



california prison industry authority
Annual Report

fiscal
year
1986-1987

111997

U.S. Department of Justice
National Institute of Justice

This document has been reproduced exactly as received from the person or organization originating it. Points of view or opinions stated in this document are those of the authors and do not necessarily represent the official position or policies of the National Institute of Justice.

Permission to reproduce this copyrighted material has been granted by

California Prison Industry
Authority

to the National Criminal Justice Reference Service (NCJRS).

Further reproduction outside of the NCJRS system requires permission of the copyright owner.



**George Deukmejian
Governor
State of California**

N. A. Chaderjian

Agency Secretary

Youth and Adult Correctional Agency

PRISON INDUSTRY BOARD

James Rowland, Chairman

Earlie A. Mays, Vice Chairman

Members

William E. Allen

Robert E. Burton

Leonard Greenstone

Fred W. Gustin

Robert L. Hanna

Samuel Hill, Jr.

Jack M. Stewart

Wayne A. Zitzke

Carolyn G. Ortiz, Executive Officer

W. J. Estelle, Jr.

General Manager

Prison Industry Authority

Table of Contents

Title	Page
Table of Contents _____	3
Chairman's Report _____	4-5
Auditor's Report _____	6
Balance Sheets _____	7
Statements of Operations _____	8
Statements of Changes in Financial Position _____	9
Statements of Equity _____	10
Notes of Financial Statements _____	11-17
Supplemental Schedule of Operations by Enterprise _____	18-19
Plans for Changes in Existing Operations _____	20
Inmate Employment (Bar chart comparison) _____	21
Inmate Employment in Existing Enterprises _____	22-23
Plans for Development of New Enterprises _____	24

Chairman's Report

FISCAL YEAR 1986-87 - MEETING THE TASK

Fiscal Year 1986-87 reflected the continued growth of the Prison Industry Authority (PIA). The year closed with PIA posting a profit of \$4,127,746 on record sales of nearly \$76 million. Sales were up by almost 45 percent over last year's figure of \$52.5 million. Sales for Fiscal Year 1987-88 are projected to exceed \$95 million.

Inmate employment reached 5,499 during fiscal year 1986-87, an increase of 16 percent over last year's total of 4,727. Since fiscal year 1981-82, PIA has maintained an average annual growth in employment of 19 percent. It is projected that 7,804 inmates will be employed by PIA at the close of fiscal year 1987-88.

Although pleased with its progress in increasing sales, earnings and inmate employment, PIA and its Board remain cognizant of the demands the current prison construction program will generate over the coming years. While projections indicate profitability will be maintained over both the short and long term, some periodic cash flow problems, reflective of fluctuations in the new prison construction program, are also foreseeable.

Anticipating this, PIA has taken several steps toward further insuring long-term self-sufficiency. The development of a long-range strategic plan, focusing upon the feasibility of meeting the 42 percent employment goal while still maintaining economic self-sufficiency, has received considerable attention. A steering committee, which includes representatives from the California Department of Corrections (CDC) Administration, Wardens/Superintendents, and PIA Production Managers, was formed to assist in long-range planning and improve coordination in the development of inmate work programs.

To further support planned program growth, PIA has undertaken the development of an on-line system to automate and assist in the day-to-day management of its factories. This system is expected to be installed in at least five institutions by the close of fiscal year 1987-88.

As a step toward maximizing the efficiency of its existing operations, in fiscal year 1986-87, PIA began a major project to review the labor hour reporting on all of its Bills of Materials (BOMs). The accuracy of these BOMs is fundamental to PIA's continued profitability. By the close of the year, BOMs for major product areas accounting for 80 percent of PIA's sales had been reviewed and revised as necessary.

Chairman's Report

FISCAL YEAR 1986-87 - MEETING THE TASK

Inmate training and employee recruitment also received significant attention during this past year. PIA worked closely with CDC's Vocational Education program to develop joint projects that will provide jobs for inmates completing vocational training and a skilled work force for PIA enterprises. A focused recruitment video aimed at bringing more women into factory management and supervision was completed and has been used successfully in conjunction with increased participation in job fairs.

PIA will continue to grow over the next few years as it keeps pace with new prison construction. The full activation of industries at the California Medical Facility-South and the Southern Maximum Security Complex, with subsequent employment of 1,165 inmates, is a solid beginning. During fiscal year 1987-88, PIA anticipates full or initial activation of industries at six more institutions.

Clearly, keeping pace with an increasing prison population and a new prison construction program is a challenging task. This year demonstrated that PIA is fully up to this challenge and prepared to meet the task.



JAMES ROWLAND, Chairman
Prison Industry Board

Auditor's Report

Deloitte Haskins+Sells

Suite 500
1425 River Park Drive
Sacramento, California 95815-4508
(916) 929-2228
Telex: 176204

AUDITORS' OPINION

To the Board of Directors:

We have examined the balance sheet of Prison Industry Authority as of June 30, 1987 and the related statements of operations, equity, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Prison Industry Authority for the year ended June 30, 1986 were examined by other auditors whose opinion, dated November 7, 1986, on those statements was qualified as to the effects of such adjustments, if any, as might have been required had adequate support for the cost and related accumulated depreciation of plant and equipment acquired prior to July 1, 1983 been available.

In our opinion, the accompanying 1987 financial statements present fairly the financial position of Prison Industry Authority at June 30, 1987 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of operations by enterprise for the year ended June 30, 1987 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte Haskins & Sells

November 13, 1987

Balance Sheets

June 30, 1987 and 1986

<u>Assets</u>	1987	1986
Current assets:		
Cash _____	\$ 2,149,133	\$ 4,178,397
Accounts Receivable _____	6,860,827	3,717,764
Interest Receivable _____	234,798	531,087
Other Receivables _____	399,780	103,603
Inventories _____	23,065,943	19,262,120
Other Current Assets _____	<u>189,314</u>	<u>107,115</u>
Total _____	32,899,795	27,900,086
Plant and Equipment-net _____	16,523,703	7,388,242
Cash restricted for plant and equipment acquisitions _____	<u>22,089,798</u>	<u>11,613,557</u>
Total Assets _____	<u>\$71,513,296</u>	<u>\$46,901,885</u>
<u>Liabilities and Equity</u>		
Current liabilities:		
Accounts Payable _____	\$ 8,470,168	\$ 5,599,174
Accrued Liabilities _____	3,410,743	3,028,994
Deferred Revenue _____	1,482,877	1,364,752
Due to State General Fund _____	1,034,422	1,390,895
Current portion of long-term obligations _____	284,962	51,035
Other _____	<u>325,018</u>	<u>720,430</u>
Total _____	<u>15,008,190</u>	<u>12,155,280</u>
Long-Term Obligations _____	<u>13,770,350</u>	<u>14,116,754</u>
Equity:		
Contributed capital _____	36,477,356	18,500,197
Retained earnings _____	<u>6,257,400</u>	<u>2,129,654</u>
Total _____	<u>42,734,756</u>	<u>20,629,851</u>
Total Liabilities and Equity _____	<u>\$71,513,296</u>	<u>\$46,901,885</u>

See notes to financial statements.

Statements of Operations

For the years ended June 30, 1987 and 1986

	1987	1986
Sales _____	\$ 75,945,793	\$ 52,531,206
Cost of Sales _____	<u>60,443,252</u>	<u>45,448,935</u>
Gross Profit _____	15,502,541	7,082,271
Selling and Administrative Expenses _____	<u>9,511,746</u>	<u>7,141,925</u>
Income from Operations _____	5,990,795	(59,654)
<u>Other Income (Expense):</u>		
Plant Start-up Costs _____	(1,562,121)	(658,973)
Federal Reimbursement _____		(356,000)
Interest Income _____	762,005	798,787
Interest Expense _____	(1,203,447)	(736,742)
Other-Net _____	<u>140,514</u>	<u>122,457</u>
Net Income (Loss) _____	<u><u>\$4,127,746</u></u>	<u><u>\$ (890,125)</u></u>

See notes to financial statements.

Statements of Changes in Financial Position

For the years ended June 30, 1987 and 1986

	1987	1986
Cash Provided by Operations:		
Net Income (loss)_____	\$ 4,127,746	\$ (890,125)
Items not affecting working capital:		
Depreciation and Amortization_____	1,898,945	1,368,548
Effect of Changes In:		
Accounts Receivable_____	(3,439,240)	(575,407)
Interest Receivable_____	296,289	(488,374)
Inventories_____	(3,803,823)	(1,525,208)
Other Current Assets_____	(82,199)	(27,825)
Accounts Payable_____	2,870,994	2,425,917
Accrued Liabilities_____	381,750	1,090,691
Due to State General Fund_____	(356,473)	1,037,628
Current Portion of Long-Term Obligation_____	233,927	51,035
Deferred Revenue_____	118,125	670,433
Other_____	<u>(395,412)</u>	<u>654,370</u>
Cash Provided by Operations_____	<u>1,850,629</u>	<u>3,791,683</u>
Financing Transactions:		
Additions to Long-Term Obligations_____		14,294,141
Reductions of Long-Term Obligations_____	(346,404)	(177,388)
Additions to Contributed Capital_____	<u>17,977,159</u>	
Cash provided by financing transactions_____	<u>17,630,755</u>	<u>14,116,753</u>
Investing Transactions:		
Acquisition of plant and equipment- net_____	(11,096,987)	(4,453,593)
Cash restricted for plant and equipment acquisitions_____	(10,476,241)	(11,613,557)
Other-net_____	<u>62,580</u>	
Cash used by investing transactions_____	<u>(21,510,648)</u>	<u>(16,067,150)</u>
Cash, Beginning of Year_____	<u>4,178,397</u>	<u>2,337,111</u>
Cash, End of Year_____	<u>\$ 2,149,133</u>	<u>\$ 4,178,397</u>

See notes to financial statements.

Statements of Equity

For the years ended June 30, 1987 and 1986

	Contributed Capital	Retained Earnings	Total
Balance, July 1, 1985 _____	\$18,500,197	\$3,019,779	\$21,519,976
Net Loss _____		(890,125)	(890,125)
Balance, June 30, 1986 _____	18,500,197	2,129,654	20,629,851
Additions to Contributed Capital _____	17,977,159		17,977,159
Net Income _____		4,127,746	4,127,746
Balance, June 30, 1987 _____	<u>\$36,477,356</u>	<u>\$6,257,400</u>	<u>\$42,734,756</u>

See notes to financial statements.

Notes to Financial Statements

June 30, 1987

(1) ORGANIZATION

The Prison Industry Authority (PIA) was created in accordance with the provisions of Chapter 1549, Statutes of 1982, and was established on January 1, 1983, as the successor to the California Correctional Industries. The assets and liabilities of the Correctional Industries Revolving Fund (CIRF) were transferred on that date to the Prison Industries Revolving Fund (PIRF) for the operation of PIA.

PIA is under the policy direction of an 11-member board of directors and operates within the Department of Corrections. PIA consists of enterprises at 12 of California's penal institutions with administrative offices located in Sacramento, California. The products manufactured by these operations are sold primarily to departments of the State of California and other governmental entities.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - Revenue and expense for all operations, other than agricultural operations which are not material, are recorded using the accrual basis of accounting.

Cash consists of deposits in the custody of the State Treasurer. Interest earned on cash invested in the State Treasurer's Pooled Money Investment Fund is prorated to PIA based on its average cash balance.

Inventories are stated principally at first-in, first-out cost which is lower than market.

Plant and Equipment is stated at cost. Depreciation is computed using the straight-line method over estimated useful lives of two to 20 years for plant and equipment and 10 to 30 years for orchards and livestock.

Deferred Revenues represent advance payments from State agencies for the future delivery of products.

Reclassification - Certain amounts in the 1986 financial statements have been reclassified to conform with the 1987 presentation.

(3) RESTRICTED CASH

Cash restricted for the acquisition of plant and equipment represents the unexpended balance of certain proceeds from long-term debt and contributed capital.

Notes to Financial Statements

June 30, 1987

(4) INVENTORIES

Inventories consist of:

	<u>1987</u>	<u>1986</u>
Raw Materials _____	\$ 8,064,409	\$ 6,763,945
Work in Process _____	7,264,478	5,267,830
Finished Goods _____	5,502,147	5,164,975
Manufacturing Supplies _____	<u>2,234,909</u>	<u>2,065,370</u>
Total Inventories _____	<u>\$23,065,943</u>	<u>\$19,262,120</u>

(5) PLANT AND EQUIPMENT

Plant and Equipment consist of:

	<u>1987</u>	<u>1986</u>
Equipment _____	\$23,119,564	\$15,254,041
Building and Improvements _____	4,647,205	1,725,158
Livestock _____	264,515	259,556
Orchards _____	<u>101,260</u>	<u>101,260</u>
Total _____	28,132,544	17,340,015
Accumulated Depreciation _____	<u>(11,608,841)</u>	<u>(9,951,773)</u>
Plant and Equipment-Net _____	<u>\$16,523,703</u>	<u>\$ 7,388,242</u>

Capitalized interest related to the construction of major facilities and equipment was \$180,130 in 1987 and \$59,576 in 1986.

(6) ACCRUED LIABILITIES

Accrued liabilities consist of:

	<u>1987</u>	<u>1986</u>
Compensated Absences due to Employees _____	\$1,442,264	\$1,111,223
Support Charges _____	750,688	911,905
Sales and Use Tax _____	640,596	565,022
Inmate Pay _____	301,061	276,916
Service and Expense _____	163,035	58,647
Personal Services _____	<u>113,099</u>	<u>105,281</u>
Total Accrued Liabilities _____	<u>\$3,410,743</u>	<u>\$3,028,994</u>

Notes to Financial Statements

June 30, 1987

(7) DUE TO STATE GENERAL FUND

Amounts due to the State General Fund consist of:

	<u>1987</u>	<u>1986</u>
Advance to CIRF prior to PIA's inception on January 1, 1983	\$ 353,267	\$ 353,267
Accrued interest on the General Fund loan at 9.472% per annum (see Note 8)	681,155	681,155
Audit disallowance by the Federal Government		356,000
Other	<u> </u>	<u> 473</u>
Total Due to State General Fund	<u><u>\$1,034,422</u></u>	<u><u>\$1,390,895</u></u>

(8) LONG-TERM OBLIGATIONS

Long-term Obligations consist of:

	<u>1987</u>	<u>1986</u>
Loan from State General Fund	\$12,095,883	\$12,095,883
Equipment financing arrangements:		
Capital Lease Obligations	1,146,466	264,331
Other (funds not yet used for equipment purchases)	<u> 812,963</u>	<u> 1,807,575</u>
Total	14,055,312	14,167,789
Less Current Portion	<u> 284,962</u>	<u> 51,035</u>
Long Term Portion	<u><u>\$13,770,350</u></u>	<u><u>\$14,116,754</u></u>

The loan from the State General Fund's New Industries Revolving Account is being used to finance new prison industry projects. The loan agreement requires payments

Notes to Financial Statements

June 30, 1987

of interest only for the first five years followed by a principal payment of \$396,940 in November 1991. Thereafter, through 2005, payments of interest (at a floating rate equal to the earnings rate of the Pooled Money Investment account adjusted every five years) and principal will be made annually. Certain inventory, livestock and equipment are pledged as security for the loan.

The equipment financing arrangement consists of \$2,104,326 borrowed under an agreement with a private corporation at 9.93 percent interest which matures in 1991. These funds, along with interest earned thereon, are being used to acquire equipment for certain factory locations through a master lease-purchase agreement with the corporation. Through June 30, 1987, \$1,291,363 of the loan proceeds had been used to purchase equipment for use at the California Institution for Men, California Medical Facility, California Men's Colony, Deuel Vocational Institution, and the California Training Facility. Title to the equipment will pass to PIA at the end of the leases (see Note 9).

Annual principal maturities for years subsequent to June 30, 1988 are: 1989- \$309,553; 1990 - \$341,509; 1991 - \$1,023,405; 1992 - \$396,940; and, thereafter, \$11,698,943.

(9) LEASE OBLIGATIONS

Capital Leases

Future minimum lease payments under capital leases are as follows:

Fiscal year ending June 30, 1988	\$ 387,773
Fiscal year ending June 30, 1989	387,773
Fiscal year ending June 30, 1990	387,773
Fiscal year ending June 30, 1991	204,150
Total minimum lease payments	1,367,469
Less amount representing interest	221,003
Present value of minimum lease payments	<u>\$1,146,466</u>
(included in long-term obligations - see Note 8)	

Notes to Financial Statements

June 30, 1987

The net book value of the assets leased, \$899,206 at June 30, 1987, is included in plant and equipment on PIA's balance sheet.

Operating Lease

PIA has a 10-year lease for its central office which provides for varying amounts of monthly payments and is subject to annual escalation. PIA has an option to terminate the lease after May 31, 1990.

Future minimum lease payment under the lease are as follows:

Fiscal year ending June 30, 1988	\$ 353,034
Fiscal year ending June 30, 1989	353,034
Fiscal year ending June 30, 1990	<u>323,614</u>
Total	<u>\$1,029,682</u>

Rental expense under this lease was \$261,306 in 1987 and \$201,199 in 1986.

(10) CONTRIBUTED CAPITAL

Contributed capital at July 1, 1986 represents the amount transferred from CIRF to PIA on January 1, 1983. During 1987, PIA had additional capital contributions of \$241,159 from the Public Building Construction Fund, and \$17,736,000 from the 1986 Prison Construction Fund for equipment and tenant improvements at new institutions (see Note 13).

(11) PENSION PLAN

At June 30, 1987, PIA employed 547 public service employees. Of these, 384 were classified as safety, 145 as industrial, and 18 were casual employees and youth-aides. For the year ended June 30, 1987, the total Civil Service payroll was \$15.1 million.

All permanent employees participate in the Public Employees' Retirement Fund (the Fund). The Fund, a multiple-employer defined benefit retirement plan, is administered by a Board of Administration composed of individuals (1) elected to Public Employees Retirement System membership, (2) appointed by elected State of California officials, and (3) specific elected State of California officials. The Fund provides retirement, disability, and death benefits. Such benefits are based on the employees' years of service, age, and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50.

Notes to Financial Statements

June 30, 1987

State records relating to vested benefits and prior service costs at June 30, 1987 and 1986 are not separately available for PIA.

PIA, based on a valuation by the Fund's actuaries, is required to contribute to the Fund 22.522 percent and 16.638 percent of payroll for its covered safety and industrial employees, respectively. PIA industrial personnel, who also contribute to social security, are required to contribute 5 percent of their annual earnings in excess of \$6,156. Safety personnel and industrial personnel who do not also contribute to social security are required to contribute 6 percent of their annual earnings in excess of \$3,804. Five hundred twenty nine employees were active participants at June 30, 1987. The total pension expense and funded contribution was approximately \$3,163,000 in 1987 and \$2,284,000 in 1986. All 1987 and 1986 contributions were paid by July 1987 and July 1986, respectively.

(12) RELATED PARTY SALES

During 1987 and 1986, PIA had product sales to the Department of Corrections of approximately \$40.9 million and \$25.3 million, respectively.

(13) DEVELOPMENT OF NEW ENTERPRISES

In August 1986, the Legislature appropriated \$62,000,000 from the New Prison Construction Fund to PIRF, contingent upon the passage of the New Prison Construction Bond Act, which was approved by the electorate in November 1986. Subsequent legislation provided for funding from the Pooled Money Investment Board to cover funding needs, interest free, prior to the issuance of bonds under the 1986 New Prison Construction Bond Act. Through June 30, 1987, PIA received proceeds from the Pooled Money Investment Board in the amount of \$17,736,000 which has been recorded as contributed capital by PIA (see Note 10). These funds will be repaid to the Pooled Money Investment Board upon issuance of the New Prison Construction Bonds.

PIA intends to use the funds to finance equipment purchases and other improvements in the following institutions opened subsequent to June 30, 1987:

- California State Prison-Kings County at Avenal
- Richard J. Donovan Correctional Facility at Rock Mountain
- California State Prison-Sacramento County
- Northern California Women's Facility

Notes to Financial Statements

June 30, 1987

and in the following facilities still to be completed:

- California Conservation Center-Lassen Unit
- Sierra Conservation Center-Tuolumne Unit
- California Correctional Institution-Unit 3
- Chuckawalla Valley State Prison

(14) SUBSEQUENT EVENT

On October 1, 1987, the State General Fund loaned \$1,125,000 to PIA maturing in September 2007. Interest on the borrowing is payable annually. These funds are restricted to purchases of equipment at Mule Creek State Prison. PIA has pledged owned assets as security for this loan.

Supplemental Schedule of Operations by Enterprise

For the year ended June 30, 1987

Enterprise	Sales	Cost of Goods Sold	Gross Profit
California Correctional Institution			
Textiles _____	\$ <u>4,550,235</u>	\$ <u>3,089,419</u>	\$ <u>1,460,816</u>
California Institution for Men			
Dairy/Farm _____	3,365,598	3,089,399	276,199
Wood Products _____	1,389,494	1,713,908	(324,414)
Laundry _____	1,393,796	1,132,389	261,407
Textile Products _____	1,016,847	875,238	141,609
Total _____	<u>7,165,735</u>	<u>6,810,934</u>	<u>354,801</u>
California Institution for Women			
Textile Products _____	2,047,168	1,447,526	599,642
Reupholstery _____	48,472	25,469	23,003
Total _____	<u>2,095,640</u>	<u>1,472,995</u>	<u>622,645</u>
California Men's Colony			
Knitting Mill _____	1,367,894	642,712	725,182
Shoe Factory _____	3,947,615	3,488,024	459,591
Laundry _____	1,236,575	833,928	402,647
Textile Products _____	3,671,997	3,171,127	500,870
Specialty Printing _____	2,201,063	1,514,605	686,458
Total _____	<u>12,425,144</u>	<u>9,650,396</u>	<u>2,774,748</u>
California Medical Facility			
Orchard _____	46,066	140,986	(94,920)
Micrographics _____	187,710	407,971	(220,261)
Lens Grinding _____	374,398	418,376	(43,978)
Metal Products _____	5,834,333	4,300,759	1,533,574
Bindery _____	2,289,080	1,180,355	1,108,725
Concrete Precast _____	1,872,017	1,479,587	392,430
Vehicle Reconditioning _____	14,127	106,121	(91,994)
Laundry _____	675,288	931,758	(256,470)
Total _____	<u>11,293,019</u>	<u>8,965,913</u>	<u>2,327,106</u>
California Rehabilitation Center			
Textile Products _____	2,945,619	1,857,328	1,088,291
Reupholstery _____	124,377	113,718	10,659
Total _____	<u>3,069,996</u>	<u>1,971,046</u>	<u>1,098,950</u>

See accompanying auditors' report.

Supplemental Schedule of Operations by Enterprise

For the year ended June 30, 1987

Enterprise	Sales	Cost of Goods Sold	Gross Profit
California Training Facility			
Dairy/Farm _____	2,350,433	2,097,018	253,415
Wood Products _____	2,730,828	2,422,312	308,516
Textile Products _____	2,391,176	1,895,117	496,059
Total _____	<u>7,472,437</u>	<u>6,414,447</u>	<u>1,057,990</u>
Deuel Vocational Institution			
Dairy/Farm _____	2,186,818	1,879,620	307,198
Mattress and Drapery _____	692,386	429,238	263,148
Metal Products _____	3,283,449	2,454,824	828,625
Textile Products _____	1,051,946	825,489	226,457
Distribution Center _____	10,396	10,396	0
Total _____	<u>7,224,995</u>	<u>5,599,567</u>	<u>1,625,428</u>
Folsom State Prison			
License Plates _____	8,379,581	5,905,806	2,473,775
Metal Products _____	3,346,728	2,325,620	1,021,108
Metal Signs _____	348,733	371,622	(22,889)
Total _____	<u>12,075,042</u>	<u>8,603,048</u>	<u>3,471,994</u>
San Quentin State Prison			
Mattress Factory _____	1,228,555	860,383	368,172
Wood Products _____	2,247,639	2,650,150	(402,511)
Detergent _____	1,540,337	1,241,244	299,093
Total _____	<u>5,016,531</u>	<u>4,751,777</u>	<u>264,754</u>
Southern Maximum Security Complex			
Textile Products _____	1,828,226	1,612,903	215,323
Silk Screen _____	77,245	143,358	(66,113)
Wood Products _____	1,126,037	805,606	320,431
Total _____	<u>3,031,508</u>	<u>2,561,867</u>	<u>469,641</u>
Sacramento County			
Laundry _____	525,511	551,843	(26,332)
TOTAL ALL INSTITUTIONS _____	<u>\$75,945,793</u>	<u>\$60,443,252</u>	<u>\$15,502,541</u>

See accompanying auditors' report.

Plans for Changes in Existing Operations

As the California Department of Corrections (CDC) continues to meet the demands of a growing inmate population, the Prison Industry Authority (PIA) will continue to place its primary focus upon meeting the need for more inmate employment. This will be accomplished through activation of new enterprises, efforts to employ more inmates in existing institutions, improving operational efficiency, and stronger penetration of existing markets.

California State Prison (CSP)-Sacramento, Northern California Women's Facility-Stockton, Chuckawalla Valley State Prison-Riverside County, CSP-Kings County at Avenal, CSP-Kings County at Corcoran, Mule Creek State Prison-Amador County, and the Richard J. Donovan Correctional Facility at Rock Mountain (San Diego), will all have enterprises activated during fiscal year 1987-88. The following fiscal year will see some further activation of additional enterprises at most of these facilities, as well as activation of new enterprises at CSP-Del Norte.

Double shifting has been, and will continue to be, used at some institutions both to provide additional employment and to meet production demands. The textile operation at the California Rehabilitation Center, for example, has been double shifted, resulting in 120 additional inmates employed. To provide a better trained work force, PIA will be strengthening its cooperative efforts with the Vocational Education program of CDC.

PIA will remain committed to the increased use of automation. Immediate attention will be concentrated on raw material inventory control. Plans are being made to expand the system to include finished goods and component parts inventory control, purchasing and purchase order matching, and sales order entry and control.

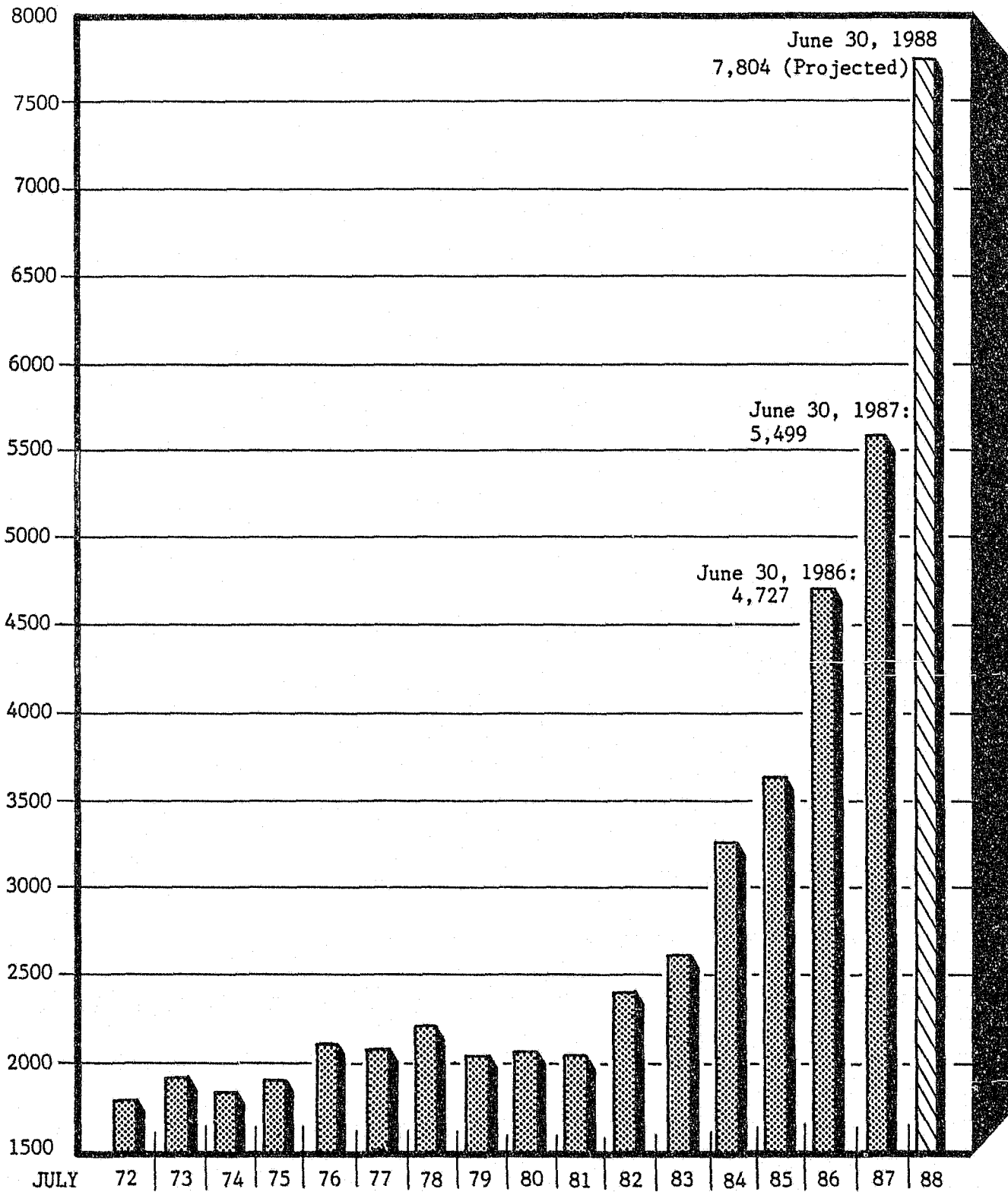
PIA's development of a long range strategic plan will significantly enhance its ability to respond to market fluctuation, changes in product demand, and inmate employment needs. The integrated use of the strategic plan, the management by objective (MBO) process, automation, market planning, research, and product development will provide PIA with the comprehensive management planning approach it needs to accommodate its unique production and market positions.

The complete revision and subsequent distribution of a new product catalog is expected to improve PIA's penetration into the local agency market. Penetration into the local market will also be given a boost by the increased production capacity of PIA. This increased capacity improves the marketability of PIA products by reducing product delivery time.

PIA will be building upon the success of the Prison Industry Board forums held during fiscal year 1986-87, with representatives from private industry, labor and the Legislature, by further pursuing implementation of its Public Information Plan. Outreach to business and labor groups and public education programs will receive specific attention.

Inmate Employment

June 30, 1972 - June 30, 1988 (Projected)



Inmate Employment in Existing Enterprise

Year ended June 30, 1987

	Assigned
California Correctional Institution (CCI)-Tehachapi	
Minimum Textile _____	320
Medium Textile _____	170
Southern Maximum Security Complex (SMSC)	
Textile _____	200
Silkscreen _____	20
Wood Products _____	153
Total Assigned _____	863
California Institution for Men (CIM)-Chino	
Furniture Factory No. I _____	133
Furniture Factory No. II _____	23
Laundry _____	123
Dairy _____	74
Textile Products CIM East _____	73
Warehouse _____	18
Field Crops _____	15
Farm Crew 15 & 16 _____	11
Irrigation Crew _____	18
Tractor Shop _____	12
Beef Ranch _____	5
Vocational Support _____	6
Administration _____	6
Total Assigned _____	517
California Institution for Women (CIW)-Frontera	
Textiles _____	171
Upholstery _____	19
Total Assigned _____	190
California Medical Facility (CMF)-Vacaville	
Administration _____	1
Bindery _____	27
Orchard _____	10
California Medical Facility-South (CMFS)	
Laundry _____	68
Optical Lab _____	23
Administration _____	5
Bindery _____	24
Metal Fabrication _____	352
Vehicle Refurbishing _____	65
Maintenance _____	18
Precast Concrete _____	120
Micrographics _____	57
Warehouse _____	10
Bakery _____	50
Total Assigned _____	830
California Rehabilitation Center (CRC)-Norco	
Textiles (men) _____	239
Textiles (women) _____	39
Upholstery _____	37
Sewing Machine Repair _____	6
Total Assigned _____	321

Inmate Employment in Existing Enterprise

Year ended June 30, 1987

	Assigned
California Men's Colony (CMC)-San Luis Obispo	
Shoe Factory _____	157
Textile Products _____	249
Knitting Mill _____	126
Specialty Printing _____	55
Laundry _____	120
Administration _____	<u>52</u>
Total Assigned _____	759
Correctional Training Facility (CTF)-Soledad	
Wood Products _____	259
Textiles North _____	255
Textiles Central _____	108
Farm _____	36
Dairy _____	43
Administration _____	<u>26</u>
Total Assigned _____	727
Deuel Vocational Institution (DVI)-Tracy	
Dairy _____	47
Distribution Center _____	16
Farm _____	12
Textiles _____	51
General Fabrication _____	263
Mattress and Bedding _____	24
Administration _____	<u>26</u>
Total Assigned _____	439
Folsom State Prison (FOL)-Represa	
Metal Fabrication _____	190
License Plate Factory _____	162
Signs _____	31
Maintenance _____	23
Warehouse _____	10
Tool and Die _____	17
Administration _____	<u>19</u>
Total _____	452
San Quentin State Prison (SQ)-San Quentin	
Furniture Factory _____	330
Mattress Factory _____	26
Detergent Plant _____	19
Warehouse _____	13
Administration _____	<u>8</u>
Total Assigned _____	396
California State Prison-Sacramento County (CSPS)-Represa	
Warehouse _____	<u>5</u>
Total Assigned _____	5
TOTAL ALL _____	5,499

Plans for Development of New Enterprises

Plans for the development of new enterprises during fiscal year 1987-88 focus primarily on the activation of programs in new prisons. The Richard J. Donovan Correctional Facility at Rock Mountain-San Diego, Northern California Women's Facility-Stockton, Chuckawalla Valley State Prison-Riverside County, California State Prison-Kings County at Corcoran, California State Prison-Kings County at Avenal, Mule Creek State Prison-Amador County, and California State Prison-Sacramento County all have operations scheduled to come on line by July 1988. These include:

<u>Facility</u>	<u>Planned Enterprise</u>	<u>Planned Inmate Employment</u>
Richard J. Donovan Correctional Facility	Vehicle Refurbish/Repair _____	110
Northern California Women's Facility	Key Data Entry _____	84
	Laundry _____	84
Chuckawalla Valley State Prison	Laundry _____	30
	Warehouse _____	12
	Administration/Maintenance _____	18
CSP-Kings County at Corcoran	Sewing _____	100
	Laundry _____	90
	Crop Farm _____	50
	Chair Factory _____	200
	Warehouse _____	20
CSP-Kings County at Avenal	Administration/Maintenance _____	50
	Laundry _____	40
	Metal Fabrication _____	220
	Warehouse _____	35
Mule Creek State Prison	Administration/Maintenance _____	55
	Mail Presort _____	40
	Warehouse _____	16
CSP-Sacramento County	Administration/Maintenance _____	14
	Paper Products _____	40
	Book Rebinding _____	30
	Printing Plant _____	30
	Furniture Refinishing _____	20
	Furniture Assembly _____	60
	Coarse Wood Products _____	40
	Drafting Unit _____	25
	Laundry _____	150
Warehouse _____	20	
Administration/Maintenance _____	70	

Planning for new prison inmate employment programs is an ongoing effort for PIA. The increase in the projected inmate population and subsequent need for additional prisons will continue the need for PIA to identify additional employment programs.