



State of Washington

Department of Corrections Correctional Industries 2007-2009 Business Plan



EXECUTIVE SUMMARY

As a major entity within the Department of Corrections, it is the mission of Correctional Industries to provide marketable job skills and job training to offenders who are incarcerated in our state correctional facilities. All offenders will need a legitimate means to support themselves and their families after release. Correctional Industries work program is an important component in the process of preparing an offender for a successful reentry. Opportunity is provided to offenders who want to take an active role in changing their behavior that led them to incarceration. Correctional Industries programs help reduce the cost of government, reduce recidivism, and in turn creates fewer victims.

Correctional Industries job experience, in conjunction with education and vocational training programs is a recipe for success. Collectively, these programs must expand and work more closely together. The education and work experience gained through Correctional Industries are essential in protecting lives—civilian staff and offenders, preserving stability, and saving money for our state prisons.

Ninety-seven percent of all incarcerated offenders eventually return to our communities. A report published by the University of Washington found that 50% of offenders were unemployed prior to incarceration. Research by the Washington Institute for Public Policy shows Correctional Industries programs work. Correctional Industries works directly with offenders but the primary beneficiary is the community.

The challenge for Correctional Industries is to remain financially self-sufficient while providing enough work for an increasing number of offenders. The Washington offender population is projected to increase by 1,000 over the next three fiscal years, and it is projected to continue growing in the foreseeable future. Correctional Industries needs to increase offenders jobs in order to provide as many offenders with job training as possible. Legislation requires Correctional Industries to operate in a real-business world environment. Sales equal offender jobs. Correctional Industries must increase sales effort while ensuring that the impact on Labor and business is minimal.

Policy makers have long recognized that increasing the number of incarcerated individuals means increasing the number of prisons and, in turn, increasing the size of Correctional Industries which contributes to improving the management of our prisons. As Correctional Industries steps into the future to fulfill its goal, continued support of the Department and policy makers will pay important dividends for the citizens of Washington State.

- In order to replace lost Class I offender jobs and to meet the offender job targets set in RCW 72.09.111, funding will be required to manage department institutional laundries statewide, an increase of \$1 million biennial for the Department of Corrections operating appropriation, and
- To maintain existing operations, Correctional Industries must begin replacing obsolete equipment systematically, investing approximately \$8 million, over the next four years to ensure offender job targets are met.

INTRODUCTION

By statute, Correctional Industries models its marketing and customer service principles from the private sector by providing the value chain: quality products, priced right, delivered on time. Correctional Industries has continued to streamline its operations in order to succeed even during a period when the state government is cutting budgets. Correctional Industries has doubled its sales to \$50 million in the last six years and currently operates thirty-four separate businesses throughout Washington State within thirteen institutions.

BREAKING THE CYCLE OF RECIDIVISM

Washington State's prison population began to climb in the 1990's due to changes in law reflecting the public's increasing concern with crime. Costs will continue to increase, as new prisons are required. In addition to rising costs, the justice system is faced with the number of repeat offenders. Approximately one third of all released offenders will commit a new crime or violate the conditions of their release within five years and return to the correctional system.

A report conducted by the University of Washington found that 50% of offenders were unemployed prior to incarceration. Nationwide studies indicate that offenders who participate in work programs are less likely to recidivate. With acquired job training and work ethics gained through Correctional Industries, released offenders have a greater chance of being gainfully employed and succeeding after release.

PAYING THEIR WAY

Class II work-training programs offer multiple public benefits by holding offenders accountable through payroll deductions including:

- Crime victims compensation
- Family support
- Child support
- Court-ordered restitution
- Legal financial obligations
- Court costs
- Costs of incarceration
- Mandatory savings

GOOD BUSINESS, GOOD GOVERNMENT

According to the Washington Institute for Public Policy study published in January 2005, every \$1.00 of state dollars invested in the Correctional Industries Program, an overall net gain of \$6.65 is achieved through reduction in crime victims and criminal justice costs.

Correctional Industries customers play an important role in this process. Sales of goods and services provided by Correctional Industries create offender jobs, in turn, lowering the cost of the criminal justice system.

Correctional Industries is good public policy.

CLASS II OPERATING BUSINESS PLAN

BUSINESS MISSION

Correctional Industries is a program within the Department of Corrections. RCW’s 9.96A.010 and 72.09.010 established the legislative intent and RCW 72.09.100 provides the authority to create and operate various classes of offender work programs. The Legislature’s intention is for the program to reduce recidivism by providing offenders with job skills, job training, and an improved positive work ethic prior to their release while saving taxpayers money through production of goods and services.

BUSINESS DESCRIPTION

What the Business Does and the Nature of the Business

Correctional Industries has been in existence since 1981. Some of our shops, like license plates, have been operating since 1926. Class II industries are state-owned and operated enterprises designed to reduce the cost of goods and services for tax-supported agencies and nonprofit organizations. Correctional Industries is a conglomerate, operating 34 businesses in 13 institutions providing 1,570 offender jobs in the program. A brief description of each shop is in Appendix A.

Correctional Industries combines manufacturing operations, job shop for custom products, and pass-through goods and services. Correctional Industries purchases raw materials, applies offender and civilian labor, to produce goods and services to meet our customers specifications and expectations. Goods and services include:

Production Operations

- Office Furniture
- K-12 Furniture
- Food Products
- Optical
- Printing
- Bindery Products
- Embroidery
- Upholstery
- Garments
- Signage
- License Plates and Tabs
- Trades Related Apprenticeship Coaching

Service Businesses

- Computer Assisted Design
- Furniture Installation
- Meat Cutting
- Transportation
- Warehousing
- Asbestos Abatement
- Office Administration
- Recycling
- Composting
- Laundry
- Furniture Restoration
- Metal Fabrication

MARKETING PLAN

Market Niche or Competitive Advantage

RCW 43.19.534 requires state agencies to purchase goods and services from by Correctional Industries. The focus of Correctional Industries is to train offenders in meaningful work programs, expand training opportunities to more offenders, and save tax-supported governmental agencies and nonprofit organizations money, rather than make a profit. Correctional Industries offers our customers tax savings while providing goods and services that equal or exceed quality found in the private sector. The challenge is to deliver these lower priced goods and services within 7 to 21 working days.

Manner Products and Services Are Provided

Correctional Industries uses the latest processes found in private industry, such as ISO 9000 quality control and the value chain (quality, product, price, delivery, and warranty). Correctional Industries must balance the need for automation to produce consistent products with the need to expand offender jobs, which potentially are lost to automation.

Adult offenders in Washington State prisons produce many of the products offered by Correctional Industries. Correctional Industries purchases many of the raw materials needed to produce goods and services from Washington suppliers, \$34 million annually. Correctional Industries has several warehouses located throughout the state, to include a centralized warehouse in Tumwater.

Correctional Industries owns and operate its own transportation unit, which delivers products throughout the State of Washington. Correctional Industries operates and manages its own installation and service crews for furniture products. Correctional Industries operates and manages a centralized customer service unit in Shelton which supports non-perishable products statewide and a separate centralized customer service department in Airway Heights for food products.

Other Organizations Attempting to Meet the Same Market Need

Correctional Industries competes with private sector businesses and state-operated proprietary enterprises, such as the State Printers and Central Stores. The challenge is to sell goods and services at reduced costs, have minimal impact of Washington business and Labor, and meet customer demands for delivery, usually 7 to 21 working days.

Target Market and Customer Characteristics

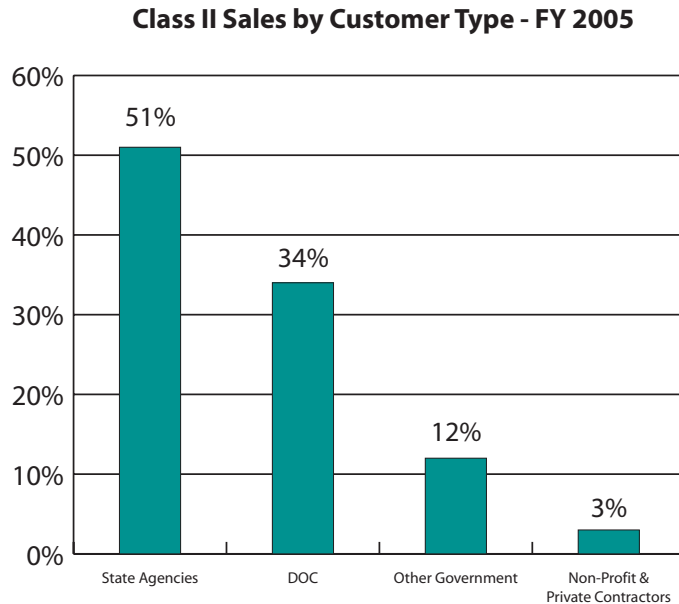
Corrections Industries products and services are marketed to tax-supported agencies and nonprofit organizations. Recent changes in the law have expanded markets:

- Chapter 167, Laws of 2004 set contract mandates for higher education providers to purchase 1% of their total goods and services from Correctional Industries by June 30, 2006, 2% by June 30, 2008; and
- Chapter 346, Laws of 2005 expanded Correctional Industries markets to include offenders, offender families, Department of Correction's employees and immediate family members, and encourages K-12 education providers to set a purchasing goal of 1% of their total goods and services from Correctional Industries.

Correctional Industries produces an annual marketing plan with the intention of identifying customer profiles and key changes in the market place for the purpose of expanding offender training programs

An annual market share report by product group is prepared and submitted to the Correctional Industries Board of Directors. The fiscal year 2005 Class II market share averages only 0.07% based upon Correctional Industries total sales and sales data provided by the Washington State Department of Revenue.

The following table shows Class II sales by customer type for fiscal year 2005:



Source: Correctional Industries Accounting Department

Marketing Strategy and Changes in Market Trends

The Correctional Industries marketing strategy includes educating customers about product and services, emphasizing the public benefits to providing offenders with job skills and job training opportunities. Correctional Industries utilizes direct selling with account executives, web-based advertising and ordering, direct mailing, partnering with building design professionals, and working directly with agency purchasing managers.

Recently, Correctional Industries received authorization to accept orders using purchasing cards from higher education partners. The Correctional Industries web site will have the ability for online ordering using these cards, and will begin accepting purchasing card orders May 2006.

The market conditions suggest more demand for online ordering in the future.

Key Benefits and Features of Products and Services

Correctional Industries products and services follow the value chain: high quality, product, price, delivery, and warranty. In addition to the value chain, there are social and public benefits to ordering products and services from Correctional Industries. Deductions from offender gratuities for crime victims, cost of incarceration, family support, and court-ordered legal financial obligations hold offenders accountable. Further benefits are achieved in the reduction of recidivism, reduced court costs, and fewer victims of crime.

Washington State Contracts

Correctional Industries holds several state contracts to include:

- 14393 Furniture Contract for office, dormitory, and miscellaneous furniture
- 10103 Umbrella Contract for validation tabs, signage, garments, engraving, printing, emergency products, embroidery, food, binders, laundry services, and environmental services
- 12303 Eye glasses
- 04101 Laundry bags
- 09700 Uniforms, polo shirts and denim shirts
- 09895 Warehouse shipping/storage boxes and mailing tubes

Correctional Industries partners with the Department of General Administration to identify expiring state contracts held by out-of-state suppliers for products and services that may be provided by Correctional Industries. Correctional Industries also partners with General Administration to identify opportunities for additional contracts identified through the new product development process.

Sales Forecast

Correctional Industries sales forecast for Fiscal Year 2007 is \$50.2 million.

During Fiscal Year 2007, Correctional Industries will:

- Expand sales efforts of food products to cities and counties
- Implement the acceptance of higher education orders using purchasing cards
- Continue to supply component parts to other state correctional industries
- Increase sales of goods and services within the Department of Corrections
- Maintain market share in current product lines
- Penetrate kindergarten through high school (K-12) markets and target smaller school districts
- Conduct full market research for new product development

FACILITIES ASSESSMENT PLAN

Correctional Industries utilizes an average of 300 square feet per Class II offender job. Space use must consider manufacturing, office, and warehousing needs. Additional space is required to create and expand Class II programs to increase offender jobs.

Correctional Industries currently utilizes 491,000 square feet of production, warehousing, and administrative space throughout the state. A detailed listing of space by institution and shop is in Appendix B.

The Department has identified short-term investments needed to expanded offender employment. In addition, the Legislature has authorized the Department to develop a Correctional Industries Master Plan, and once completed will identify long-term investments. The following are the short-term facility improvement recommendations:

Short-term Recommendations

- Invest in fire suppression systems at two of Correctional Industries warehouse locations, which store and support products produced at manufacturing sites.
- Invest in tenant improvements at the Washington Corrections Center for Women to replace lost Class I jobs by expanding Class II offender jobs
- Invest in welding cells at the Washington State Penitentiary to expand offender jobs.
- Maximize existing floor space by adding additional work shifts and requesting operational appropriations for additional correctional officers.

Site	Description	Term	Estimate	Jobs
WCC	Fire Suppression System	Short Term	\$150,000	10
SCCC	Fire Suppression System	Short Term	\$150,000	10
WCCW	PikaPak, Embroidery, Upholstery	Short Term	\$77,000	14
WSP	Welding Cells for Stainless Steel	Short Term	\$40,000	3
MCC	Manufacturing Expansion and Configuration	Short Term	\$428,000	20
SUBTOTAL			\$845,000	57

KEY EQUIPMENT AND TECHNOLOGY REQUIREMENTS

Maintaining Employment and Equipment

Cost estimates for maintaining the existing job base include an investment to replace aged, obsolete and inefficient equipment. New equipment is essential in producing the highest quality products possible in existing shops. This then leads to lower priced goods and services to customers.

Equipment must be systematically upgraded and replaced to meet the value chain established by the customer for delivery, quality, service, and price for all Correctional Industries products.

Correctional Industries will conduct a comprehensive review of equipment, identifying the priority replacements and establish a timeline to replace the equipment.

Expanding Employment - Start-Up Costs

Direct start-up costs include front-end research to identify viable expansion opportunities and initial operating expenses that must be covered prior to receiving sales income. Key start-up cost elements include:

- Feasibility studies and planning
- Production staff start-up costs
- Initial raw materials and packaging
- Durable goods inventory (equipment)
- Worker training
- Equipment and installation, and
- Additional construction costs such as taxes, permits, and management fees

The Department’s current expansion project for Coyote Ridge includes a satellite food factory. This satellite will be utilized to prepare bulk food products to provide meals for the additional offender populations at Coyote Ridge Corrections Center and at the Washington State Penitentiary.

LABOR REQUIREMENTS: Offender Training, Continuity and Transition

Correctional Industries must match, as much as possible, the available pool of offender work skills and aptitudes with work opportunities within the community (RCW 72.09.100). Training offenders in community values, job skills, job training, work ethic, and holding offenders accountable is an ongoing process. Correctional Industries programs are an essential component for an offenders successful re-entry in to the community.

Class II Offender Gratuities

Offenders are paid a gratuity ranging from \$0.45 to \$1.50 per hour. Deductions from offender gratuities are deposited in various funds to contribute to crime victims, offset the cost of incarceration, pay family support, and pay legal financial obligations ordered by the court. The following table shows the deductions withheld from Class II offender gratuities from Fiscal Year 2002 through Fiscal Year 2005:

FISCAL YEAR	NO. OF OFFENDERS	GROSS PAYROLL	COST OF INCARCERATION	CRIME VICTIMS	MANDATORY SAVINGS	*RESIDUAL
2002	1,297	\$2,065,266	\$309,790	\$103,263	\$206,527	\$1,445,686
2003	1,289	\$2,204,239	\$330,636	\$110,212	\$220,424	\$1,542,967
2004	1,419	\$2,317,888	\$347,683	\$115,894	\$231,789	\$1,622,522
2005	1,574	\$2,698,548	\$404,782	\$134,927	\$269,855	\$1,888,984

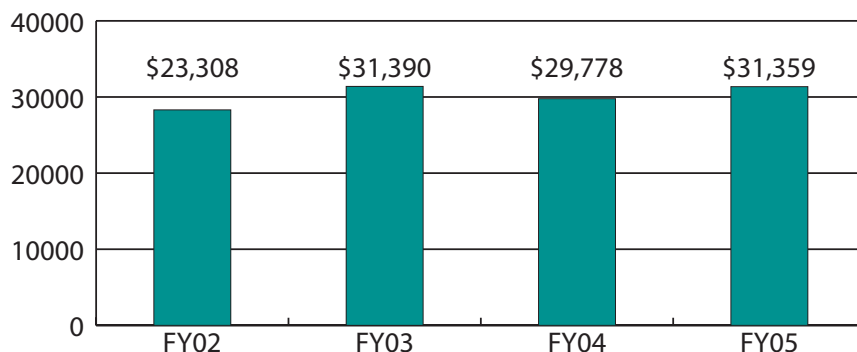
* RESIDUAL: The residual amount represents payments made for legal financial obligations, family support, court ordered restitution, institution debt, and offender spendable.

Offender Population

Many times, Correctional Industries is the first job held by the offender. Success in the program depends upon the offender’s behavior, education, social skills, security classification, and work ethic. Correctional Industries match offender job opportunities with the available pool of offenders to promote the greatest degree of success for the offender. Offenders may lose jobs in the program due to transfers to other facilities, unsatisfactory behavior, or voluntarily leave to work in other classes.

Working in Class II is voluntary; offenders must apply to work for Correctional Industries. Offenders begin in entry-level positions, and advance to jobs requiring additional skills and knowledge. Advancement requires the attainment and demonstration of job competencies, as documented by shop supervisors who prepare evaluations for offenders. Correctional Industries needs \$30 thousand of annual sales to support one offender job.

Breakeven Sales to Offender Jobs



To keep pace with the growing offender population and meet offender job targets outlined in Chapter 167, Laws of 2004, Correctional Industries must expand existing operations and add new programs. **Total Class II offender jobs would need to increase by 116.4% or 1,500 offender jobs by Fiscal Year 2010 to meet the target.**

The following table shows the percentage increase in offender jobs and the forecasted offender population in Washington State prison:

Chapter 167, Laws of 2004 TARGETS and TOTAL DOC POPULATION FORECASTS

Fiscal Year	Targets	Percentage Increase	Population Actual/ Forecasted	Percentage Increase
FY 2003	* 1,289	0.0%	16,548	0.0%
FY 2004	* 1,419	10.1%	17,250	4.2%
FY 2005	* 1,574	22.1%	17,662	6.7%
FY 2006	1,689	31.0%	18,239	10.2%
FY 2007	1,889	46.5%	18,877	14.1%
FY 2008	2,189	69.8%	19,764	19.4%
FY 2009	2,489	93.1%	20,668	24.9%
FY 2010	2,789	116.4%	21,209	28.2%

Source: Correctional Industries offender payroll system, and Caseload Forecast Council Inmate Forecast. * Represents actual offender jobs as of June 30th for each fiscal year.

Class II Offender Gratuity Deductions

By statute, the Department can withhold deductions from the Class II offender gratuity that would leave a residual of \$10 (RCW 72.09.111). Offenders are held accountable through deductions withheld from the gratuities earned. The following table shows the typical deductions withheld from Class II, Class III, Class IV and Department of Natural Resource offender gratuities:

Deduction	Class II	Class III	Class IV and DNR
COI (Cost of Incarceration)	15%		5%
CVC (Crime Victims)	5%	5%	
LFO (Legal Financial Obligations)	20%		
Mandatory Savings	10%		
OSE (Family Support)	15%	15%	15%
PLRA (Other Court Ordered)	20%	20%	20%
Debts	20%	20%	20%
Total	*105%	60%	60%
* NOTE: Deductions cannot leave the offender with less than \$10 per month			

In many cases offenders choose Class III or Class IV jobs due to high payroll deductions.

Strategies to Recruit Offender Workers

1. Consider raising the entry-level hourly rates paid to offender workers
2. Consider raising the maximum hourly rate earned from \$1.10 to \$1.50, predicated on the completion of certification programs and duration of work with Correctional Industries
3. Non-Monetary Offender Worker Committee to report back on recommendations for non-monetary benefits to working in Class II, such as living units, good time earned, etc.
4. Consider incentive pay
5. Consider limiting the total amount withheld from the offender gratuity at 50% of gratuity earned
6. Correctional Industries representatives participate in offender assessment conducted during diagnostic assessment at the Washington Corrections Center and the Washington Corrections Center for Women

MANAGEMENT REQUIREMENTSCorrectional Industries Board of Directors

RCW 72.09.070 establishes the Correctional Industries Board of Directors to establish policies for Correctional Industries programs designed to offer offenders meaningful employment, work experience, and training in vocations. Additional duties include:

1. Provide industries that reduces the tax burden of corrections through production of goods and services for sale and use,
2. Operate correctional work programs in an effective and efficient manner similar to the private sector,
3. Develop and design Correctional Industries work programs that do not unfairly compete with Washington businesses, and
4. Invest available funds in correctional industries programs.

The Board is comprised of nine voting members appointed by the Governor to include three representatives from Labor, three from business representing cross sections of industries and all sizes of employers, and three members from the general public. Four non-voting members appointed by the Legislature.

The Board has the authority to identify and establish trade advisory or apprenticeship committees to advise them on Correctional Industries work programs; the Secretary of the Department of Corrections appoints members of those committees. The functions of the Board are unique to Correctional Industries, designed to address the needs of the Department and public sector.

Correctional Industries Management

Correctional Industries employs 247 civilian employees statewide, 199 employees in the industries, 17 sales positions, and 25 administrative positions. Assistant Deputy Secretary Howard Yarbrough serves in the capacity of Chief Executive Officer. Industries report to general managers at each institution. Each general manager is held accountable to meet sales forecasts and customer expectations, and maintain security in accordance with institution policy and procedures. Correctional Industries hires supervisors and managers from the private sector who have experience and technical skills in specific industries to apply skills in the training of offenders.

Management Challenges

Correctional Industries operates in a complex, multi-dimensional environment. By statute, Correctional Industries is limited to marketing products and services to public agencies and nonprofit organizations. Chapter 346, Laws of 2005 amended RCW 28A.335.190, which expanded markets to include sales to offenders, offender families, and Department of Corrections employees. Challenges to be addressed in the next biennium include:

- Balance the expansion of meaningful offender job training and, at the same time, limit the impact on Washington State private business and labor.
- Continue to upgrade and replace systems and equipment in the Class II manufacturing operations in order to provide timely and high quality products to our customers.
- Vertically integrate programs to expand jobs and reduce operating costs for the department.
- Increase the sales and customer acceptance of Class II goods and services to public agencies which provide cost savings and multiple public benefits and, at the same time, cover Correctional Industries operating costs.

To address these challenges, Correctional Industries will continue to develop partnerships with Labor and business in an effort to limit the impact on the private sector. Efforts are underway to expand pre-apprenticeship programs with Labor.

Correctional Industries must add civilian employees for safety and training of additional offender workers.

KEY SUPPLIES REQUIREMENT

Correctional Industries recommends maintaining at least three months of operating cash (currently \$12 million) to pay for raw materials, civilian payroll, and offender gratuities prior to the receipt of customer payments. Correctional Industries requires working capital to purchase materials for large multi-million dollar projects, meet Certificate of Participation obligations, provide for asset replacement, and provide for growth.

Financial institutions require private sector businesses to maintain three to six months of cash to meet current financial obligations.

Correctional Industries purchases many of the raw materials needed to produce goods and services from Washington suppliers. Many Correctional Industries customers demand on time deliveries with shorter lead times.

Correctional Industries uses master scheduling techniques to forecast customer demand, purchase raw materials, and retain on hand quantities of finished goods.

Correctional Industries employs professional purchasing agents at each major facility to better coordinate the receipt of raw materials, bulk purchasing, and secure better pricing.

All costs associated with the production of goods and the delivery of services are tracked on a monthly basis. Complete financial information is prepared monthly and includes current month, year-to-date, and actual-to-forecast reviews.

SHIPPING TRANSPORTATION REQUIREMENTS

Correctional Industries Transportation and Warehouses

Correctional Industries operates a transportation fleet with 17 drivers and 18 warehouse employees throughout the state delivering goods produced by all industries. Correctional Industries subcontracts deliveries of product to locations that are not cost effective for truck deliveries, such as utilizing UPS for the delivery of optical glasses.

Correctional Industries warehouse locations throughout the state includes:

Warehouse	County	Sq. Ft.
Airway Heights Corrections Center	Spokane County	30,400
McNeil Island Corrections Center	Pierce County	10,300
Stafford Creek Corrections Center	Grays Harbor County	10,800
Washington Corrections Center	Mason County	16,800
Washington State Penitentiary	Walla Walla County	16,300
Tumwater Warehouse Office Complex	Thurston County	34,000
Total Warehouse Square Feet		118,600

Many customers require Correctional Industry drivers to perform services not normally provided in the private sector, such as delivering product to a desired location within the customer’s building, unwrapping, and removal of packaging and wrapping. Offenders working in Correctional Industries warehouses learn product staging, master scheduling, inventory control, and meeting customer expectations.

Equipment Replacement Needs

Correctional Industries has \$4.6 million of warehouse and transportation equipment throughout the state. Correctional Industries will conduct a comprehensive review of equipment identifying the priority replacements and establish a timeline to replace aged equipment.

QUALITY CONTROL REQUIREMENTS

Correctional Industries quality program is customer-centric. Correctional Industries must produce the right goods and services, deliver them at the right time, at the right price. Correctional Industries is implementing a statewide quality system based upon International Organization for Standardization (ISO) 9000 standards.

ISO is the internationally recognized governing body for developing quality systems, practices, and standards. The American Corrections Association (ACA) requires minimum standards for inspection of inbound goods, manufacturing process inspections, and final inspection of finished goods. Correctional Industries Quality system embraces ISO 9000 to also include standard operating procedures (SOP’s), administrative processes and reporting, manufacturing process controls, and corrective action plans.

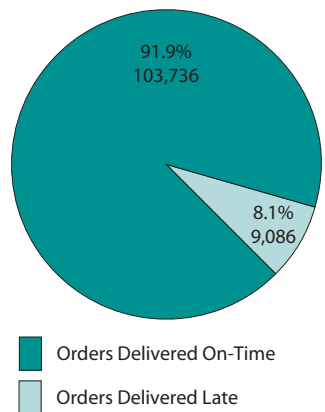
The Correctional Industries Quality Assurance System begins with the Corporate Quality Manual, which defines the requirements and guidelines to use for implementing site-specific quality systems. Each site quality plan includes quality assurance manuals, standardized procedures, and the use of standardized forms. Each site sets operational goals for each business including profitability, meeting customer delivery dates, meeting sales forecasts, and managing corrective action for non-conforming products.

Correctional Industries employs quality assurance managers at Airway Heights, McNeil Island, and the Washington State Penitentiary. Quality managers conduct quality system training including a review of the Corporate Quality Manual, defining management’s commitment and responsibility, explanation of the document and data control systems, manufacturing process control, review procedures for control of nonconforming product, and the Corrective/Preventive Action System.

Percentage of Customer Orders Delivered On-Time, Fiscal Year 2006

Correctional Industries has set a goal of 100% of on time deliveries. Correctional Industries management and supervisors meet quarterly to review performance and take corrective action. The following chart shows the number of on-time deliveries for Fiscal Year 2006 and the number of orders delivered late. Corrective action taken to increase the number of on-time deliveries includes the investment of equipment at McNeil Island, the relocation of panel operations from McNeil to Monroe, and implementing master scheduling techniques to ensure needed raw materials are available to produce products upon receipt of orders.

Percentage of On-Time Deliveries



Analysis
Half of the late orders are furniture related.

Action
Identify and implement best practices to achieve 100% on time deliveries.

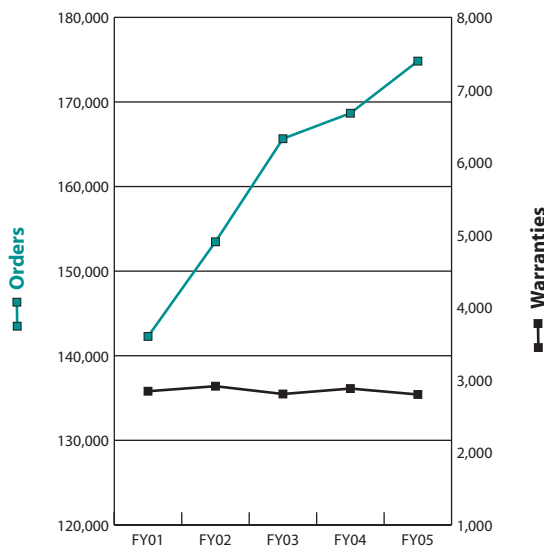
Orders Resulting in Warranties

A warranty is a request to either correct a Correctional Industries product defect or correct an order discrepancy. Warranties are corrected and tracked in the following groups:

- a) Difficulty using product
- b) Product broken
- c) Product damaged upon delivery
- d) Products do not conform upon delivery
- e) Quantity Delivered is Short
- f) Quantity Delivered Exceeds Original Order

The following table shows the total number of Correctional Industries ordered for fiscal years 2001 through 2005, and the total number of warranties.

Orders vs. Warranties



Total annual orders have increased over 22,000 since Fiscal Year 2001. The number of warranties has remained the same.

Analysis

- Processed 175 thousand orders in Fiscal Year 2005; 1.6% resulted in warranty claims
- 60% of warranties are related to furniture and seating

Action

- Complete hiring of local quality managers by June 30, 2006
- Continue to train staff and offenders in quality standards as defined by the ISO 9000
- Complete review of furniture/seating warranties by July 31, 2006
- Complete phase 2 quality training at the four facilities seeking American Correctional Association (ACA) accreditation by October 2006

SPECIAL WORKFORCE PLANS/PROGRAMSRe-Entry of Offenders into the Community

The Correctional Industries Board of Directors and the Secretary of the Department of Corrections is requiring Correctional Industries to focus on the reentry of offenders into communities. Chapter 267, 2006 Laws evidences this focus, which created a joint select committee on offender programs, sentencing and supervision. The Correctional Industries Program must strengthen partnerships with the Education and Vocational Training Programs to:

1. Identify and design education and work training programs based upon best practices and research by Employment Security Department. The strategy purposes to link: Education Programs with Vocational Training with Class II/Class III Jobs to the job market.
2. Provide the best possible programming to offenders by designing a seamless, systematic approach addressing offenders' needs upon intake at WCC and WCCW Diagnostic Centers. Align classification with the appropriate institutions, vocational education, job training needs to a successful re-entry; recognizing offender incarceration terms may vary, the focus will be on offenders with earlier release dates.
3. Design a statewide Offender Portfolio, which would track offender education, work experience, certifications, and accomplishments to link up with standard occupational codes in the job market.
4. Offender Employment Services (OES) to connect with local business, community colleges, labor unions for pre-apprenticeship programs, and the Association of Washington Business. Develop programs that reintroduce offenders to the work community, develop pro-social skills and identify work opportunities.
5. Partner with Association of Washington Business to link job opportunities with offenders released in the community.

With the focus on re-entry of offenders back into communities, Correctional Industries plays a pivotal role in providing job skills and job training to offenders. Correctional Industries partner with facility staff to offer jobs to offenders with early release dates. Correctional Industries must also invest in equipment that is found in the private sector so offenders have technical skills and abilities found in the community.

American Disabilities Act

Correctional Industries must meet ADA requirements such as buildings that are handicapped accessible, and equipment modifications, to offer jobs to special needs offenders. Correctional Industries partners with facility staff to identify offenders possessing the skills and knowledge to perform a job, and make modifications to equipment and work areas to accommodate needs.

Outside Work Crews

RCW 72.09.100 gives the Correctional Industries Board of Directors the authority to set policy for outside work crews. The current criteria requires two civilian supervisors for every ten offenders. This requirement increases our operating costs for Environmental Services, Installations, and Transportation.

OUTLINE OF DAILY OPERATIONS

Class II Industries are state-owned and operated enterprises designed to reduce the cost of products and services to tax-supported agencies and nonprofit organizations. There are 34 businesses operating at 13 institutions with 1,570 offenders working in the program. A brief description of each shop is in Appendix A.

SIGNIFICANT CHANGES, CHALLENGES, OR OPPORTUNITIES RELATED TO BUSINESS OPERATIONS

- I. **Chapter 167, Laws of 2004** amended RCW 28B.10.029, which established a six-year phased-in targets for offenders working in Class II Correctional Industries work programs.

Additionally this amendment also set purchasing mandates for state colleges and universities to purchase 1% of their total goods and services from Correctional Industries by June 30, 2006 and 2% by June 30, 2008.

Both requirements place increased hours of operation on existing equipment, facilities, and staff to meet customer expectations and increase offender employment.

- II. **Chapter 346, Laws of 2005** passed during the 2005 Legislative Session amended RCW 28A.335.190, which expanded the selling market to include offenders, offender families, and Department of Corrections employees.

The bill also encourages K-12 to set a purchasing target of 1% of total goods and services from Correctional Industries.

Both requirements place increased hours of operation on existing equipment, facilities, and staff to meet customer expectations and increase offender employment.

- III. **Class II Offender Payroll Deductions:** By statute, the Department can withhold deductions from the Class II offender monthly gratuity that would leave a residual of \$10 (RCW 72.09.111). In many cases offenders choose Class III or Class IV jobs due to high payroll deductions.

- IV. **Lack of Space:** Demand for Correctional Industries produced goods and services have steadily increased 7% annually since Fiscal Year 2000. Correctional Industries has filled available space at all institutions, except the space vacated by the Class I operations at the Monroe Correctional Complex. Correctional Industries operates additional work shifts: however, additional shifts increase wear on equipment and are not always cost effective due to the need for security coverage.

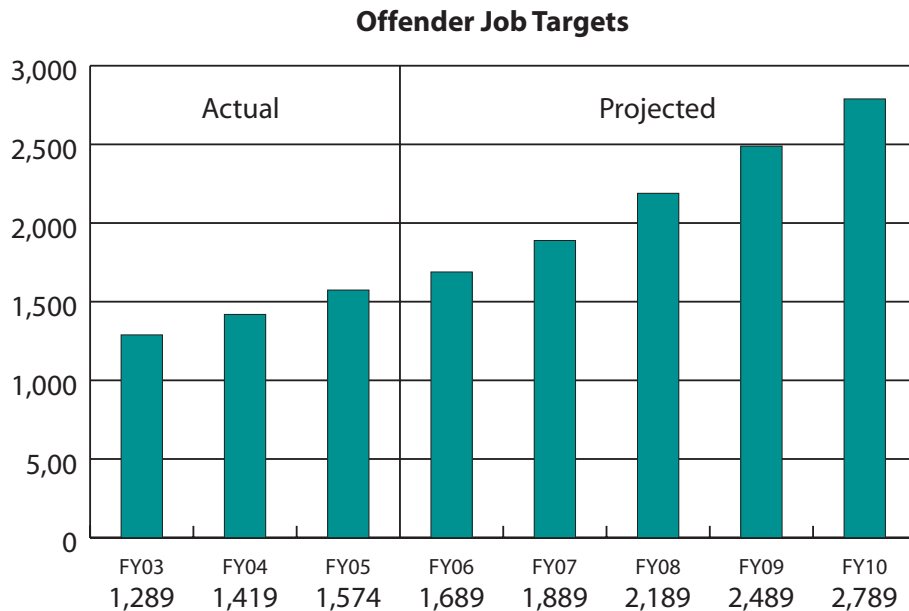
- V. **Equipment:** Correctional Industries equipment is aged, obsolete, and inefficient. Correctional Industries will conduct a comprehensive review of equipment identifying the priority replacements and establish a timeline to replace aged equipment.

PERFORMANCE ASSESSMENT

The Correctional Industries performance assessment is a combination of meeting offender job targets and operational financial targets.

OFFENDER JOB TARGETS

Expand offender work opportunities by adding offender jobs per RCW 28B.10.029.



Correctional Industries must also increase offender jobs to keep pace with increasing offender populations. In Fiscal Year 2005, Correctional Industries met the first offender job target by adding 285 offender jobs. Correctional Industries forecasts meeting offender job targets in Fiscal Year 2006.

OPERATIONAL FINANCIAL TARGETS

1. Sales: Correctional Industries forecasted sales of \$50 million in Fiscal Year 2006 and \$50.2 million in Fiscal Year 2007. Sales forecasts for fiscal years 2008 and 2009 are in the process of development, and will be a component of the Department's 2007-2009 operating budget request.
2. Net Income from Operations: Correctional Industries forecasts 0.8% income from operations.

STRATEGIC ASSESSMENT

MAINTAIN AND EXPAND CLASS II OFFENDER WORK PROGRAMS WITH LIMITED APPROPRIATIONS TO:

- Increase the program links between Vocational Education and Correctional Industries, providing offenders skills for successful re-entry into the community.
- Implement expansion of offender programs to replace lost Class I jobs
- Develop markets to sell Correctional Industries products and services to offenders, offender families, and Department of Corrections employees.
- Continue to develop sales in the K-12 market.
- Identify emerging businesses as potential Class II business opportunities, including out-of-state markets for K-12 classroom furnishings and other products.
- Meet sales of at least 2% of total goods and services spent by institutions of higher education in accordance with RCW 28B.10.029.
- Meet offender job targets set by the Legislature based upon the availability of funding in accordance with RCW 72.09.111
- Implement expansion of offender programs to replace lost Class I offender jobs.

LINK EDUCATION AND CORRECTIONAL INDUSTRIES PROGRAMS

The Department's education, vocational training, and industries programs are working to design and implement a systematic approach to linking education and job skills gained by offenders. This systematic approach will re-align education, vocational training, and industries programs to better prepare offenders for successful re-entry into communities and job markets.

The following table identifies the vocational training program by facility, and shows if there is a supporting industries program at that same institution:

Vocational Program	Facilities	CI Supporting Industry
Information Technology Certificate	ALL	Yes, except at OCC, PLCCW, MCCW
Upholstery	AHCC	Yes
Graphic Arts	MCC	Yes
Janitorial Maintenance	MICC	Yes
Technical Design	MICC	Yes
Welding Technology	SCCC	Yes
Technical Design	WCCW	Yes
Trades Related Apprenticeship Program	WCCW	Yes
Custodial Services	WSP	Yes
Welding Technology	WSP	Yes
Auto Body Technology	WSP	No
Barbering/Hairstyling	WSP	No
Building Maintenance	CCCC, CRCC, MICC, SCCC, WCCW	No
Building System Technology	CBCC	No
Carpentry	WSP	No
Computer Applications Specialist	WSP	No
Computer Services Technology	MCC	No
Cosmetology	WCCW	No
Custodial Services	LCC	No
Electronic Systems Technology	CBCC	No
Electronic Technician	AHCC	No
Homebuilders Carpentry	AHCC	No
Horticulture	WCCW	No
HVAC	WSP	No
Industrial Safety	WCC and WCCW	No
Microcomputer Applications Specialist	MCC	No
Multimedia/Visual Communications	AHCC and MCC	No
Vocational Assessment Program	WCC	No
Welding Technology	MICC	No

APPENDIX A - CORRECTIONAL INDUSTRIES SHOPS

AIRWAY HEIGHTS CORRECTIONS CENTER

Correctional Industries Shops

- A. Optical Laboratory - Manufacturers eye glasses for Department of Social and Health Services 95% (DSHS), Department of Corrections 4%, and nonprofit organizations 1%.
- B. Bindery - Sale of finished silk screening products, manufacture of finished cardboard boxers, binders, padfolios and eyeglass cases.
- C. Food Factory - Preparation of bulk food products and tray-on-tray meals for the Department of Corrections, city and county jails, and nonprofit organizations.
- D. Administration, Warehousing and Transportation - Site accounting, purchasing, invoicing, receiving and shipment of raw materials and finished products, customer service, sales and marketing, and site strategic planning.

The following table shows Fiscal Year 2005 sales, operating square feet, Fiscal Year 2005 offender jobs and forecasted offender jobs for Fiscal Year 2006 and Fiscal year 2007.

SHOP	FY05 Sales	Shop Space	FY05 Offender Jobs	FY06 Offender Forecast	FY07 Offender Forecast
Food Factory	\$6,125,064	24,300	235	240	310
Bindery	\$903,091	10,100	69	75	79
Optical	\$3,792,771	7,200	72	75	75
Transportation	\$5,214	0	2	2	2
AHCC Site	\$0	30,400	35	35	35
AHCC TOTAL	\$10,826,140	72,000	413	427	501

Key Issues and Logistics

- A. The Food Factory expanded production space by 7,000 square feet to provide space for bakery operations and to enable the Food factory to handle increased demand for bulk food products for the Washington State Penitentiary and Coyote Ridge Corrections Center expansions. The Correctional Industries Warehouse expanded 16,000 square feet, to include a 9,000 square foot freezer.
- B. The Food Factory has a customer service department that manages Food Factory and McNeil Island Corrections Center Meat Plant order coordination.
- C. The Airway Heights Corrections Center Warehouse and the McNeil Island Corrections Center Warehouse coordinate delivery of food products on dedicated delivery trucks throughout the state.
- D. The Optical Laboratory has a customer service department that manages orders for Department of Social and Health Services (DSHS) with optical practitioners, electronically invoices DSHS, performs on-site billing reconciliation, and determines patient eligibility of benefits. The Optical Lab sends all orders for glasses using United Parcel Services.
- E. The Bindery handles order entry, invoicing, and manufacturing of all products, including screen-printing on clothing as custom orders.

AIRWAY HEIGHTS CORRECTIONS CENTER - CONTINUEDMarket Growth Potential

A. Bindery

1. Increased purchasing requirements for higher education purchasers per Chapter 167, Laws of 2004.
2. Increase market presence with Parks and Recreation and Eastern Washington nonprofit organizations.
3. Recent approval to accept purchasing cards from higher education partners offers Correctional Industries the opportunity to sell silk screening products and cardboard boxes to higher education

B. Optical Lab

1. Develop an out-of-state contract for glasses similar to the DSHS contract. The Optical Lab must increase floor space to handle the program expansion.

C. Food Factory

1. Facility expansions at Coyote Ridge Corrections Center and Washington State Penitentiary will increase the demand for food products.
2. Increased presence in city and county jails.
3. In conjunction with the Meat Plant, develop food products for marketing and sale to offender stores.

Promotion Strategies

- A. Develop online ordering process for Bindery products along with Ahtanum View Corrections Center embroidery and silk screening products,
- B. Include Bindery products at trade shows and conferences,
- C. Utilize and maintain nonprofit customer list for direct mailings and promotions, and
- D. Target fund-raisers and conference planners.

CLALLAM BAY CORRECTIONS CENTER

Correctional Industries Shops

- A. Offender Clothing: Production of offender clothing products including denim jeans, denim jackets, and offender khaki work shirts.
- B. Warehouse: Correctional Industries does not have a warehouse to store raw materials and finished goods. Completed products are stored on a 53-foot trailer and transported to the Correctional Industries PikaPak warehouse in the Washington Corrections Center.

The following table shows Fiscal Year 2005 sales, operating square feet, Fiscal Year 2005 offender jobs and forecasted offender jobs for Fiscal Year 2006 and Fiscal year 2007.

SHOP	FY05 Sales	Shop Space	FY05 Offender Jobs	FY06 Offender Forecast	FY07 Offender Forecast
Offender Garments	\$1,094,227	13,600	77	77	78
CBCC Site	0	500	7	8	8
CBCC TOTAL	\$1,094,227	14,100	84	85	86

Key Issues and Logistics

- A. Completed products are boxed and shipped to the Washington Corrections Center PikaPak shop for ultimate sale to the customers. The Clallam Bay offender clothing shop does not have warehouse or storage facilities to stock raw materials or finished products.
- B. The Correctional Industries Site Business Office handles purchasing of raw material stock.
- C. Correctional Industries’ centralized customer service department at Washington Corrections Center processes invoicing finished products.

Market Growth Potential

- A. Chapter 346, Laws of 2005, which amended RCW 72.09.100 to expand the market for sales to offenders, positions the offender clothing shop to produce goods for sales to offender stores such as jeans, shirts, and jackets.
- B. Facility expansions at Coyote Ridge Corrections Center, the Washington State Penitentiary, and Department of Corrections facilities will increase demand for offender clothing.

Promotion Strategies

- A. Develop online ordering process for offender clothing within the department.
- B. Include Clallam Bay offender clothing at trade shows and conferences targeted to city and county jails.

Key Issues and Logistics

- A. Completed products are boxed and shipped to the Washington Corrections Center PikaPak shop for ultimate sale to the customers. The Clallam Bay offender clothing shop does not have warehouse or storage facilities to stock raw materials or finished products.
- B. The Correctional Industries Site Business Office handles purchasing of raw material stock.
- C. Correctional Industries’ centralized customer service department at Washington Corrections Center processes invoicing finished products.

CLALLAM BAY CORRECTIONS CENTER - CONTINUEDMarket Growth Potential

- A. Chapter 346, Laws of 2005, which amended RCW 72.09.100 to expand the market for sales to offenders, positions the offender clothing shop to produce goods for sales to offender stores such as jeans, shirts, and jackets.
- B. Facility expansions at Coyote Ridge Corrections Center, the Washington State Penitentiary, and Department of Corrections facilities will increase demand for offender clothing.

Promotion Strategies

- A. Develop online ordering process for offender clothing within the department.
- B. Include Clallam Bay offender clothing at trade shows and conferences targeted to city and county jails.

COYOTE RIDGE CORRECTIONS CENTER

Correctional Industries Shops

- A. Mattress: Production of Neoprene Foam mattresses and pillows, cotton batting/cotton tubing mattresses and pillows, and Mediguard mattresses and pillows.
- B. Flatgoods: Production of bedding including blankets, linens, mattress covers, towels, laundry bags, and coveralls.
- C. Portion Pac: Sales of janitorial supplies.
- D. Pheasant Farms: Hatching and raising of pheasants for the Department of Fish and Wildlife.
- E. Food Factory Satellite: Planned construction of a satellite food factory to prepare bulk food products for expansions at Coyote Ridge, the Washington State Penitentiary, and other Department of Corrections facilities.
- F. Warehouse: Only 4,700 square feet has been made available in the institution’s 22,000 square feet warehouse in the Coyote Ridge Corrections Center expansion. The Department is developing plans to identify warehouse needs for food storage, dry goods, mattresses, and clothing.

The following table shows Fiscal Year 2005 sales, operating square feet, Fiscal Year 2005 offender jobs and forecasted offender jobs for Fiscal Year 2006 and Fiscal year 2007.

SHOP	FY05 Sales	Shop Space	FY05 Offender Jobs	FY06 Offender Forecast	FY07 Offender Forecast
Mattress	\$415,677	6,560	8	7	8
Flatgoods	\$603,196	6,500	23	33	36
Portion Pac	\$133,502	400	0	10	10
CRCC TOTAL	\$1,152,375	13,460	31	50	54

Key Issues and Logistics

- A. Coyote Ridge Corrections Center is expanding from 600 offenders currently to 2,392 offenders in Fiscal Year 2009.
- B. The Correctional Industries Washington State Penitentiary Business Office provides business support for this operation to include order entry, purchasing, and invoicing.
- C. With the construction of the satellite Food Factory, Correctional Industries will hire a Site Manager and Business Manager to run the day-to-day site.

Market Growth Potential

- A. Flatgoods
 - 1. Chapter 346, Laws of 2005, which amended RCW 72.09.100 to expand the market for sales to offenders, positions the shop to produce goods for sales to offender stores such as jeans, slacks, and shirts.
 - 2. Facility expansions at Coyote Ridge Corrections Center, the Washington State Penitentiary, and Department of Corrections facilities will increase demand for bed linens, towels, and laundry bags.
- B. Mattresses: Facility expansions at Coyote Ridge Corrections Center, the Washington State Penitentiary, and Department of Corrections facilities will increase demand for mattresses.
- C. Portion Pac is relatively new, with few institutions purchasing products. Products have green seal approval; continual education, promotion of savings, and institutional are critical to the viability of the program.
- D. Food Factory Satellite: Construction of a 24,000 sq. ft. satellite Food Factory provides space necessary to increase the sale of food factory products to the Department of Corrections and other customers.

Promotion Strategies

- A. Develop online ordering process for Flatgoods products within the department.
- B. Include Coyote Ridge products at trade shows and conferences targeted to city and county jails.

MCNEIL ISLAND CORRECTIONS CENTER

Correctional Industries Shops

- A. Laundry: Launder offender clothing, bedding, mops and rags, dry cleaning of staff uniforms, and uniform alterations.
- B. Meat Plant: Processes raw meat products.
- C. Furniture Factory: Manufacturers finished furniture products, including the following product lines:
 - 1. Volition - free standing furniture
 - 2. Genesis - adjustable tables
 - 3. Flex Station - free standing furniture systems
 - 4. Custom Furniture
 - 5. Restoration and Upholstery
 - 6. Area Design - free standing wood-based furniture
 - 7. High Density Filing System
 - 8. Lounge Seating
 - 9. Panel Systems and Refurbishing
 - 10. Stacking chairs
- D. Administration, Warehousing and Transportation - Site accounting, purchasing, invoicing, receiving and shipping of raw materials and finished products, and site strategic planning.

The following table shows Fiscal Year 2005 sales, operating square feet, Fiscal Year 2005 offender jobs, and forecasted offender jobs for Fiscal Year 2006 and Fiscal year 2007.

SHOP	FY05 Sales	Shop Space	FY05 Offender Jobs	FY06 Offender Forecast	FY07 Offender Forecast
Meat Plant	\$4,157,953	18,000	32	23	35
Furniture	\$9,899,945	41,200	245	244	267
MICC Laundry	\$389,952	5,000	25	20	20
Warehouse		10,300	15	14	14
MICC Site	\$59,225	5,600	29	27	27
MICC TOTAL	\$14,507,075	80,100	346	328	363

Key Issues and Logistics

- A. The Correctional Industries Site Business Office processes all invoicing for the Laundry and the Meat Plant.
- B. The Correctional Industries Site Business Office processes accounts payable, purchasing, order entry for McNeil Island Corrections Center shops and Environmental Services
- C. Correctional Industries centralized Customer Service at the Washington Corrections Center processes order entry, order tracking, and invoicing for Furniture Factory.

Market Growth Potential

- A. Meat Plant:
 - 1. Sale of meat products such as jerky and pepperoni to offenders via the offender stores.
 - 2. Facility expansions at Coyote Ridge Corrections Center, the Washington State Penitentiary, and Department of Corrections facilities will increase demand for meat products.
- B. Furniture Factory:
 - 1. Recent approval to accept purchasing cards from higher education partners offers Correctional Industries the opportunity to sell single units of furniture products to higher education.
 - 2. Chapter 167, Laws of 2004 purchasing targets for Correctional Industries goods and services from higher education partners will increase demand for furniture products.

MONROE CORRECTIONAL COMPLEX

Correctional Industries Shops

- A. Print Shop: Manufactures printed materials.
- B. Tab Shop: Manufactures license plate tabs for Department of Licensing.
- C. Laundry: Launder offender clothing, bedding, mops and rags, dry cleans staff uniforms, and uniform alterations. Also produces white offender tube socks and limited silk screening products.
- D. Panels: Manufactures the following panel systems (modular furniture): 1) Systems XXI and 2) Power Works.
- E. Infectious Disease Personal Protection and Prevention: Assembly of personal protection and infectious disease prevention kits.
- F. Environmental Services: Asbestos abatement and containment in partnership with Washington Organized Labor.
- G. Administration, Warehousing and Transportation - Site accounting, purchasing, invoicing, receiving and shipment of raw materials and finished products, customer service for printed material, and site strategic planning.

The following table shows Fiscal Year 2005 sales, operating square feet, Fiscal Year 2005 offender jobs and forecasted offender jobs for Fiscal Year 2006 and Fiscal year 2007.

SHOP	FY05 Sales	Shop Space	FY05 Offender Jobs	FY06 Offender Forecast	FY07 Offender Forecast
IDPPP	\$114,805	200	1	2	2
Panels	\$0	20,000	0	36	56
Printing	\$852,097	10,400	21	25	27
Tabs	\$525,824	2,000	5	8	8
Laundry	\$521,889	7,000	21	20	40
Environmental Services		0	17	13	15
MCC Warehouse		7,000	0	0	0
MCC Site		2,500	9	8	8
MCC TOTAL	\$2,014,615	49,100	74	112	156

Key Issues and Logistics

- A. Print Shop: The equipment in this shop is obsolete and nonfunctional. Correctional Industries is studying the viability of the program, the future of the printing industry, and the ability of offenders to secure a printing-related job upon release.
- B. Laundry: The present laundry operates in the Reformatory. During Fiscal Year 2007, the laundry will relocate to Twin Rivers.
- C. Environmental Services: This program is limited by Labor to operate two work crews.

Market Growth Potential

- A. Print Shop
 - 1. The Print Shop is researching expansion of product offerings to include computerized engraving services marketed to higher education partners.
 - 2. Correctional Industries is working with the State Printers to develop a partnership to regain markets and establish an offender certification program.
- B. Panels: Chapter 167, Laws of 2004 purchasing targets for Correctional Industries goods and services from higher education partners will increase demand for panel systems.
- C. Automotive Repair Program: Correctional Industries is studying the viability of operating an automotive repair program
- D. Dentures: Correctional Industries is studying the viability of operating a denture laboratory

STAFFORD CREEK CORRECTIONS CENTER

Correctional Industries Shops

- A. Metal Fabrication: Manufactures metal component parts, welding, powder coating, finishing and assembly of filing cabinets.
- B. Kindergarten through high school: Furniture production with an emphasis for selling to the K-12 educational market.
- C. Chairs: Manufactures and assembles chairs.
- D. Laundry: Processes offender clothing, bedding, mops and rags, dry cleans staff uniforms, and uniform alterations.
- E. Administration, Warehousing and Transportation - Site accounting, purchasing, invoicing, receiving and shipment of raw materials and finished products, and site strategic planning.

The following table shows Fiscal Year 2005 sales, operating square feet, Fiscal Year 2005 offender jobs and forecasted offender jobs for Fiscal Year 2006 and Fiscal year 2007.

SHOP	FY05 Sales	Shop Space	FY05 Offender Jobs	FY06 Offender Forecast	FY07 Offender Forecast
Metal	\$1,805,623	13,437	13	13	18
Chairs	\$1,976,878	10,502	43	49	69
K-12	\$499,768	13,437	15	26	31
Laundry	\$369,221	10,800	28	28	28
SCCC Site		10,800	16	16	16
SCCC TOTAL	\$4,651,490	58,976	118	135	162

Key Issues and Logistics

- A. Correctional Industries centralized Customer Service department at Washington Corrections Center processes order entry, order tracking, and invoicing for Metal Fabrication, Chairs, and K-12 furnishings.
- B. The Correctional Industries Site Business Office processes all invoicing for the Laundry.
- C. The Correctional Industries Site Business Office processes accounts payable, purchasing, order entry for Stafford Creek shops.
- D. The Correctional Industries warehouse has used up existing racking and cannot store products above 14' per Fire Marshall regulations. Compliance to Fire Marshall regulations eliminated half of the storage space; Correctional Industries leases four 48 ft. trailers to handle storage needs that should be served in the warehouse. Stafford Creek Correctional Industries must upgrade the fire suppression system to handle increase demand for furniture products from Department of Corrections facility expansion, higher education partners, and K-12 customers.

Market Growth Potential

- A. Kindergarten through high school: Chapter 346, Laws of 2005 passed during the 2005 Legislative Session encourages K-12 customers to set a purchasing target of 1% of total goods and services from Correctional Industries.
- B. Metal Fabrication and Chairs: Chapter 167, Laws of 2004 purchasing targets for Correctional Industries goods and services from higher education partners will increase demand for furniture products. Recent approval to accept purchasing cards from higher education partners offers Correctional Industries the opportunity to sell single units of furniture products to higher education.

WASHINGTON CORRECTIONS CENTER

Correctional Industries Shops

- A. PikaPak: Distribution of initial state-issued clothing and replacement of state-issue clothing in bulk.
- B. Customer Service: Customer and shop support of multiple Correctional Industries operations performing coordinated order entry, order tracking, finished goods inventory, invoicing of finished goods, warranty reporting and tracking, and call center.

The following table shows Fiscal Year 2005 sales, operating square feet, Fiscal Year 2005 offender jobs and forecasted offender jobs for Fiscal Year 2006 and Fiscal year 2007.

SHOP	FY05 Sales	Shop Space	FY05 Offender Jobs	FY06 Offender Forecast	FY07 Offender Forecast
Customer Service	\$0	2,800	23	20	20
PikaPak	\$3,254,951	16,800	24	23	23
WCC TOTAL	\$3,254,951	19,600	47	43	43

Key Issues and Logistics

- A. Customer Service supports the invoicing functions for multiple Correctional Industries shops.
- B. PikaPak has used up existing racking and cannot store products above 14' per Fire Marshall regulations. Compliance to Fire Marshall regulations eliminated half of the storage space. PikaPak must upgrade the fire suppression system to handle increase demand for offender clothing from Department of Corrections facility expansion and to meet the storage needs for clothing produced for offender stores.

Market Growth Potential

- A. PikaPak: Chapter 346, Laws of 2005 passed during the 2005 Legislative Session authorized the sale of products to offenders, offender families, and Department of Corrections employees.
- B. PikaPak: Standardization of offender personal property will expand the offender clothing market, making Correctional Industries the source for offender personal clothing.

WASHINGTON CORRECTIONS CENTER FOR WOMEN

Correctional Industries Shops

- A. Computer Assisted Design: Design and Bill of Material drawings and reports for systems furniture orders.
- B. Embroidery: Embroidery and screen printing operations relocated from Ahtanum View Corrections Center.
- C. PikaPak: Establishment of PikaPak operations to distribute replacement state-issued clothing for women and completion of state-issued property bags for intake.
- D. Upholstery: Refurbishing of furniture products.
- E. TRAC: Trades Related Apprenticeship Coaching program teaching the construction trade and preparing women to pass the apprenticeship testing.

The following table shows Fiscal Year 2005 sales, operating square feet, Fiscal Year 2005 offender jobs and forecasted offender jobs for Fiscal Year 2006 and Fiscal year 2007.

SHOP	FY05 Sales	Shop Space	FY05 Offender Jobs	FY06 Offender Forecast	FY07 Offender Forecast
ProCAD	\$122,341	2,250	19	28	28
Installation	\$368,249	800	36	0	0
Repair Unit/QC	\$178,162	800	1	0	0
PikaPak		315	0	1	1
Upholstery		4,000	0	12	12
Embroidery		4,000	0	15	15
TRAC			3	3	3
WCCW TOTAL	\$668,752	12,165	59	59	59

Key Issues and Logistics

- A. Invoicing for computer assisted design, PikaPak, and upholstery
- B. Installations and Warranty were relocated to the Tumwater Warehouse and Office in March 2006.

WASHINGTON STATE PENITENTIARY

Correctional Industries Shops

- A. Metal Plant: Manufactures metal component parts, welding, small-scale powder coating, metal lockers, and cell furnishings.
- B. License Plates: Manufactures all Washington State license plates.
- C. Sign Shop: Manufactures aluminum signs, sandblasted wood signs, decals for cars.
- D. Garment Factory: Production of officer uniforms, offender clothing products, hospital and food service clothing.
- E. Recycling: Metal, food, and yard waste recycling and compost of the waste stream generated by the Washington State Penitentiary Institution and the City of Walla Walla.
- F. Pheasants: Hatching and raising of pheasants for the Washington State Department of Fish and Wildlife.
- G. Administration, Warehousing and Transportation - Site accounting, purchasing, invoicing, receiving and shipment of raw materials and finished products, and site strategic planning.

The following table shows Fiscal Year 2005 sales, operating square feet, Fiscal Year 2005 offender jobs and forecasted offender jobs for Fiscal Year 2006 and Fiscal year 2007.

SHOP	FY05 Sales	Shop Space	FY05 Offender Jobs	FY06 Offender Forecast	FY07 Offender Forecast
Crops	\$185,127	1,800	7	10	10
Pheasants	\$64,741	0	13	12	12
Garments	\$1,523,059	21,600	169	191	193
License Plates	\$2,786,893	20,400	26	24	24
Metal Plant	\$769,098	13,600	46	44	47
Signs	\$714,007	19,200	31	39	40
Recycling	\$163,588	3,600	14	18	18
Transportation	\$211	0	17	12	12
WSP Site	\$0	16,300	13	14	14
WSP TOTAL	\$6,206,724	96,500	336	394	370

Key Issues and Logistics

- A. Correctional Industries centralized Customer Service department at Washington Corrections Center processes order entry, order tracking, and invoicing of finished products for Metal Plant.
- B. The Correctional Industries Business Office provides support to operations at Coyote Ridge and Ahtanum View. Upon completion of the facility expansion at Coyote Ridge, these functions will transfer to Coyote Ridge.

Market Growth Potential

- A. Metal Plant: Recent contracts with TrussBilt Security Solutions and Acorn Engineering Company will increase markets for Metal Plant products and expand product lines to include stainless steel.
- B. Garment Factory: Standardization of offender personal property will expand the offender clothing market, making Correctional Industries the source for offender personal clothing.

MINIMUM SECURITY FACILITIES

AHTANUM VIEW CORRECTIONAL CENTER

Correctional Industries Shops

- A. Embroidery - Sale of finished silk screening products, embroidery clothing products, patches, and belts. This shop is in the process of relocating to Washington Corrections Center for Women. The current plan is to replace jobs with garments production jobs, focusing on Terry-cloth products such as towels and wash clothes.
- B. Warehouse: This location has no warehouse to store raw materials and finished goods. Raw materials and finished goods are stored in the manufacturing area, staged on trailers, on moved to the Correctional Industries warehouse in the Washington State Penitentiary.

The following table shows Fiscal Year 2005 sales, operating square feet, Fiscal Year 2005 offender jobs and forecasted offender jobs for Fiscal Year 2006 and Fiscal year 2007.

SHOP	FY05 Sales	Shop Space	FY05 Offender Jobs	FY06 Offender Forecast	FY07 Offender Forecast
Embroidery	\$593,942	1,200	15	13	15
AVCC TOTAL	\$593,942	1,200	15	13	15

Key Issues and Logistics

- A. The Correctional Industries Washington State Penitentiary Business Office provides business support for this operation to include order entry, purchasing, and invoicing
- B. Sales of belts are made primarily to the Washington Corrections Center PikaPak for inclusion in the offender state owned property bags. PikaPak, as supplied by the Embroidery Shop, makes sales of belts in bulk to the institutions.

Market Growth Potential

- A. Increased purchasing requirements for higher education purchasers per Chapter 167, Laws of 2004

Promotion Strategies

- A. Develop online ordering process for Embroidery and silk screening process with Airway Heights Bindery products.
- B. Include Ahtanum View Embroidery products at trade shows and conferences.
- C. Utilize and maintain nonprofit customer list for direct mailings and promotions.
- D. Target fund-raisers and conference planners.

CEDAR CREEK CORRECTIONS CENTER

Correctional Industries Shops

- A. Environmental Services: Asbestos abatement and containment in partnership with Washington Organized Labor.
- B. Installations: Installation and repair of Correctional Industries furniture products.
- C. Warranty: Warranty tracking and resolution of product repairs, receipt of non-conforming products, and difficulty using products.
- D. Statewide Light Industrial Park (SLIP): Staging and delivery of finished goods and raw materials. Includes administration, installation, warranty, and environmental services.

The following table shows Fiscal Year 2005 sales, operating square feet, Fiscal Year 2005 offender jobs and forecasted offender jobs for Fiscal Year 2006 and Fiscal year 2007.

SHOP	FY05 Sales	Shop Space	FY05 Offender Jobs	FY06 Offender Forecast	FY07 Offender Forecast
Environmental Services	\$1,189,678	5,000	9	16	18
Installations	\$0		19	18	20
Transportation	\$1,317,709	40,000	10	20	20
Warehouse	\$0		0	0	0
CCCC TOTAL	\$2,507,387	45,000	38	54	58

LARCH CORRECTIONS CENTER

Correctional Industries does not operate shops in this facility.

MISSION CREEK CORRECTIONS CENTER FOR WOMEN

Correctional Industries is in the process of establishing a small computer assisted design operation at this facility.

Correctional Industries is studying the viability of relocating the Trades Related Apprenticeship Coaching program from the Washington Corrections Center for Women to Mission Creek.

Key Issues and Logistics

- A. More industry space to expand opportunities.

OLYMPIC CORRECTIONS CENTER

Correctional Industries does operate any shops in this facility.

PINE LODGE CORRECTIONS CENTER FOR WOMEN

Correctional Industries Shops

- A. Dry food packaging (spices, trail mix, etc.)
- B. Two work stations performing computer assisted design to provide continuity of training for Washington Corrections Center for Women trained offenders

Key Issues and Logistics

- A. More industry space to expand opportunities

APPENDIX B - CORRECTIONAL INDUSTRIES FLOOR SPACE

Shop	Shop Space	FY05 Offender Jobs	FY06 Offender Jobs	FY07 Offender Jobs
AHCC Food Factory	24,300	235	240	310
AHCC Bindery	10,100	69	75	79
AHCC Optical	7,200	72	75	75
AHCC Transportation	0	2	2	2
AHCC Site	30,400	35	35	35
PLCCW Food Packaging, CAD, Sewing	3,000	13	13	13
AVCC Embroidery and Sewing	1,200	15	13	15
CBCC Offender Garments	13,600	77	77	78
CBCC Site	500	7	8	8
CCCC Environmental Services	3,300	9	16	18
CCCC Installations and Warranty	3,300	56	52	55
CCCC Transportation	32,000	10	20	20
CCCC Warehouse	0	0	0	0
CRCC Mattress	6,560	8	7	8
CRCC Flatgoods	6,500	23	33	36
CRCC Portion Pac	400	0	10	10
MCC IDPPP	200	1	2	2
MCC Panels	20,000	0	36	36
MCC Printing	10,400	21	25	27
MCC Tabs	2,000	5	8	8
MCC Laundry	7,000	21	20	40
MCC Environmental Services	0	17	13	15
MCC Warehouse	7,000	0	0	0
MCC Site	2,500	9	8	8

APPENDIX B - CORRECTIONAL INDUSTRIES FLOOR SPACE

Shop	Shop Space	FY05 Offender Jobs	FY06 Offender Jobs	FY07 Offender Jobs
MICC Meat Plant	18,000	32	23	35
MICC Furniture Factory	41,200	245	244	267
MICC Laundry	5,000	25	20	20
MICC Warehouse	10,300	15	14	14
MICC Site	5,600	29	27	27
SCCC Metal Fabrication	13,437	16	16	18
SCCC Chairs	10,502	43	49	69
SCCC K-12	13,437	15	26	31
SCCC Laundry	10,800	15	26	31
SCCC Site	10,800	16	16	16
WCC Customer Service	2,800	23	20	20
WCC PikaPak	16,800	24	23	23
WCCW Computer Aided Design	2,250	19	28	28
WCCW TRAC	8,000	3	3	3
WSP Crops	1,800	7	10	10
WSP Pheasants	0	13	12	12
WSP Garments	21,600	169	191	193
WSP License Plates	20,400	26	24	24
WSP Metal Plant	13,600	46	44	47
WSP Signs	19,200	31	39	40
WSP Recycling/Composting	3,600	14	18	18
WSP Transportation	0	17	12	12
WSP Site	16,300	13	14	14
HQ Sales	34,000	0	0	0
Totals	490,886	1,574	1,689	1,889
Average SQ FT Per Offender Job		311	290	259

APPENDIX C - FACILITY RECOMMENDATIONS

SHORT TERM CAPITAL IMPROVEMENT NEEDS

1. **Fire Suppression System, Washington Corrections Center:** The current fire suppression system does not permit the stacking of materials above 14 feet, eliminating half of the storage capacity in the warehouse. Lack of an adequate fire suppression system hampers our ability to expand operations, which limits our ability to expand Class II offender jobs, meet customer expectations for products, and consequently loose market share.

The Washington Corrections Center Warehouse is the ultimate distributor of offender clothing products to the major institutions, storing finished goods that were manufactured by Washington State Penitentiary Garments, Clallam Bay Garments, Coyote Ridge Flatgoods, and Monroe Correctional Complex Laundry. Estimated cost is \$150,000 and the investment will increase offender 10 jobs statewide at Monroe, Clallam Bay, Walla Walla, and Coyote Ridge.

2. **Fire Suppression System, Stafford Creek:** The current fire suppression system does not permit the stacking of materials above 14 feet, eliminating half of the storage capacity in the warehouse. Lack of an adequate fire suppression system hampers our ability to expand operations, which limits our ability to expand Class II offender jobs, meet customer expectations for products, and consequently loose market share.

The SCCC Warehouse holds finished goods and raw materials for K-12 furniture, chairs, and file cabinets. Lack of storage for these products will eliminate our ability to meet the increased purchasing requirements for higher education, Chapter 167, Laws of 2004. Estimated cost is \$150,000 and will increase 10 offender jobs at Stafford Creek.

3. **Washington Corrections Center for Women:** Relocation of the embroidery and silk screening operations from AVCC. The plan includes a set up of a PikaPak operation (offender clothing distribution) to sell female offender garments and set up an upholstery program. Estimated Cost \$77,000 and will increase 14 offender jobs at the Washington Corrections Center for Women.
4. **Welding Cells, Washington State Penitentiary:** Expands Correctional Industries welding programs for detention facility products with TrussBilt Security Solutions and stainless steel products with Acorn Engineering Company. Partnering with both of these companies enables the Metal Plant to draw upon the procurement expertise, technology, service, and knowledge of the industry. Tenant Improvements of \$40,560 is for the welding booth, work benches, electrical modifications, and ventilation and will increase four offender jobs.
5. **Monroe Correctional Complex:** Expands Correctional Industries panel manufacturing operations that were relocated from McNeil Island to Monroe during fiscal year 2005. The expansion includes structural and electrical modifications in space previously occupied by Class I industries and realigns Print Shop and Tab Shop operations. Tenant improvements of \$428,000 will increase 20 offender jobs.

APPENDIX D - EXPANSION OPPORTUNITIES

CLASS II GROWTH STRATEGIES

Expanding offender jobs requires sustained sales growth. Growth will include higher education markets and enhanced online ordering. Correctional Industries is working to make the ordering process easier and has assigned account executives to service specific agencies. Correctional Industries' ability to identify and increase market penetration only into governmental and nonprofit markets is a limiting factor for achieving offender worker goals. The marketing and sales effort must be supported by a manufacturing process that is customer service driven.

Correctional Industries will continue to develop pre-apprenticeship programs with organized Labor in the area of furniture manufacturing, design services, asbestos abatement, and food service. Pre-apprenticeship programs allow an offender to develop skills and the potential to secure a job supported in part by organized Labor.

Correctional Industries is a market-driven organization, producing what the market demands. To remain viable, Correctional Industries must continue to improve customer service capabilities. This includes plant development, infrastructure, equipment purchases, on-time delivery, training of offenders and civilian staff, and a significant investment in finished goods inventory.

ADDITIONAL EXPANSION OPPORTUNITIES TO REPLACE CLASS I JOBS AND EXPAND CLASS II

- I. **Food Factory Expansion:** The Airway Heights Food Factory has expanded, adding 7,000 sq. ft. of production space and 16,000 sq. ft. for additional warehouse space, of which 9,000 sq. ft. for a freezer using Certificates of Participation. The debt will be serviced from the revolving fund based upon increased demand for food products. The Food Factory now operates three shifts, 24 hours a day during weekdays and has added weekend shifts to keep up with demand. Since June 30, 2003, the Food Factory has added 109 offender jobs.

The expansion is predicated upon increased demand for Food Factory products caused by the growth in offender populations.

- II. **Chapter 167, Laws of 2004** passed during the 2004 session, set six-year phased-in offender worker targets for offenders working in Class II Correctional Industries work programs. Chapter 167, Laws of 2004 also set purchasing mandates for state colleges and universities to purchase 1% of their total goods and services from Correctional Industries by June 30, 2006. By June 30, 2008, this requirement increases to 2% of total goods and services. Correctional Industries has been working with our higher education partners to meet these mandates.
 - Business Advisory Committee comprised of higher education and Correctional Industries staff.
 - Established a Fast Fulfillment Center for higher education specific products to meet the value chain requirements for quality products, delivered on time, at the right price.
 - Dedicated four account executive positions to provide face-to-face customer service.
 - Development of a web site tailored to higher education purchasers
 - Received approval from the Office of Financial Management for the acceptance of purchase card orders from higher education.

- III. **Chapter 346, Laws of 2005** passed during the 2005 Legislative Session expanded the selling market to include offenders, offender families, and Department of Corrections employees. The bill also encourages K-12 to set a purchasing target of 1% of total goods and services from Correctional Industries.
- Correctional Industries intends to sell officer uniforms and fund-raising garments to Department of Corrections employees and immediate family members.
 - Sale of gift boxes containing food products and clothing. One benefit of a gift package assembled within an institution is the decrease of contraband entering the system.
 - Sale of food products and garments through the offender stores within each institution.
- Chapter 346, Laws of 2005 opens doors for Correctional Industries to expand marketing and sales efforts to K-12 customers by increasing Correctional Industries' presence in the K-12 market. Correctional Industries has dedicated one account executive position to this market
- IV. **Institutional Laundries:** Correctional Industries operates three of the seven institutional laundries. Correctional Industries is proposing to operate the remaining four laundries, located at Airway Heights, Clallam Bay, Washington Corrections Center, and Washington State Penitentiary. To implement this plan will require an increase in General Fund-State appropriations for Prisons.
- V. **Panel Operations:** The manufacture of office system panels has moved from the McNeil Island Corrections Center to the Monroe Corrections Center. The move created 32 additional offender jobs at Monroe with no loss of jobs at McNeil Island.
- VI. **Centralized Offender Stores:** Correctional Industries is studying the viability of operating offender stores statewide.
- VII. **Expand Powder Coating:** Correctional Industries is researching the viability of expanding powder-coated products at Stafford Creek, focusing specifically on K-12 markets. Expansion of offender jobs would be at Stafford Creek; however, there is limited space available in the H building. To expand opportunities in the K-12 market place and meet growth expectations for offender jobs per CHAPTER 346, Laws of 2005, Correctional Industries must prepare to meet the demands of K-12 customers by offering products consistent with those available by the competition.
- VIII. **Standardization of Offender Personal Property:** The Standardization of Offender Personal Property Committee has been meeting since July 2005 to reduce and standardize offender personal property. One of the committee's recommendations is to make Correctional Industries the source for offender personal clothing.
- IX. **Optical Program:** Due to limited space at the Airway Heights Corrections Center Correctional Industries cannot increase customers.

Expansion at another facility would require Correctional Industries to hold a contract similar in scope to the current contract with Department of Social and Health Services and include the following costs:

- a) Set up customer service at two locations or utilize existing customer service at Airway Heights to handle both facilities;
- b) Three civilian staff to supervise the production of glasses;
- c) One civilian staff to perform administrative;
- d) Equipment investments for production and administrative furnishings; and
- e) Raw material inventory.

Since the loss of Class I, current Class II operations have been able to absorb the loss of Class I jobs at Airway Heights due to increased demand for product.

- XI. **Food Factory Satellite:** The design of the 2,048 bed expansion at the Coyote Ridge Corrections Center includes a 24,000 square foot satellite food factory. The plan is to construct a food factory satellite to prepare bulk foods, supplement activities at the Airway Heights Food Factory and, produce bulk food products for Coyote Ridge, the Washington State Penitentiary, and other Department facilities.

APPENDIX E - REPLACING CLASS I JOBS

Total additional offender jobs in Fiscal Year 2006, including panel move is 74 as follows:

Pine Lodge Food Packaging	13
Stafford Creek Welding	8
Washington State Penitentiary Metal Plant Welding	7
Washington State Penitentiary and Coyote Ridge Pheasant Farm	12
Monroe Panel Move	34
Total New Jobs	74

The new offender jobs were gained because of the investment in the shops, sustained sales, and increased marketing efforts. The following summarizes the status of the projects funded and future investment intentions.

Pine Lodge Food Packaging: Correctional Industries employs 13 offenders performing:

- a) Dry food packaging (spices, trail mix, etc.);
- b) Two work stations for computer assisted design to provide continuity of training for Washington Corrections Center for Women trained offenders; and
- c) Two sewing stations making stuffed toys for the local community.

Correctional Industries has invested in equipment and move existing equipment from Airway Heights to Pine Lodge to meet business needs and employ more offenders. The operation exists in a 3,000 square feet area that was previously administrative space. The Correctional Industries Master Plan may identify expansion requirements.

WSP Welding: The development of the market for cell doors, windows, and metal frames in our partnership with TrussBilt has driven the need for the additional welding cell to focus on stainless steel welding. Correctional Industries is also working on simpler welded products, the barbecue pit contract for General Administration, and developing a lower-cost stacking chair.

Additional investments are required for the new stainless steel welding cell to meet delivery expectations.

Stafford Creek Welding: Correctional Industries invested in a hydraulic break press, used to bend steel for chair brackets, counter balance weights, and boxes for the K-12 furniture line. The Metal Fabrication shop has increased offender jobs by 7 during Fiscal Year 2006.

Washington State Penitentiary Sign Shop: The sign shop was approved to invest in a Jet Pro Printer to sell decals for vehicles. Correctional Industries has entered this market, and are currently producing 8-10 screen prints for King County Public Transit. CI is looking at ways to better serve and develop this market further by investing in additional equipment.

Washington State Penitentiary and Coyote Ridge Pheasant Farm: Correctional Industries has invested in the Pheasant Farm operations, consistent with the current contract with the Department of Fish and Wildlife.

Fast Fulfillment Center: The Fast Fulfillment operation was originally planned to be at the Monroe Correctional Complex. This plan would have required Correctional Industries to maintain two stocks of inventory, adding 200 miles to current transportation routes, and increasing operational costs. The center will be located at the Tumwater Office Warehouse complex and will employ five additional offenders. Investments in box vans and warehousing equipment will be made in Fiscal Year 2006.

Monroe Print Shop: The Department is currently researching the viability of this program, and has been partnering with the State Printer Office

Monroe Native Plants: The Department has researched the viability of this program. This research shows revenue would not cover operational expenses. Therefore, this is no longer under consideration.