson*, May 23, 1991), the sale of fixed assets would be an option for generating some cash for the corporation.

- *Seeking protection under Chapter 11 of the Bankruptcy Code.* Occasionally a not-for-profit will use the reorganization provisions of Chapter 11 to seek protection from creditors. PEER notes that this action is generally taken by firms with a large amount of long-term debt that can be restructured. Although MPIC has a relatively small debt load, seeking restructuring under the provisions of Chapter 11 could provide the corporation with additional time in which to improve its cash position and generate sufficient financial resources to meet its obligations, including its obligations to reduce recidivism by increasing the employability of program participants through the implementation of best practices.
- *Dissolving the corporation.* Assuming MPIC's Board of Directors sees little hope for improving the corporation's financial position, the board could consider dissolving the corporation. Assuming MPIC reaches the point that it does not have sufficient cash with which to make payroll and pay its creditors, the board could consider dissolving itself under the provisions of its corporate charter or avail itself of the Chapter 7 remedies of the Bankruptcy Code. The latter option would allow for the liquidation of assets and payment of sums to suppliers and others with claims against the corporation's assets. As provided in MISS. CODE ANN. Section 47-5-551, upon dissolution, all funds and property belonging to the corporation shall revert to the full ownership of the Mississippi Department of Corrections.

Assuming the MPIC Board of Directors were to be successful in addressing the corporation's ongoing issues of concern, the board should employ a chief executive officer and senior leadership with the experience and skills necessary to operate an effective prison industry program.

In recent years the absence of strong executive leadership committed to following best practices for the management and operation of a prison industries program has hampered MPIC's ability to succeed financially or programmatically. For example, MPIC's chief executive officers have typically focused on trying to develop new industries and selling products rather than carrying out key managerial responsibilities, such as the following:

- developing and implementing a strategic business plan with clear organizational goals, measurable objectives, strategies, and performance measures that include all key components of best practices for an effective prison industries program, including, for example, goals related to
 - improving customer service and satisfaction,
 - providing support and services for successful inmate transition to the community,
 - identifying certified technical and certificated soft skills training and other opportunities for inmate workforce development,

- branding and marketing the purchase of products and services from the prison industries program as an investment in rehabilitation leading to meaningful and productive lives for program participants following release; and
- on an ongoing basis, monitoring and reporting to the board the degree to which the organization is achieving the objectives laid out in the plan as measured by the performance measures contained therein.

The corporation's failure to track performance measures limits the board members' understanding of the corporation's own operations, and its ability to improve its performance based upon problems identified through an analysis of key program data.

The board of directors must realize that the CEO position is one in which an incumbent must possess executive managerial skills, more so than sales skills. The board should consult with prison industry programs in other states to identify the work skills needed by the corporation's CEO and attempt to locate an individual possessing such skills. Once hired, the CEO, along with the board, should endeavor to assemble a senior leadership team with the requisite skills to effectively manage a prison industry program.

Policy Considerations for the Legislature

The Legislature could amend relevant laws found in MISS. CODE ANN. Section 47-5-531 et seq. to transfer the state's prison industry program to the Mississippi Department of Corrections.

According to PEER analysis of the National Correctional Industries Association's 2017 directory and other states' laws, Mississippi and Florida are the only states of the 49 states with prison industry programs to operate their prison industry programs through a not-for-profit corporation. The remaining 47 states operated prison industry programs through their departments of corrections or self-supporting agencies within such departments. According to data presented in the 2017 directory, many of these states are operating robust prison industry programs that produce a wide range of products and services, employing a large number of inmate workers, and producing relatively high-volume net sales and sales growth.

The Legislature could use other states' laws as a model for making Mississippi's prison industry program a responsibility of the Mississippi Department of Corrections. Such a move would eliminate the challenge of fragmented responsibility that currently exists with the program. During PEER's review, when asked about missing program elements, such as records of program participants with technical certifications, soft skills training, and transition/reentry programs, MPIC staff directed PEER to the Mississippi Department of Corrections for the information.

Research on Prison Industry Programs

While the Legislature should consider transferring the state's prison industry program to the Mississippi Department of Corrections, PEER notes that high-quality research suggests the effectiveness of correctional industry programs is mixed at best. Some surveys of the research on prison industries conclude that such programs, particularly the Prison Industry Enhancement Certification Program, can reduce recidivism in participants. Because the actual practices employed in specific prison industry programs vary widely, the beneficial effect noted in these surveys may be a simplification and therefore not generalizable to specific programs. However, rigorous research on traditional prison industries operated as a not-for-profit indicates less desirable outcomes than the overall effects of prison industries in general, possibly even including an increase in recidivism. If the administration of the program by a not-for-profit corporation is responsible for the distinction in performance, transferring Mississippi's program to the Department of Corrections may be compelling.

If Mississippi's prison industry program is allowed to continue operating as a not-for-profit corporation, the Legislature could establish qualifications for board members and implement a purchase preference requirement.

Board Qualifications

As stated on page 6, MISS. CODE ANN. Section 47-5-541 creates the current MPIC Board of Directors, consisting of 11 gubernatorial appointees, the Commissioner of Corrections, and the President of Mississippi Delta Community College. Of the 11 individuals appointed by the Governor, five individuals must represent certain industries—i.e., agriculture, manufacturing, marketing, banking and finance, and labor. Section 47-5-541 is silent as to the amount or type of experience the individuals must have in representing these sectors. The Governor appoints the remaining six individuals from the state at large with no specific requirements for their service on the board.

The Legislature could consider amending Section 47-5-541 to reconstitute the board of directors to include 12 members, 10 of whom would be appointed by the Governor. Of the 12 members, 10 appointees, two members each, would represent the following sectors: banking, accounting, manufacturing, marketing/promotion, and workforce development. The section should require the 10 appointees to possess at least 10 years of managerial-level work experience in their particular sector. The section should also be amended to allow the Mississippi Community College Board to appoint an educator with 10 years' work experience to the board to represent vocational and technical education and training. The Commissioner of Corrections should continue as a voting member of the board.

Purchase Preference Requirement

Prison industry sales to state agencies and governing authorities can be bolstered by preference laws exempting the agencies and governing authorities from bidding requirements for the purchase of goods and services from their correctional industries programs. For the majority of states with prison industries programs, sales to government constitute over half of total sales. For 25 of these states in 2016, more than 90% of their total sales were to government entities. Currently, Mississippi is one of 18 states without a purchase preference requirement for its prison industries program.

As public policy, the Legislature already extends a purchase preference to one state agency, the Mississippi Industries for the Blind. Annual appropriation bills for state agencies typically include the following language:

It is the intention of the Legislature that whenever two (2) or more bids are received by this agency for the purchase of commodities or equipment, and whenever all things stated in such received bids are equal with respect to price, quality and service, the Mississippi Industries for the Blind shall be given preference. A similar preference shall be given to the Mississippi Industries for the Blind whenever purchases are made without competitive bids.

The Legislature could consider extending such a preference to goods and services produced by the state's prison industries program. Such a requirement could possibly increase the corporation's sales and ensure a more positive cash flow.

Best Practices for Operation of a Successful Prison Industries Program

No matter the direction of Mississippi's prison industries program, as discussed on pages 34 through 38, there are best practices for operating a successful correctional industries program, such as those contained in the NIC Guide.

According to the NIC Guide, the correctional industries program model presented therein provides:

a holistic approach to evaluating where you are and how to proceed with recommendations based on promising and evidence-based practices. Implementing this model will result in long-term sustainability for the organization and reduced recidivism for the system. It will develop a culture of offender development and employability, preparing an individual for gainful attachments to the workforce.

The NIC Guide identifies best practices for each of the following key components of an effective correctional industries program:

- Incorporate strategic planning.
- Maintain financial sustainability
- Recruit, develop, and retain staff.
- Engage stakeholders.
- Replicate private industry environment.
- Implement certificate-based soft skills training.
- Provide certified technical skills training.
- Maximize offender job opportunities (the number of jobs available to offenders in correctional industries).
- Create a culture of offender employment readiness and retention.
- Provide post-release employment services.

Details regarding each of the key components are available on the NIC website (<https://info.nicic.gov/cirs/>).

While the NIC Guide contains many examples of how to implement best practices, effective implementation requires direct knowledge of and experience in such implementation, or in the absence of direct knowledge, consultation with more experienced partners, such as successful and well-managed correctional industry programs in other states. A prison industries program, such as MPIC, attempting to implement best practices, should study key documents of successful correctional industries programs (e.g., strategic business plans, sales and marketing plans, policies, and procedures) in developing its own plans and policies. It is also critical to identify the management reporting tools and performance measures that successful programs use to keep on track financially and programmatically and to collect and report accurate data.

Appendix A: Major Findings of Previous PEER Reviews of the State’s Correctional Industry Program

Major Findings, by Area of Concern	1994	2013
Planning and Performance Monitoring		
Inadequate short and long-range planning, including lack of written goals and objectives	√	
Failure to develop a “master plan” for correctional work programs as required by state law	√	√
Failure to develop a marketing plan	√	
Insufficient data collection and analysis regarding the number of program participants, training received, post-release employment history, and rate of return to prison; cost savings of state government attributable to the program (e.g., through reimbursement of inmate room and board and sale of lower priced goods and services to state agencies)	√	√
Security		
Insufficient inmate security	√	
Financial Sustainability		
Failure to follow state law governing pursuit of new industries (marketing feasibility study, hearing)	√	
Failure to work with community colleges to assist in business planning and marketing studies	√	√
Lack of strong direction from the board	√	
Lack of a cost-accounting system	√	
Lack of sufficient oversight to ensure efficient operations	√	
Soft and Technical Skills Training		
Failure to maintain a waiting list of inmates wanting to participate in MPIC’s work programs		√
Failure to work with community colleges to provide job-related training to offender workers	√	√
Failure to align prison industries with the local job market		√

SOURCE: PEER analysis of PEER Reports #309 and #571.

Appendix B: Major Statutory Requirements of the Mississippi Prison Industries Act of 1990 and the Entity or Entities Responsible for Fulfilling the Requirements

Responsible Entity			Statutory Requirement
MPIC	MDOC	PIAC	
			MISS. CODE ANN. Section 47-5-329
		✓	<i>The Prison Industries Advisory Council (PIAC) is to advise the commissioner and the Governor on all aspects of the prison industry program at the State Penitentiary, including, but not limited to, the types and quantity of products to be manufactured and their manner of production.</i>
			MISS. CODE ANN. Section 47-5-533
✓	✓		Provide inmates with useful activities that can lead to meaningful employment after release to assist in reducing the return of inmates to the system.
✓			Reduce the cost of state government by operating prison industries primarily with inmate labor, which industries do not seek to unreasonably compete with private enterprise.
✓			Serve the rehabilitative goals of the state by duplicating as nearly as possible, a free-enterprise type of profit-making enterprise.
✓	✓		Serve the security goals of the state by reducing the idleness of inmates and by providing an incentive for good behavior in prison.
			MISS. CODE ANN. Section 47-5-541
✓			Corporation shall be governed by a board of directors (13 members).
✓			Board of directors shall make and publish policies, rules and regulations governing all business functions, including but not limited to accounting, marketing, purchasing and personnel, not inconsistent with the terms of this chapter (Sections 47-5-531 through 47-5-575), as may be necessary for the efficient administration and operation of the corporation.
✓			Board shall select and employ a chief executive officer who shall employ and dismiss as necessary employees of the corporation; administer daily operations; execute contracts upon approval of board; and take any further actions necessary and proper toward the achievement of the corporation's purposes.
			MISS. CODE ANN. Section 47-5-543
✓	✓		Lease agreement between DOC and MPIC wherein corporation leases all assets of industry, not to exceed six years.
			MISS. CODE ANN. Section 47-5-545
✓			Commission and implement marketing feasibility study for any proposed prison industry.
✓			Hold hearing to determine the impact that a new industry may have on the private sector market; provide advance notice regarding nature, time, date, and place of hearing.
✓			Commence negotiations with MDOC or Secretary of State as mediator.
			MISS. CODE ANN. Section 47-5-547

✓		May establish in participation with Mississippi Delta Community College any training or auxiliary program.
✓		Mississippi Delta Community College shall provide assistance in business planning, marketing and analysis of existing or projected industries.
		MISS. CODE ANN. Section 47-5-549
✓		May sell or furnish goods to any legislative, executive or judicial branch of the state, any political subdivision or any governing authority, any other state, any school, college or university of the state, any foreign government, any agency of the federal government, or to any private entity.
✓		Make reasonable efforts to purchase raw materials from in-state vendors.
✓		Prices shall be established by the board of directors of the corporation or its designee.
		MISS. CODE ANN. Section 47-5-551
✓		Property reverts to full ownership of MDOC if corporation is dissolved or lease expires.
		MISS. CODE ANN. Section 47-5-553
✓	✓	Chief executive officer of corporation to communicate with Commissioner of Corrections regarding security at facility.
	✓	If Commissioner of Corrections recognizes a need for improvement in the security at any facility, then he or she shall communicate to the corporation regarding improvements needed for the facility to be properly secured.
✓		Furnish security within the parameters of any prison industry work area.
		MISS. CODE ANN. Section 47-5-555
	✓	Provide MPIC with sufficient inmate labor for prison industries programs.
✓		The corporation shall establish policies and procedures, subject to the approval of the department, relating to the use of inmates in the prison industry programs.
		MISS. CODE ANN. Section 47-5-557
✓	✓	Inmates, except those inmates employed by the corporation in the Prison Industry Enhancement Program, shall not be deemed agents, employees, or involuntary servants while working for MPIC.
		MISS. CODE ANN. Section 47-5-559
✓		Detailed annual status report on correctional work programs including independent audited financial statements.
	✓	Include in annual report: report on post-release job placement and rate of all inmates' subsequent contact with correctional system (MPIC's and MDOC's work programs.)
		MISS. CODE ANN. Section 47-5-561
✓		May request general revenue appropriation and shall maintain excess cash in interest-bearing accounts.
		MISS. CODE ANN. Section 47-5-563
	✓	May adopt rules as necessary to govern MSE's use of inmates, related to security, inmate protections, operations.
✓		Shall establish policies and rules on the use of inmates, subject to MDOC legal counsel approval.
✓	✓	File rules governing use of inmates with the Secretary of State.

			MISS. CODE ANN. Section 47-5-573
	✓		In adopting or modifying master plans for correctional work programs, develop a logical sequence of inmate vocational training, employment by correctional work programs, and post-release job placement; provide guidance for the development of correctional work programs.
	✓		Consider MSE's needs when assigning/transferring inmates: skills, security classifications, employment duration; establish a concept of a potentially rehabilitative inmate.
			MISS. CODE ANN. Section 47-5-1251
	✓		The Mississippi Department of Corrections shall develop rules and regulations to meet the criteria established by the Bureau of Justice Assistance under the Prison Industry Enhancement Certification Program.

NOTE: Italics denotes sections of the law that are defunct in practice, i.e., a dead letter.

SOURCE: Updated PEER analysis of MISS. CODE ANN. Sections 47-5-531 through 47-5-577 from PEER Report #309 *A Performance Audit of Magnolia State Enterprises and the Prison Industries Program*.

Appendix C: Master Plan for Prison Industries



STATE OF MISSISSIPPI
DEPARTMENT OF CORRECTIONS

Mississippi Department of Corrections and Mississippi Prison Industries Working Together

The Mississippi Department of Corrections has policies and procedures to establish guidelines for operating vocational skills training programs and work programs and to ensure that the programs adhere to uniform practices. (See attachment A.)

It is the goal of the MDOC to provide offenders the opportunity to gain vocational skills that can prepare the offenders for gainful employment once released. Also, Mississippi Prison Industries provides an opportunity for offenders to gain additional skills through its work programs. The offenders' set of skills is enhanced through MDOC and MPIC working together. This enhanced skills set will enable offenders to better transition into employment once released.

MDOC's vocational programs work with MPIC at the three major prisons, Central Mississippi Correctional Facility (CMCF), South Mississippi Correctional Institution (SMCI), and Mississippi State Penitentiary (MSP).

The coordination between the two includes the following:

1. MDOC provides vocational skills training programs that can lead to employment with MPIC while incarcerated.
2. Night school training is provided at MSP so that offender workers at MPIC can receive additional skills training.
3. MDOC and MPIC work together in the referral of possible offender workers to MPIC
4. MDOC and MPIC work together in arranging training space when MPIC provides additional training to its workers.
5. MPIC provides additional educational course work to support offender transition into the community.

The vocational skills programs provided by MDOC which could lead to employment by MPIC include the following:

- Welding—MSP and SMCI
- Apparel and Textiles—CMCF
- Family Dynamics—CMCF
- GED—MSP, CMCF, SMCI
- Carpentry—MSP and SMCI

633 NORTH STATE STREET · JACKSON, MISSISSIPPI 39202
PHONE: (601) 359-5600 · FAX: (601) 359-5624

- Auto Mechanics—MSP and SMCI
- Small Engine Repair—MSP
- Heating and Air Conditioning Repair—MSP
- Auto Body Repair—MSP and SMCI
- Electrical—SMCI

The steps taken by an offender matriculating through MDOC skills training program to MPIC and then to employment, once released from MDOC, are as follows:

Placement in Skills Training

1. The offender requests placement in a vocational skills program through his/her case manager or the offender contacts the vocational school directly asking to be placed in a vocational program.
2. The vocational counselor screens the offender to determine eligibility for placement in a program.
3. The offender is given the TABE survey test to screen for placement.
4. The offender is placed in a vocational program or on a waiting list.

Employment by MPIC

1. The offender who completes a vocational skills class beneficial to MPIC is told about any opening at MPIC.
2. The offender who achieves a GED and is not interested in vocational skills training is referred to MPIC.
3. MPIC contacts the school when it has an opening.
4. The vocational school gives MPIC referrals on eligible offenders.
5. The offender tells his case manager if he/she is interested in working for MPIC.
6. Case managers keep a list of offenders interested in working for MPIC.
7. MPIC contacts case managers with job openings.
8. Case managers have interested offenders to fill out an MPIC job application.
9. Case managers submit the applications to MPIC.
10. Offenders are called into MPIC for an interview.
11. MPIC refers its workers to the night vocational programs at MSP to increase their skills. It also refers workers to the evening literacy programs.

Post-Release Job Placement

1. MDOC assists the offender in obtaining their birth certificate if they do not have one
2. MDOC assists the offender in obtaining a social security number
3. MDOC is working with Mississippi Department of Employment Security to create a computerized system by which the offender will be able to input their employment information directly into the MDES system before the offender leaves prison. The information will be activated when the offender leaves prison.

633 NORTH STATE STREET · JACKSON, MISSISSIPPI 39202
 PHONE: (601) 359-5600 · FAX: (601) 359-5624

Post Release Job Placement

Through MDOC's collaboration with the Mississippi Prison Industries Transitional Housing Program ex-offenders can live in a stable environment while actively pursuing employment opportunities. In an effort to reduce the recidivism rate, this program was implemented to provide not only temporary housing to those offenders being released but also additional services, i.e., counseling, employment/job skills, GED classes, alcohol and drug treatment, etc. to those who may be in need.

MPIC can accommodate up to seventy-two (72) ex-offenders for six months. Sex offenders are automatically excluded from MPIC's program. Residents must fulfill four (4) mandatory requirements: find employment; attend life-skills classes; establish a savings account; and moving toward securing permanent housing. Currently, alcohol and drug treatment services are optional services provided to the residents. MPIC's Transitional Housing Program provides services to 150 to 200 ex-offenders annually.

The MPIC Transitional Housing Program provides programs that will assist the ex-offender in successfully re-entering the community by providing a number of training programs as well as assisting the ex-offender in obtaining the necessary credentials needed to obtain a job.

Training Programs

1. Job Skills
 - a. Internships with skilled craftsmen
 - b. Skills needed to keep a job
2. Pre-Employment Training
 - a. Job Search
 - b. Networking
 - c. Application
 - d. Interview Process
3. Social Skills
 - a. Self-Esteem
 - b. Feelings and Emotions
4. Adult Basic Education/GED

Post-Release Job Placement

1. Obtain birth certificate
2. Obtain social security card
3. Obtain state identification
4. Prepare resume

633 NORTH STATE STREET · JACKSON, MISSISSIPPI 39202
PHONE: (601) 359-5600 · FAX: (601) 359-5624

SOURCE: Mississippi Department of Corrections.

Appendix D: U.S. Bureau of Justice Assistance Mandatory Criteria for Prison Industry Enhancement Certification Program Participation

In order to be certified to participate in the Prison Industry Enhancement Certification Program, eligible jurisdictions must meet all of the following Mandatory Criteria for Program Participation established by the U.S. Bureau of Justice Assistance of the U.S. Department of Justice:

- authority to involve the private sector in the production and sale of inmate-made goods on the open market;
- authority to pay wages at a rate not less than that paid for similar work in the locality in which the work is performed;
- written assurances that the Prison Industry Enhancement Certification Program will not result in the displacement of workers employed prior to program implementation; be applied in skills, crafts, or trades in which there is a surplus of available gainful labor in the locality; or significantly impair existing contracts;
- authority to provide inmate workers with benefits comparable to those made available by the federal or state government to similarly situated private-sector employees, including workers' compensation and, in some circumstances, Social Security;
- corrections departments may opt to take deductions from inmate worker wages. Permissible deductions are limited to taxes, room and board, family support, and victims' compensation. If victims' compensation deductions are taken, written assurance that the deductions will not be less than 5 percent and not more than 20 percent of gross wages and all deductions will not total more than 80 percent of gross wages;
- written assurances that inmate participation is voluntary;
- written proof of consultation with related organized labor prior to program startup;
- written proof of consultation with related local private industry prior to program startup; and
- written proof of compliance with the National Environmental Policy Act requirements prior to program startup.

SOURCE: U.S. Department of Justice

Appendix E: List of MPIC Products by Industry Shop, Facility, and Type of Program (Traditional or PIECP)

Mississippi State Penitentiary

Metal Shop

Ash Urns	Detention Furniture	Horse Stalls	Picnic Tables
Feeders	Metal Specialty Items (stainless steel/ aluminum)	Recycling Bins	Benches
Custom Work Mill Work	Modular Cell Units	Decorative Mailboxes	Grills
Fiberglass Fish Farming Tanks	Shock Absorbing Concrete (concrete barrier walls)	Litter Receptacles	Wind Chimes
Wood Products	Mattresses	Wood Signs	

Garment Shop

Aprons	Bags	Mattresses	Ballot and Voting Equipment Supplies
Jackets	Jumpsuits	Bags	Jumpsuits
Correctional Officer Clothing	Offender Clothing	Specialty Items (boxer shorts)	Custom Work (woolies)
Embroidery	Clothing		

Central Mississippi Correctional Facility

Print Shop

Binders	Duplication Services	Laminating Services	Newsletters
Booklets	Envelopes	Letterhead	Pad Holders
Brochures	Flyers	Logo Design	Posters
Business Cards	Foil Stamping	Manuals	Shrink-wrapping
Signage	Specialty Embossing	Stationary	Service Work (printing)

Metal Shop

Wood Signs	File Cabinets	Office Panel Systems	Textile Distribution
Grinding Operation of grates and forged metal products			

Clean Shop

Recycling of Suture Spools for Johnson and Johnson

South Mississippi Correctional Institution

Garment Shop

Correctional Officer Clothing	Clothing	Inmate Uniforms	
-------------------------------	----------	-----------------	--

Jefferson-Franklin Correctional Facility

Recycling Center

Plastics Recycling for Global Polymer (service contract)

Jackson, State Street Warehouse

Retail Sales

Linens (sheets, pillows)	Towels	Footwear (boots, sneakers, shower shoes)	Office Furniture
Hygiene Products (toothpaste, toilet paper)			

NOTE: Products in italics are a part of the federal Prison Industry Enhancement Certification Program.

SOURCE: Reported by MPIC staff as of December 1, 2017.

Appendix F: Total Projected Average Annual Job Openings in Mississippi for Correctional Industry Jobs, by Standard Occupational Classification Code and Self-Reported Number of Participants as of December 1, 2017

Standard Occupational Classification (SOC) Code	Occupation	Traditional Participants	PIECP Participants	Total MPIC Participants	Total Projected Average Annual Job Openings
43-9061	Office Clerks, General	18	17	35	330
47-2031	Carpenters	2	0	2	120
51-2091	Fiberglass Laminators and Fabricators	0	60	60	0
51-4033	Grinding, Lapping, Polishing, and Buffing Machine Tool Setters, Operators, and Tenders, Metal and Plastic	5	7	12	10
51-4121	Welders, Cutters, Solderers, and Brazers	35	59	94	225
51-4122	Welding, Soldering, and Brazing Machine Setters, Operators, and Tenders	0	5	5	10
51-5112	Printing Press Operators	8	4	12	20
51-5113	Print Binding and Finishing Workers	10	9	19	10
51-6031	Sewing Machine Operators	146	122	268	20
51-6062	Textile Cutting Machine Setters, Operators, and Tenders	10	5	15	15
51-7042	Woodworking Machine Setters, Operators, and Tenders, Except Sawing	0	1	1	15
51-9021	Crushing, Grinding and Polishing Machine Setters, Operators and Tenders	6	0	6	5

51-9022	Grinding and Polishing Workers, Hand	12	12	24	5
51-9031	Cutters and Trimmers, Hand	16	32	48	5
51-9121	Coating, Painting, and Spraying Machine Setters, Operators, and Tenders	6	8	14	30
51-9198	Helpers-Production Workers	39	53	92	125
51-9199	Production Workers, All Other	179	0	179	15
53-7051	Industrial Truck and Tractor Operators	2	2	4	195
53-7062	Laborers and Freight, Stock, and Material Movers, Hand	18	13	31	800
53-7064	Packers and Packagers, Hand	4	6	14	200

Note: Occupations where the number of offender workers being trained exceeds the projected number of job openings are noted in the shaded cells.

SOURCE: Mississippi Occupational Employment Projections for Year 2010 to Year 2020 and MPIC staff.

Agency Response



Mr. James Barber
PEER Committee
P.O. Box 1204
Jackson, MS 39215



Dear Mr. Barber,

Please find attached the Mississippi Prison Industries Corporation (MPIC) response to your draft dated May 3, 2018 regarding a Performance Review of the non-profit corporation.

MPIC is a performance-based, self-sufficient, non-profit corporation that was established by the legislature in 1990. The financial statements are backed by financial audits conducted by an external audit firm, Grantham Poole Certified Public Accountants and the Prison Industry Enhancement Certification Program. Additional assessments have been conducted by the National Correctional Industries Association on behalf of the U.S. Department of Justice and Bureau of Justice Assistance.

We are requesting that our response be included in your report to the Mississippi Legislature.

Thank you for the opportunity to respond.

Sincerely,

Mr. Jeff Solari
Interim Chief Executive Officer

Enc.

PEER COMMITTEE PERFORMANCE REVIEW OF MISSISSIPPI PRISON INDUSTRIES CORPORATION RELEASED MAY 4, 2018.

PEER Committee scope and purpose for this report focus on MPIC financial sustainability, and is MPIC fulfilling its statutory mandate to reduce recidivism?

The MPIC Board and MPIC leadership have developed a plan to once again become financially sustainable. MPIC for the past two years was focused on rapidly growing the company in Garment, Metal Fabrication, Recycling and Fiberglass. For MPIC to win these PIECP projects and compete against our biggest private sector competitors, the former CEO and the V.P. of Sales and Marketing aggressively priced the programs to secure the orders. This enabled MPIC to double the number of inmate workers and exposed them to new skills and industries. Approximately \$1.2 million was spent on new equipment to support these operations. Sales rose primarily from the fiberglass program, which accounted for over 40% of MPIC sales in FY 2017. Sales for this year were \$4.7 million and produced a profit of \$1.6 million. For FY-2016 and FY-2017 combined, the fish tank PIECP project, along with the garment and metal PIECP projects, generated payments totaling \$455,555.55 to the Department of Corrections to help offset the cost of room and board for MPIC inmate workers. The Mississippi Crime Victims Compensation Fund for these two fiscal years received a total of \$170,832.21 from MPIC. Family support for the families of MPIC inmate workers received a total of \$115,003.79 from MPIC for these two fiscal years. Meanwhile, the direct costs from all other work programs continued to rise greater than sales which resulted in losses in FY-2016. The MPIC Board instituted austerity measures to lower personnel expense. Staff cuts were made, and inmate training/certificate programs were cut. In FY-2017, the fiberglass tank purchase order was completed in July, and MPIC was in negotiations to secure another large tank order for the Fall. However, the owner of the fiberglass tank company was analyzing the fish yield from the tanks and determined that a new tank design would need to be developed in order to accomplish its desired increase in fish production and yield. Thus, no order was placed for new fish tanks, and MPIC sales dropped, and more staff cuts were made. These cuts were not enough to cover the loss in sales revenue, and for the second time in two years, MPIC posted a loss of over \$1 million. Over the next nine months the MPIC Board lost confidence in the leadership of the then CEO and V.P. of Sales and Marketing, and both were removed from the organization in March of 2018.

The Board and the MPIC leadership team are working with several banks and other lenders to secure a line of credit to provide cash to support operations. At the same time, MPIC is aggressively looking to open several new work programs and provide new skills for MPIC inmate workers in two regional correctional facilities. With the support of the Department of

Corrections, MPIC's plan will generate enough revenue from these projects to cover the security guard cost and produce enough cash to pay down balances owed to vendors and pay off any use of the line of credit. A portion of surplus funds will be put aside for future projects, and funds will be available once again to offer additional training and certificate programs to support the inmate workers in becoming self-sufficient upon release.

Is MPIC fulfilling its statutory mandate to help reduce recidivism? MPIC management in 2013 reached out to NSPARC of Mississippi State University, and they agreed to develop a recidivism study for MPIC. MPIC does not have the funds available to pay for this. Working with the MIS Department of the Department of Corrections, MPIC worker payroll records were compiled, and inmate workers who were released from prison were submitted every year to NSPARC to analyze and report on recidivism. For FY-2016, NSPARC was unable to locate enough inmates who were released to perform the analysis and study. In 2017, the study was held up because additional analysis was being done on the data submitted. The PEER evaluation and opinion of the MPIC recidivism study states that better data collection and evaluation process is needed for the NSPARC recidivism study to develop meaningful conclusions about the MPIC work program effectiveness in reducing recidivism. The MPIC leadership team will work with the Department of Corrections and with NSPARC on the data collection and evaluation process to produce a more effective recidivism study.

PEER COMMITTEE CONCLUSION AND CONSIDERATION FOR THE MPIC BOARD

1. ELIMINATE MPIC LEAST PROFITABLE INDUSTRIES.

Action: MPIC Board of Directors and management team met and discussed this option. A program review, cost analysis and pricing study is underway, and changes will be made across all work programs. These programs will be analyzed over the next six months and will determine what industries provide valuable work skills that are self-sustainable, and which programs need to be shut down, if any.

2. MPIC SHOULD SEEK PROTECTION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE WHICH WILL GIVE THE ORGANIZATION TIME TO IMPROVE ITS CASH POSITION AND GENERATE REVENUE TO MEET ITS OBLIGATIONS. THIS WILL ALSO ALLOW THE ORGANIZATION TIME TO GATHER AND OBTAIN BEST PRACTICES AND IMPLEMENT A PLAN TO REDUCE RECIDIVISM.

Action: The MPIC Board of Directors and the management team felt that this was not an option to consider at this time, but both the Board and management have been informed by the Board Attorney how Chapter 11 of the Bankruptcy Code can, and will be, used if necessary to provide the time needed for MPIC to reorganize its business and operations. Filing under Chapter 11 is not needed at this time, but will be used, if necessary, as a last resort.

3. DISSOLVE THE CORPORATION. IF THE MPIC BOARD SEES THAT THERE ARE NOT ENOUGH FUNDS TO MEET PAYROLL, THE BOARD COULD CONSIDER THE CHAPTER 7 REMEDIES OF THE BANKRUPTCY CODE.

Action: The MPIC Board of Directors and management team felt that this was not needed at this time, but the Board and the Management team have been informed by the Board Attorney of how Chapter 7 can be used as the final resort.

4. THE LEGISLATURE COULD AMEND MISSISSIPPI CODE SECTION 47-5-531 TO TRANSFER THE STATE PRISON INDUSTRIES PROGRAM TO THE MISSISSIPPI DEPARTMENT OF CORRECTIONS.

Action: The MPIC Board of Directors and management team feels that this is not a good option at this time. The Legislature passed the Prison Industries Act of 1990 to remove prison industries from MDOC and allow prison industries to operate like a “free enterprise type of profit-making enterprise”. We attach to this response Section 47-5-533 (Intent of Legislature) and Section 47-5-535 (Statement of Purpose). MPIC has followed the Prison Industries Act of 1990 since 1990, but lost its way for a few years because of matters set forth in this response. However, the Board of Directors of MPIC and the MPIC management team are committed to full return of MPIC in following the “Intent of Legislature” and it’s “Statement of Purpose”.

Section 47-5-533. Intent of Legislature

(1) It is the finding of the Legislature that prison Industry programs of the State Department of Corrections are uniquely different from other programs operated or conducted by other departments in that it is essential to the state that the prison industry programs provide inmates with useful activities that can lead to meaningful employment after release in order to assist in reducing the return of inmates to the system.

(2) It is further the finding of the Legislature that the mission of a prison industry program is:

(a) To reduce the cost of state government by operating prison industries primarily with inmate labor, which industries do not seek to unreasonably compete with private enterprise;

(b) To serve the rehabilitative goals of the state by duplicating as nearly as possible, the operating activities of a free-enterprise type of profit-making enterprise; and

(c) To serve the security goals of the state by reducing the idleness of inmates and by providing an incentive for good behavior while in prison.

Section 47-5-535. Statement of Purpose

(1) Except as otherwise specifically provided by law, it is the intent of the Legislature that a nonprofit corporation be organized and formed, within sixty (60) days from April 4, 1990, to lease and manage the prison industry programs of the Mississippi Correctional Industries. The corporation created and established shall be a body politic and corporate, may acquire and hold real and personal property, may receive, hold and dispense monies appropriated to it by the Legislature of the State of Mississippi received from the federal government, received from the sale of products, good, and services which it produces, and received from any other sources whatsoever.

(2) Except as otherwise specifically provided by law, it is the further intent of the Legislature that the nonprofit corporation shall create any additional prison industry program as it deems fit, and any such program shall be created in compliance with the provisions of Sections 47-5-531 through 47-5-575.

(3) Except as otherwise specifically provided by law, it is the further intent of the Legislature that such nonprofit corporation shall have exclusive rights to operate any prison industry program and when such corporation is lawfully formed, no other public or private entity shall be allowed to carry out the provisions of Sections 47-5-531 through 47-5-575.

(4) It is the further intent of the Legislature that the nonprofit corporation which is required to be organized and formed under Sections 47-5-531 through 47-5-575 shall locate and operate prison industries at any state correctional facility with the approval of the Commissioner of Corrections. It is the intent of the Legislature that the nonprofit corporation locate and operate such industries in an orderly and expeditious manner. Such corporation may locate and operate prison industries at other prison satellites, at community work centers in the state, at any private correctional facility which houses state inmates and at any regional correctional facility as authorized under Section 47-5-931. No industrial prison program shall be located at a site other than state prison facilities approved by the commissioner.

(5) It is the further intent of the Legislature that the nonprofit corporation shall not have any rights to operate a program under the prison agricultural enterprises and shall not create a prison industry program that duplicates a prison agricultural enterprises program or product.

(6) It is the further intent of the Legislature that the department retain exclusive rights to conduct all prison agricultural and related enterprises.

PEER Committee Staff

James A. Barber, Executive Director

Legal and Reapportionment

Ted Booth, General Counsel
Ben Collins
Barton Norfleet

Administration

Alicia Russell-Gilbert
Deborah Hardy
Gale Taylor

Quality Assurance and Reporting

Tracy Bobo
Kelly Saxton

Performance Evaluation

Lonnie Edgar, Principal Analyst
David Pray, Principal Analyst
Jennifer Sebren, Principal Analyst
Kim Cummins
Matthew Dry
Samuel Hearn
Matthew Holmes
Sarah Williamson
Julie Winkeljohn
Ray Wright

Performance Accountability

Linda Triplett, Director
Kirby Arinder
Debra Monroe-Lax
Meri Clare Steelman

