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STATE OF MAINE
DEPARTMENT OF CORRECTIONS

MAINE STATE PRISON INDUSTRIES
REVIEW AND RECOMMENDATIONS

SEPTEMBER 1983

Presented to the Joint Standing Committees on
Health and Institutional Services
Audit and Program Review

Joseph E. Brennan
Governor

Donald L. Allen
Commissioner

FOREWORD

This report has been prepared at the request and direction of the Joint Standing Committee on Audit and Program Review pursuant to that Committee's recently completed "Sunset" review and related legislation pertaining to the Department of Corrections.

Included in this report are sections which summarize the background and occurrences preceding and leading up to the present status of Prison Industries, including many changes recently initiated by the Department of Corrections. Other sections relate to program overviews, marketing considerations, budgetary and expenditure aspects, staffing patterns, inmate involvement, diversification/new products and recommendations.

Note of Appreciation

The Department of Corrections recognizes the many positive changes in Prison Industries which have occurred since the lockdown in 1980 and, in particular, during the past few months. These improvements could not have occurred without the positive efforts of the prison administration, staff and inmates and their cooperation with the Department of Corrections. Without an extra effort from several Department of Corrections' employees, this report could not have been completed at this point in time. For their extra efforts, a special thanks to go: Ken Berry, Debbie Davis, Bud Doughty, Kim Ellis, Lowell Hawes, Esther Leary, Marty Magnusson, Mike Molloy, Charles Sharpe, Dave Wakely, Sumner Glazier and Eloise Peaslee.

Special Emphasis on Recommendations

This writer acknowledges the sensitivity of several of the recommendations contained in this report. Additional resource assistance should be made available to the Department of Corrections from sources both within and outside

Maine State Government. This would assist the Department of Corrections so that all of these recommendations, as well as others that are contemplated and/or which may ensue, are thoroughly researched prior to a final decision for possible implementation.

However, it must be understood that the Department of Corrections will continue to pursue reasonable changes and, at the same time, take into consideration the needs and interests of all concerned. Such reasonable and rational initiatives will be sought and made as necessary to keep these interests balanced but within a proper perspective. That is, we must not lose sight of the fact that both Prison Industries and Inmate Crafts are important activities at Maine State Prison, but they exist and function within the necessary bounds and constraints of a correctional system. The recent lessons of history necessitate that we, in fact, maintain that perspective.

Donald L. Allen
Commissioner
Department of Corrections

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SECTION I: INTRODUCTION AND BACKGROUND

Historically, the Industries Program at the Maine State Prison has been the nucleus of prison activity. This statement is true no matter which approach one takes in viewing its value to the institution as a whole. From a business and economic perspective, the prison administration relates to prison industries as a possible means of reducing certain overhead costs of running such an institution. The security staff view the Industrial Program and Craft area as pressure valves for releasing tension and providing activities to occupy otherwise idle hands. The Care and Treatment personnel find therapeutic value in this activity with its Education Department emphasizing the need to establish a work regimen and the necessary prevocational exposure prior to transfer to more intense vocational training and eventually work release. Finally, inmates look to the Industry Program as the only real means to a meaningful existence (in their terms) while held in a maximum security institution.

A meaningful existence to the average inmate requires this individual to find the means of obtaining a source of income. The primary avenue to accomplish this is the Industrial Program. The Maine State Prison Industrial Program consists of several different product areas and the Crafts Program which is a separate sub-division of the Industrial arrangement. The overall supervision of the Crafts Program is under the Industrial umbrella. The major project areas are the Print, Metal, Wood, and Upholstery Shops. Before an examination of the current Industrial arrangement is presented, a brief review and reminder of its evolution over approximately the past ten years is necessary to make the present situation more understandable.

Pre-Lockdown

The first major review of the MSP Industrial Program was conducted in 1974 by Ross Associates, Inc. of Asheville, North Carolina. (See Appendix #1) At that time, the institution was undergoing numerous changes both in its overall correctional concept as to programmatic design and internally with the development of a more centralized and community oriented approach to treatment and security. Additional emphasis was placed on developing a rehabilitative prescription for the inmate to promote the new community reintegration process.

The emphasis on community treatment plans were well underway by 1974. The Bolduc Minimum Security Unit which had been open for about a year, and the newly opened Bangor Pre-Release Unit were accepting transfers primarily from MSP. Newly established "treatment committees" were set up to monitor an inmate's progress or lack of same. For those inmates who personally would not or, through classification criteria, could not take advantage of the new programming opportunities, the Industries Program was available as a substitute.

Ross Associates were called in to help restructure the Industrial Program and add direction to its purpose. There was a sincere attempt at this time to renovate the Industrial Program to the extent that it would produce sufficient monies to generate a "break-even" operation and provide for some inmate income.

It is felt that the administration recognized the task before it. The plan seemed to be sound and would probably have had some measure of success if more time and energy could have been directed to this single aspect of the overall prison operation. But the main thrust of that administration's direction was toward Community Programs. Inmates were moving quickly through the correctional system and thus not providing a very stable work

force. In addition to several more reliable inmates who were not eligible for community programs, the Industrial operation was left with many long-timers, numerous hard-core malcontents, and those inmates that were neither mentally capable nor socially acceptable for transfer to minimum security community programs. The average length of stay was about half of what it is today. This was the industrial work force. Some of these men became the inmate "bosses" ("Kings") that were eventually to gain control of the Industrial Program and various related operations of the institution. This situation became a great deal more complex with the advent of several other developments.

Probably the most important of these developments were the establishment of the new criminal code and the abandonment of the Parole System in 1976 which had a profound effect on the entire correctional system. The sentencing structure changed under the new Criminal Code as the courts began handing out longer sentences with no chance of parole. Also, the manner of computing "good time" was revised, which, in turn, had an overall impact on the state corrections system by lengthening the average individual sentence. These were important factors in helping to create the overcrowding problem that now plagues the adult correctional system in Maine. Inmate movement through the prison system was slowed down and gradually the ranks of the inmate population swelled.

Another important factor which should be mentioned but is difficult to measure in terms of overall impact, was the type of inmate the prison was then receiving. He was much younger, more aggressive, and generally a product of the new drug culture. Upon arrival at the State Prison, he was usually financially destitute and very susceptible to dominance by the "inmate bosses", or "Novelty Kings" as they later became known.

When the Ross Associates released their final report in September of 1974, it was met with a great deal of enthusiasm by the Prison and then Bureau of Corrections Administrations. Unfortunately, there were two fundamental problems. The first was, for the most part, the Prison Industrial administrators were trades people and not necessarily prison industries managers. It needed experienced, professional industries management to implement the new costing and production control systems necessary to implement the Ross Associates report. Secondly, the Industries Program was already mired in a situation that permitted the inmate to use the industrial equipment in making novelties which were offered for sale at the Prison Showroom. This practice started as a "trade off" or means by which inmates working on state goods with no pay, could produce smaller, non-competing novelty items, which in turn could be sold for inmate profit. Again, this use of Wood Shop equipment for the making of novelties started as a very gradual process. Originally, only certain machines were permitted for novelty production. By 1976, the inmates could work on novelties and use the Wood Shop machines on almost an unlimited basis for nearly half of the workday. On weekends, the Wood Shop was used entirely for novelty production.

Gradually, more of each workday was applied to the production of inmate novelties. Except for the actual purchases of raw materials, all costs of manufacturing a novelty item were borne by the institution. Prison stock was not managed successfully at all times and so it's conceivable and perceived that through pilferage and mismanagement, some items were being manufactured at absolutely no cost to some inmates.

As the Ross Associates remarked in their progress report, "the wood shop industry has been charged for all wood shop burden even though it only functions as an industry about 4 hours per day (52% of a work day). For

about 4 hours per day (48% of work day - 15 minutes deducted from 8 hour day for lunch) inmates are allowed to use wood shop equipment, heat, lights, power, miscellaneous supplies, guard time, sandpaper, tools, etc., in the preparation of their novelties. Also these items are sold free at the wood shop store. Considering the very low productivity of the workers during wood shop working hours, carrying the overhead for novelty production placed a tremendous burden on wood shop profitability, even with free labor".

Even though the Novelty Program was gradually taking over the Prison's Wood Shop areas, Industrial production, in the first few years, it was still being maintained at such a level as to provide enough income to break even. Several reasons probably account for this. First would be the lack of labor costs. At that time, the inmates were not being paid wages for working in industries. Secondly, it would have been poor planning by the inmate "bosses" to allow the Industrial Programs to fail. Obviously, a shut down of the Wood Shop program would not have been in the inmates' best interests.

Inmates, over a period of time, were allowed to make increased novelty money. In 1974, an inmate could earn up to \$1,200 and hold two patterns or MSP "patents". By 1976, the limit was raised to \$5,000 and five patterns, and finally, when the institution was locked down in the Spring of 1980, an inmate could earn up to \$15,000 and control ten patterns. The situation had reached a point where novelty sales at the Prison Showroom on Route 1 were about 75% of total sales. Out of the Industries share of sales, or about 25%, came the entire cost of overhead. Novelty sales provided inmates with direct profit income. The 5% that the Prison deducted from inmate novelty sales went into the Novelty Wage and Reserve Account. This fund was used

to pay the inmates working in the Showroom, provide for losses, and make available set-up monies (loans) for new inmates who wished to get started in the novelty business/program.

By the spring of 1978, the inevitable began to materialize. Frequent breakdowns (including those of a deliberate nature) of major pieces of equipment crucial to industries produced long term delays in production. This in turn proved to be quite beneficial to novelty production. Sabotage was so common in the Plate Shop area that this program was shut down, moved out of the main prison, and re-opened at the Bolduc Minimum Security Unit (The Farm). Inmate working time now had a specific dollar value and one could not earn money working in the Industries Program for the State. Novelties were permitted in almost every part of the institution. Every man's cell and work site became a novelty work area. Inmate Bosses or Novelty Kings began to wield a greater amount of power. It was not uncommon for other inmates to be told whom they would be working for and how they would be paid. Novelty Kings had their own worker groups, and, in many instances, their own "turf". Competition among these groups and individuals was often violent.

The Industries Program was facing a financial crisis. Special audit reviews were conducted and several stopgap measures were initiated. The first was to defer all indirect charges for utilities, water, telephone, etc., and journal back into the General Fund any charges that were attributed to industries. In September of 1978, 3/8ths of the industries payroll was charged to the Prison's General Fund. By November of 1979, the State Auditor recommended that 50% of the Prison Industries payroll be transferred to the Prison's General Fund. Even with the additional financial support, the Industrial Program was barely solvent and the Inmate Novelty Program was a thriving, booming business.

On the surface, and to those on the outside, the institution may have appeared calm. But many institutional staff were aware that racketeering, loan-sharking, drug use, strong-arming, etc., were all commonplace, and beyond conventional control inside the walls. A confidential study was conducted in the Fall of 1979 by the Bureau of Corrections in conjunction with outside consultants. That report, along with subsequent investigations, would in turn recommend locking down the State Prison. Among other reasons and objectives was the need for the State to reduce fire/safety hazards, and regain control of essential security and program operations.

Lock-Down

On the recommendations of the Bureau Director, and many outside, out-of-state consultants, Governor Joseph E. Brennan directed that the Maine State Prison be "Locked Down". The Bureau Director also became the Acting Warden, and with the support of State Police, Fire Marshals, Department of Mental Health and Corrections' and Bureau of Corrections' staff and components, etc., the Maine State Prison was locked down during the early morning hours of April 16, 1980.

In August 1980, the State Prison had gradually returned to nearly full operation. Only this time, the Prison and Bureau of Corrections' staff were in control of all aspects of prison activity. Nearly everything had undergone a thorough overhaul, especially the Industrial and Crafts Program. Emerging from this reclamation was a new direction for the Prison Industries and there appears to be no question that this program remains the nucleus of prison activity even to this day.

Philosophy and Purpose

In stating the philosophy or direction for industries, it is recognized that the Industrial Program must serve many purposes. The total welfare of the institution is the primary concern of all its departments, and in that

respect the Industrial Program's worth must be viewed from its impact on the institution as a whole. Therefore, for all intents and purposes, the direction of the Prison's Industrial Program should be one that best serves to some degree all functions of this institution. Of course, the program's ability to be self-supporting is one of the traditional goals to be embraced. But by no means should this be the sole, dominating factor. Since the lockdown, major renovations in the operations of this program and recent legislation may assist the new industrial management to pursue the goal of financial solvency. But more importantly are benefits generated from its activities that best suit the problems confronting security considerations through reducing inmate idleness. And again, the Care and Treatment Department derives a wealth of fundamental support that ranges from basic therapeutic values to pre-vocational/educational testing grounds for further programming. The overall investment of time, money and effort can only provide a viable dividend for this institution if the benefits are effectively balanced between all parties concerned.

Today, the Department of Corrections' basic philosophy and purpose for prison industries is to provide work and activities to inmates confined in a Department of Corrections' adult institution. These activities and work are designed to help allow inmates the opportunity to acquire the skill, knowledge, and work habits which may be useful both while confined and when released from the institution.

Restructuring Industries

With the 1980 lockdown came a great deal of technical advice from numerous consulting sources. What resulted was a practical and reasonably effective restructuring of the Industrial operations. The Wood Shop Division and the Craft (Novelty) Division were no longer the same activity. They became separate units in terms of location and equipment, but under the same

industrial management. Only this time, the Craft Program started generating revenue for the Prison's Industrial Account.

It is important to emphasize that the Industrial Program's reorganization was an all new direction for its management to follow. But this course was not entirely cast in cement. Although some policies and procedures have remained and provide a basis for all operations, it is the opinion of this Department that the Industrial Program is in a state of positive transition. Marketing and sales concepts for Industries have changed. Staffing and operational procedures are frequently reviewed. A new cost accounting system is being developed, and as recent as April of this year, marketing consultants, the E.J. Kearney and Company (See Appendix #2), conducted a review of the Industrial Program and made several wide ranging recommendations. Some of Mr. Kearney's recommendations had already been recommended by the Prison's management team. Since implementation, they have proved beneficial to the Prison and the Industries Program.

SECTION II - PROGRAM, MARKETING CONSIDERATIONS AND OVERVIEWS

The following are summaries of each of the Industries operations as presented in terms of brief program descriptions, marketing considerations, and recommendations for further change.

A. Wood Shop Division

The Wood Shop is located in the Industrial Building Complex on the ground level extending from the Food Service Unit to the Yard entrance for a total of about 13,904 square feet of work area.

It primarily consists of furniture manufacturing and utilizes equipment such as power saws, planers, routers, floor sanders, drum sanders and finishing equipment.

Some of the goods produced consist of kitchen, dining, living room, bedroom, children's and usable outside furniture.

Previously, the only mechanism that would allow the Industries Program to reach its potential market was through its sole retail outlet in Thomaston. The Prison "Showroom" on Route #1 and immediately adjacent to the Prison, is this outlet. Historically, the Prison store depended heavily on the summer tourist trade, but even with the influx of a large number of tourists each summer, the Showroom reached only a very small portion of this market. In the winter months, sales dropped while Wood Shop Furniture and Inmate Crafts inventories increased substantially. Even though sales traditionally drop drastically after December, Prison Industries have to maintain some level of production to keep from releasing large numbers of inmate workers back into the general population and creating additional problems of security through increased inmate idleness.

In the Fall of 1982, Industries management initiated an advertising program that, through radio and print media, called attention to the retail

store in Thomaston on a year-round basis. Comparative sales data between the winter months of 81-82 and 82-83 demonstrates the impact this promotion has on overall sales at the Prison Showroom. (See Appendix #2, p. 7). Notice that in both years, Craft (also known as Novelties) sales easily outdistanced Wood Shop sales until January 1983. At that point (advertising promotion started the last week of December '82) the situation reversed itself and Craft sales fell well behind furniture products for the next three months; however, as the tourist trade increased, Novelty or Craft sales once again moved ahead of Wood Shop sales. One should also note here that the primary intent of this sales promotion was increased furniture sales, but as the chart shows, Novelty sales were also improved. Prison Industries currently receive 15% (another 5% goes into the Novelty Reserve Account) of all Novelty sales as direct revenue into the Industrial Account. Sales promotions at various times throughout the year should continue to call attention to the Wood Shop and other Prison Industries products on a year-round basis.

Another significant development that should contribute to the overall growth of Prison Industries was the introduction and passage of legislation that now offers Prison Industries the opportunity to wholesale selected products to merchants in Maine for general public resale. One of the major marketing problems previously confronting the Industries Program was that of distribution. With the advent of wholesale capabilities, Wood Shop products can now be distributed to Maine merchants for resale. Prison goods can be merchandised by people who have necessary product line experience, thus a better ability to target the total market.

In September of 1983, Industrial Management conducted a wood products show at the Samoset Resort complex in Rockport, Maine. Merchants from around the state were invited. The show was a success with nearly \$13,000 in sales generated from this single outing. Another show is planned for

early October in the Portland/Westbrook area. As of this writing, the Wood Shop program is operating close to its capacity. It is recommended that Prison Industries continue its aggressive advertising and product displays so as to promote increased sales. Also, we recommend that the prison consider expanding the Wood Shop program as sales increase, but if undertaken this must be a controlled expansion, conducted in such a manner that it will complement other related prison operations. One of the concerns if the Wood Shop increases operations, is the limited space available for such an expansion.

B. Upholstery and Refinishing Division

The Upholstery and Refinishing Shop is located on the floor above the Wood Shop. It has a total of 2,200 square feet of work space.

The Upholstery Shop services includes re-upholstering overstuffed chairs, settees, auto and boat seats, etc. In the Refinishing Shop, items such as tables, chairs, hutches and desks are refinished by hand.

Most of the monies generated from goods and services produced by this unit are derived from retail sales. This is a relatively small shop with the bulk of its work coming from individual orders. Occasionally, the Bath Iron Works sends items to be refurbished which has proved to be quite beneficial to both organizations. The Department of Corrections is one of this shop's best customers. However, on a comparative scale, except for the Attorney General's Office, other Departments in State Government rarely use the capabilities of this unit. The Upholstery Shop has its own refinishing section and the quality of their work is excellent. On occasion, the Industrial Manager has purchased State surplus and discarded furniture, refurbished these items and offered them for resale. The major problem with this procedure is the lack of storage area which in turn has caused a bottleneck of all items produced in this unit.

Also, items produced by this shop do not appear to have a wholesale market at this time. One retail outlet researched this possibility but decided not to pursue it to the point of merchandising. The retail market remains the best avenue for this operation. There is some room for expansion, but the movement of products through this unit must be constant. It is recommended that other State Government agencies have furniture items refurbished through the Prison instead of buying new and throwing away the old. In this way, State agencies could realize savings in their capital equipment and purchases. It is recommended that the Bureau of Purchases routinely inquire as to whether it's within Prison Industries capabilities to refurbish a piece of furniture. If so, and if this could be accomplished within a reasonable cost and time frame, then a procedure should be established that would mandate the work for Prison Industries.

C. Print Shop

The Print Shop is located to the right of the entrance to the Yard and Maintenance Area. It has 4,140 square feet of work space and consists of a Heidelberg and other printing presses, engraving machine for desk plates, name tags and building signs, as well as a Silk Screening Operation.

The Industrial Print Shop is currently working within the confines of its equipment and operational capabilities. There are additional potential markets available, but the Print Shop would be hard pressed to maintain an increased production schedule, as well as the necessary higher quality standards. Currently, the Department of Corrections is again its own best customer. The Print Shop is not presently competitive as it could be on the open market with its current array of slow, inefficient, obsolete equipment and operational constraints. Modern equipment available to generally more skilled employees working for competitors in the private sector, contribute

to this competitive gap even though the Prison's labor force is relatively inexpensive.

However, the Print Shop is competitive in the production of certain speciality items such as business cards, signs, name plates, etc. If more business and expanded markets are to be created, the Print Shop must be extremely careful not to outdistance its resource capabilities. The Print Shop is in the process of acquiring a computerized machine (photo-typesetter) that has the capability of setting its own type. 25% of this work is now being sent out to other printers which causes long delays in our production schedules. This year alone several profitable sales have been lost because this equipment was not available. When it becomes available and functional, it is anticipated that our total printing production capability will increase by about 20%. The savings are two-fold. First, we no longer purchase the computer time from outside printers and secondly, we can now, in turn, charge our customers this same amount as part of their purchase price and still remain relatively competitive. If purchased new, this machine would cost nearly \$80,000. This item, however, is being purchased secondhand for \$1,500 and is in good working order.

As our markets become more stable and consistent, printing production could increase somewhat within existing resources. Currently, we are looking to develop a sales agreement with the Court Administrator's Program. If this materializes, we will have enough work to bring our production up to its current capabilities. To go beyond this point would require new, sound markets and some speculative investment. Additional work space is available for expansion, and roughly \$30,000 in new and used equipment could possibly double current production levels. It is recommended that the Department pursue a market and operations analysis to determine the feasibility of

expanding such production capability. Included in this analysis will be considerations regarding additional staff needs and increased inmate participation.

D. Plate Shop

The Plate Shop is located on the grounds of the Bolduc Unit in Warren, and consists of 3,675 square feet of work space. Produced here are license plates and decal tags that are put on cars, etc., and ashtrays from scrap materials.

This division, which is funded by the Secretary of State's Office but managed by Prison Industries, is one area of Industries that offers very little opportunity for additional growth. There is very little commercial value that can be attributed to that operation. For the past year, the Plate Shop has been operating at full capacity and running behind in its orders from the Secretary of State's Office for license plates and validation stickers. We feel that this program is currently fulfilling its designed purpose and need not be expanded for commercial activities.

E. Craft Room

The Craft Room is located in the Industrial Building above the Wood Shop and has a total of 5,000 square feet of work area. It consists of woodworking equipment such as floor sanders, radial arm and table saws, wood drill presses, lathes, routers, etc. Examples of goods produced are lamps, boats, toys, jewelry chests, boxes, etc.

The inmate craft program will not be thoroughly reviewed in this particular report, but instead will continue to be reviewed by the Department and Prison, with changes implemented as necessary. The craft operation will be the subject of separate reports and discussions.

SECTION III - INDUSTRIAL WORKFORCE (STAFF AND INMATE WORKERS)

A. Staff Workers

Current staffing levels, especially in the Wood Shop area are considered to be deficient (see appendix #3). E. J. Kearney and Company, in their Industries Study, stressed the need for quality in furniture production. Without knowledgeable and skilled staff supervision, the attainment of a good quality product is extremely difficult. Therefore, it is counterproductive to develop wholesale markets and increase production if we are unable to produce a quality, saleable product. It is without question that sufficient staff coverage is extremely important to the Industries Program. This is not just measured in terms of quality control. Security precautions are paramount and cannot be overlooked. Also, safety and labor issues are frequently topics of concern at the institution's regularly scheduled Labor/Management Meetings. Recently, Stoughton and Benton Associates, through the auspices of a National Institute of Corrections' grant, conducted a study of the staffing patterns at the institution. Although their study has not yet been finalized, their preliminary findings indicate that staffing levels are inadequate. As an example, a situation recently occurred in the Craft Shop that resulted in one staff person supervising 80 inmates. In any given week, 1,200 to 1,500 inmate movings occur in this area.

Increasing staff levels in the Industrial Program with individuals from the guard force does not always, lend itself to good business practices. Historically, Wood Shop Foremen came from the senior ranks of the guard force. Therefore, the Industrial Manager did not always acquire experienced industrial personnel to supervise the shop's operation. In turn, this situation does not enhance quality control. Before we can realistically consider more production with good quality in the Wood Shop Program, we must seriously review our current staffing arrangements. This same situation holds true for both the Print Shop and Upholstery and refinishing divisions.

It is recommended that two limited period positions, i.e., Industrial Foremen, be added to the Maine State Prison Industries Program on an experimental basis. These two positions should greatly enhance the growth and professionalism of the MSP Prison Industries Program. These two positions to be funded by Industries will be for a limited period of about seven months and we feel certain that when the trial period is over, Industries will have benefited and shown how important the need is for these positions to be created on a permanent basis. The cost of these two project positions will be made up in savings by the better utilization of other staff, as well as through savings of monies which are now being lost due to inadequate inventory and quality control.

Woodshop personnel often spend 2 or 3 days per week processing crafts wood sales and special jobs for the Craft Area. Since July of 1983, when the Legislature approved the wholesale concept, the Industrial Manager and Woodshop Manager are spending an average of 2 days per week, working closely with outside wholesale contacts to secure new accounts for the Industrial Program. Also, the Assistant Showroom Manager in years past would be available to come into the shop area after September 1st, after the tourist season was over. During the last 2 years, this has not been the case as people are taking different vacation times and our sales have shown a dramatic increase in the period from September 1st through December 31st, necessitating us to change our sales and personnel coverage in the Showroom.

B. Inmate Workers

The inmate work force is another crucial element to be considered in developing any plan for increased Industrial Program productivity. In the Wood Shop area (furniture department), there are 10 to 12 full-time inmate contractors. These men are the inmate crew leaders who management contracts with to produce all furniture products. Working with these inmate crew leaders, are the remainder of the inmate workers. Prior to the lockdown of 1980, the Wood Shop manufactured its products on

an assembly line. An inmate only had to learn his station. These men were not paid wages, and in most cases, it benefited them to have this production line break down whenever possible. Again, that was the case when crafts and furniture making were done, for the most part, in the same area and on the same machinery. These men now work for approved contractors and receive a percentage of the contractor's fee for their wage as monitored and supervised by Industries Staff.

This crew structure provides certain benefits to inmates and the Industries Program. The inmate receives a wage for his work which without question is his primary motivation for being there. However, by being involved in the entire construction of a single product, the inmate learns the full spectrum of skills involved in furniture making. The job becomes more of a meaningful experience and these crews demonstrate a sense of pride in their product - this pride translates into quality and increased production.

The Industries Program gains a skilled worker, one that may at some time in the near future become an approved contractor (crew leader). Plus this process creates a stable workforce, and this stability is necessary to help guarantee production quotas and again, necessary quality. Unfortunately, because of the short workday, these 30 or so inmate workers are mostly full-time, all-day crewmen. This is a sound arrangement for production purposes, but this present workday schedule prevents a large number of men from being involved with Prison Industries and meaningful activity.

It is recommended that the Department of Corrections explore the feasibility of having the program maintain its present numbers of main contractors (inmate crew leaders) throughout the workday and turn over its inmate work force once a day at noon. The inmate crew leaders would still help insure quality and production quotas, and the turnover or shift change would, provide job training and meaningful

employment for about 60 to 80 men. To be even more effective, the workday should be lengthened from its current schedule of only five and a half hours per day to about seven hours. Of course, the ideal workday should be eight hours. This would provide two four-hour shifts. But, unfortunately, it appears to be extremely difficult if not impossible, to achieve this longer workday without increasing the overall guard force.

Some other shop areas have fairly stable work crews and in most instances, there are AM/PM shift changes. The Plate Shop and Showroom require all-day, full-time employees. These areas are minimum security and need not provide duplicate work sites for turnover (volume of participants) purposes. The Craft Program, in addition to the inmates assigned there for Craft or novelty making purposes, also currently provides a work site for over 25 inmates who split their work day in AM and PM shifts. Again, in addition to these assigned workers, approximately 150-200 men per day use this area as their assigned free time activity. An indepth review of the chart in Appendix #3 reveals the less than desirable situation that this staffing condition presents to the overall safety and security of the institution. Inmate clerks who work directly for supervisory staff are almost always full-time workers. It is recommended that Prison and Department of Corrections' staff review the inmate crafts program in terms of the number of inmate participants as producers and the number of inmates assigned there for job purposes.

SECTION IV - FISCAL CONSIDERATIONS

The fiscal considerations of the Prison Industries will begin with an examination of the income and expenditures of each program for the year ending June 30, 1983 together with recommendations to improve the fiscal and production integrity of the Industrial Programs operations. (See Appendix #4)

Wood Shop

Total Wood Shop sales exceeded \$258,898 which was an increase of some \$53,000 over the previous year with the retail store accounting for the majority of sales. The cost of goods sold accounted for the cost of direct materials used in manufacturing plus inmate production labor and amounted to \$171,444, leaving a gross profit in excess of \$87,454 (\$258,898 less \$171,444). Overhead costs amounted to \$83,839 and included such costs as inmate clerical help, repairs, advertising notices, supplies, depreciation, and other general operating expenses pertaining to the Wood Shop. Miscellaneous income amounted to \$2,129 and the total Wood Shop operation resulted in a net profit of \$1,163.

An inventory of lumber and other direct materials required a year end adjustment of \$30,000. This was due in part to clerical errors and some pilferage. The inability to exercise proper physical control of the lumber inventory has been a long standing problem in the Wood Shop. The Prison Industries Wood Shop operation was formerly limited to maple or other hard woods and the inmate novelty and crafts program was, and is now, limited to soft pine, making the detection of pilferage from industries much easier. With the introduction of pine furniture into the Industries Program, detection of any stolen pine lumber is difficult.

The Department of Corrections is recommending the addition of two Industrial Foremen on a trial basis for a limited period of time. It is believed that these positions will result in savings from the better utilization of other staff and will reduce losses of inventory and other supplies to a minimum. These positions should also be used to better control and supervise the quality of those items produced. With the advent of the wholesale program the present Industries Manager and Wood Shop Manager must devote much of their time to wholesale customers and if this program is to succeed additional control and supervision is mandated.

The Department is also recommending that patterns of all products should be drawn. From these patterns, a list of materials can be created so that when materials are drawn from inventory only those required for production need be issued.

The development of improved job order costing should also be implemented which should result in materials being traced through every step of production. Staff managers will then know the number of board feet of lumber and materials necessary for a production order and be able to follow a job lot through the production cycle.

The Department is recommending the creation of an Industries Stockroom and the possible addition of a Store Clerk which would have an impact on pilferage and the internal control of inventory. It has been necessary for present staff to monitor the lumber while the scaling process is going on. This, of course, removes needed supervision from the shop areas.

Upholstery and Refinishing

The Upholstery and Refinishing Shop realized total sales of \$30,475 and produced a gross profit of \$23,880 and after expenditures, mostly inmate

labor and direct materials, netted \$7,752 of profit.

Craftroom

The Industrial Program now assesses the Craft Room 20% of all novelty sales of which 5% is set aside for the Inmate Wage and Reserve Account. This account is used to pay inmate salesmen wages (Showroom) and provide start-up loans for new inmates wanting to get started in the program. The \$38,528 on the income statement represents the 15% that is paid to the Industries Program. This year, \$23,269 were paid out in various expenses. Included in this category are costs for equipment, advertising and materials. The net profit of \$15,984 was assigned to the Industrial Account from Craft sales at the Prison Showroom.

Print Shop

The Print Shop had total retail sales of \$48,365. Of this amount, \$16,184 were deducted for the cost of goods to produce a gross profit of \$32,181. Inmate wages, trucking, repairs, supplies, depreciation and other general expenses account for nearly all the \$22,457 charged to expenditures. After expenses, the Print Shop realized a net profit of \$10,725 for FY 83.

General

The Prison Industries Program realized a net profit for the second consecutive year. In FY 83, it was \$36,294 which was reinvested for the most part, in raw materials inventory for continued production. The sales figures for this fiscal year do not represent any business obtained through new legislation that resulted in the development of a wholesale market as these legislative provisions did not become effective until fiscal year 1984 (July 1, 1983).

For the time being, the Industrial Program must focus on internal

improvements and proceed with cautious optimism in order to experience fiscal levels that are in line with its perceived potential.

It is recommended that the design of an improved costing system be undertaken if the cost of various product lines and the profits resulting from the sale of those lines are to be determined.

Elements of Cost

A. Labor Costs -

Shortly after the lockdown, Industries underwent fairly extensive procedural changes that focused primarily on the relationship between the Industries Program and Craft activities. The operations of the Wood Shop and Crafts at that time required an in-depth review which could not be fully dealt with by the administration. Additional professional expertise was required but was unavailable to properly initiate good manufacturing and operational practices.

An arrangement between the inmate labor force and management was made whereby the Wood Shop Program would assume all the costs of production (i.e., direct materials use in production and overhead costs) and the inmate would contract for the labor; the inmate contractor sharing in the profit equally with his subcontractors unless the subcontractors were new or inexperienced. All contracts were subject to approval by the Wood Shop Manager.

The principles of this system were subsequently eroded and once the order was placed and a contract negotiated the inmate could negotiate his own subcontract price at his own discretion.

Under the present Industries management, the contractor must again share his profits equally with his subcontractors and these contracts must again be approved by the Wood Shop Manager.

A production order form which demonstrates the total cost of production materials, the retail price of the product and the resulting profit shared equally between inmate and industries is attached for information. (See Appendix #5) In this example, the selling price of \$508.00 is reduced by 5% and credited to an equipment replacement fund. The remaining balance of \$482.60 is subjected to two equal 5% reductions totaling \$48.26 which is for payment to the wood crew (unloading and planer operation) and to the finishing crew. This amount is then added to the cost of materials which in the example is \$127.01. These two items when added equal \$175.27 and is then deducted from the selling amount less 5% (\$482.60) leaving a profit of \$307.33 to be shared equally by industries and the inmate. This procedure was in use through August, 1983.

Under a newly adopted system the wood crew and the finishing crew are paid a fixed amount per foot for handling the product which then becomes an element of cost, not a share of the profit. The contractors pay is a set percentage designed to maintain at this time the current level of wages.

It is important to note that most contractors are long term inmates and provide a fairly stable work force to the industries program. They are lead men that are necessary to maintain quality and production quotas. The new industrial management team felt that any reduction of wages would force these men to the more lucrative crafts program.

The Department of Corrections recommends the possibility of establishing a revised inmate wage scale policy and procedure.

B. Overhead Costs

The Industry Program is continually assuming more of its share of overhead costs. Many of the operational costs are being paid for out of the Industries operation such as costs of new equipment, equipment repairs, maintenance, inmate clerical personnel, tools, office supplies, shipping

costs, gasoline, advertising and building repairs. This year a percentage of the telephone costs are being added to this list.

It is anticipated that as the Industries Program expands and as a more realistic determination of cost elements are made that the Industries Program will be able to absorb more of the overhead costs attributable to its operations. It should be noted that if Industries did not exist there would be a need to provide for the security and activity of those inmates presently engaged in the various programs.

SECTION V. DIVERSIFICATION AND NEW PRODUCTS

The major goals of Prison Industries since the lockdown of 1980 have been to reorganize operations, develop new marketing strategies, reverse the trend of operating losses and seek controlled growth within available resources.

Previous sections in this report outline the achievements in moving toward obtaining these goals. However, these tasks are not fully completed in all instances.

Some diversification and new product lines have recently taken place but it is strongly recommended by prison and Department staff that the first and most immediate goal should be that of fully attaining, consolidating and "fine tuning" these major goals which, to repeat, were initiated immediately after the lockdown. Again, any further diversification and introduction of new products should await attainment of the above.

Some of the diversification and new product lines are listed in the following selected examples.

Ashtrays - Used aluminum license plates are being recycled and made into ashtrays. The material (scrap aluminum) is available at no cost and sales are projected to be about 1,000 units per year with each unit providing Prison Industries with about \$1 of profit.

Scrap Wood -

Wood scraps from the Wood Shop operation are being collected, packaged (bagged) and sold through the Prison Showroom. Sales are projected to be about 1,000 units per year at \$2 each. After costs, (about \$.87 to inmates and \$.15 for packaging), the prison is expected to make \$.98 per unit.

Legislation - Wholesale Marketing (recommended in Kearney Report) -

At the request of the Department of Corrections, the Maine Legislature assisted Prison Industries by recently enacting legislation which allows Prison Industries to wholesale selected products to merchants in Maine for resale to consumers. Total sales projections are difficult to assess at this time, however, the initial impact suggests that the total volume of prison goods produced and sales of such will continue to increase in the future.

Hiring of Sales Person (recommended in Kearney Report) -

Presently, Prison Industries is negotiating to contract on an experimental basis with an individual to function as an outside sales representative. This person will promote Prison Industries services and products to the private sector and other state agencies. It is felt that necessary controlled growth and marketing

strategies will be greatly enhanced by the addition of this sales representative.

Advertising and Sales Program (recommended in Kearney Report) -

Within the past year, Prison Industries have developed and implemented a small advertising program to promote product sales. Both radio and print media were utilized in this latest marketing strategy. As mentioned elsewhere in this report, sales increased during and immediately after this advertising campaign. Special displays and sale prices designed to attract widespread consumer interest as well as to reduce inventories and increase cash flow were held in conjunction with that advertising campaign. The initial success of this marketing strategy indicates that Industries should continue these selected advertising and special sales promotions.

Product Lines and Quality Control (recommended in Kearney Report) -

Additional emphasis has been placed on the overall number of products manufactured so that the remaining goods produced are only those with a high market appeal. Also, these remaining products can be more readily produced and can be competitively priced in

the consumer market.

Quality control efforts have been increased with the result being that the inmate craftsmen are producing furniture and other product items of higher quality, construction and design.

Furniture lines are now emphasizing contemporary and traditional products using mostly pine as the material. As a result, the cost of manufacturing is down. With new marketing strategies, concentration on fewer products, and additional emphasis on increased quality control, the acceptance of these products is on the increase and all indications point toward that trend continuing into the immediate future.

Art/Paintings -

Inmates with talents in the area of art and painting are now producing works for sale in the Prison Industries Showroom. Projected sales for this current fiscal year are estimated to be 200 paintings and/or prints of drawings of various sizes and prices ranging from \$20 to \$50. The revenue from projected sales is estimated to be \$5,200. Estimated costs are \$2,350, thereby leaving a projected profit of \$2,850 for industries.

Church Furniture Lines -

Under the new Industries Management, a special product line, church furniture was recently made available. Hardwood lines, such as lecterns and celebrant chairs have been made through custom orders. Even with a limited

market, it is estimated that 40 to 50 units can be sold per year. Costs vary to the extent that projected estimates are difficult to make. However, the selling price would recover all costs of production, etc., and provide some profit for Prison Industries.

Silk-screening and Special Clothing Items -

Prison Industries now produces special children's and adult clothing items which feature silk-screening of various designs, logos, cartoons, sayings, etc. Among these new product items are T-shirts, sweatshirts and nightclothes. Industries are projecting annual sales to be about 2,165 units for FY '84. Projected income from sales is \$12,910 and costs are estimated to be \$9,555, thereby providing a profit of \$3,355.

SECTION VI - SUMMARY OF DEPARTMENT OF CORRECTIONS' RECOMMENDATIONS

The following is an overview of those recommendations that the Department of Corrections considers necessary and relevant to upgrade the current Prison Industrial operation. Most of these recommendations are mentioned elsewhere in this report and others are presented here for the first time.

I. Wood Shop

A. Marketing-

1. The Department recommends the continuation and expansion of both print and radio advertising. Special emphasis should be place on periods of low tourist activity.
2. More product displays should be initiated, pending an analysis and evaluation of the previous and upcoming show. If this second show is as successful as the first, then a more aggressive sales approach should be pursued.
3. The addition of a full time sales person should be explored. This could be accomplished on a commission basis with a salary dependent on sales activity. The Department feels that this type of direct sales approach may benefit the overall industrial program.

B. Inventory Control -

1. The Department recommends that patterns of all products be drawn. From these patterns, a list of materials can be created. Thus, when materials are drawn from inventory, only those required for production need be issued.
2. In conjunction with the above recommendation it is also strongly suggested that a stockroom be secured and manned by

industries staff. One of the new positions recommended, could be used as a stockroom clerk. These two suggestions in concert would help reduce any future losses due to pilferage and inventory control.

C. Production -

The most important recommendation the Department has to offer that directly effects production is the development of a "work in process" procedure. This process would allow the Woodshop Manager to monitor a job lot through the entire production cycle. This single procedure impacts inventory control, quality control, scheduling, work force levels and shipping.

D. Staff Workers -

The Department of Corrections is recommending the addition of three industrial staff positions, funded by Industries on a trial basis for a limited period of time. As previously stated, one of these positions would focus on inventory control. These positions are needed to enhance production, increase profits and improve product quality.

E. Inmate Workers -

The Department currently recommends maintaining the inmate crew method of furniture production. Even though a recent consultant, Mr. Kearney, feels that at some point in time the assembly line approach will be needed, the Department must operate an Industries Program within the confines of

a maximum security program and a greater value is derived from our current structure for all parties concerned.

II. Print Shop -

It is recommended that the Department pursue a market and operations analysis to determine the feasibility of expanding our production capability. Included in this analysis will be considerations regarding additional staff needs and increased inmate participation.

III. General Recommendations

A. Purchase of Industries Products by State Agencies

There are numerous items produced by Prison Industries that are competitive on the open market. The Department recommends that when such items are needed by other state agencies, the Bureau of Purchases first approach Prison Industries and determine if these products can be produced at a competitive cost and within a reasonable time frame. If so, Prison Industries should receive the necessary priority (orders) that would translate into increased Industries business and savings for the taxpayers.

B. Fixed Labor Scales (Wages) for Inmate Workers

The Department recommends that serious consideration be given to establishing a fixed labor scale for inmate workers based on piecework or perhaps an hourly wage. The inmate industrial workers, actually involved in the production of goods would be paid on a graduated scale. The lead or experienced person would receive the highest

wage. Other inmate workers would be paid at one of two steps. The first would be the intermediate level just below the lead man and the lowest scale would be the beginning wage for new, unskilled workers. This would establish a so-called career ladder. At the end of each quarter, an incentive bonus could be paid to each man based on production and quality of product.

C. Possible Merger: Crafts and Industries

In accordance with the above recommendation, the Department of Corrections should actively pursue the feasibility of obtaining outside funding from either the Legislature or the National Institute of Corrections so that an in-depth, comprehensive review of the Craft and Industrial Program can be undertaken. The specific focus of this study and analysis would be to determine whether or not these programs should be merged operationally as well as from a fiscal point of view into a single Industrial Program. Revenues from such a merger might be utilized to provide all working inmates with income based on a fixed labor scale. In such a reorganization all inmate workers in the Maine State Prison, whether engaged in production of goods (crafts, novelties, furniture, etc.) or providing services (kitchen and laundry workers, runners, cleaners, etc.) would be paid in accordance with said fixed labor scale.

Several inmates, prison and department staff, as well as outside consultants, have discussed and even recommended such a

reorganization and new direction. This feasibility study should be able to analyze the pros and cons of such a proposal, articulate details necessary in establishing alternative courses of action and provide management with information so that once and for all a determination can be made in this regard.

D. Prison Industries Catalog -

Pursuant to a recommendation provided by the E. J. Kearney and Co. (see Appendix #2, pages 2 and 8), Prison Industries, through the Print Shop, should develop an Industries Sales Catalog for distribution to Maine merchants. This marketing technique should provide an additional tool for promoting sales for all Prison Industries products and services.

E. Prison Industries Advisory Committee -

An advisory committee should be established for the purpose of reviewing all operational aspects of Industries and providing the Warden and Commissioner with recommendations for improvements. This Prison Industries Advisory Committee might consist of the following members: Industries Manager, Woodshop Manager, Business Manager, Senior security staff such as the Major or Colonel, Warden and/or Deputy Warden, a Department of Corrections representative and a volunteer from outside the Department such as someone from a university/college setting or the private business sector.

F. Training, Vocational Education and Job Placements -

The prison administration should explore and where feasible implement new ways in which Classification could more closely

coordinate inmate assignments to Industries, vocational education and training programs and eventual work release to job placements in the community. Probation and Parole and agencies such as Project Hold could also be utilized in providing necessary exchanges of information, coordination and direct services in this regard.

G. Prison Industries: Department of Corrections -

The Department of Corrections should work closely with concerned legislative committees to determine realistic ways in which prison industries operations can be enhanced and standardized throughout the Department. Maine Correctional Center and Charleston Correctional Facility have potential for inclusion in an Industries Program. Perhaps such participation should be monitored at Department level so that "in-house" duplications of effort and unnecessary conflicts do not occur. Recently enacted statutes now allow Maine Correctional Center to establish special fiscal accounts for such purposes except that inmates cannot receive wages or fees for their efforts. Contemporary penal practices, however, encourage the possible adoption of a Department wide Industries Program with standardized policies and procedures. Again, this issue should be reviewed jointly by the Legislature and Department.

A FINAL REPORT
ON
THE WOOD SHOP DEVELOPMENT PROGRAM
AT
MAINE STATE PRISON
THOMASTON, MAINE

Prepared For

Mr. Russell G. Overlock
Industrial Supervisor
Maine State Prison
Thomaston, Maine

By

ROSS ASSOCIATES, INC.
Asheville, North Carolina

September 17, 1974

September 17, 1974

Mr. Russell Overlock
Industrial Supervisor
Maine State Prison
Thomaston, Maine

Dear Russell:

This report is intended as the final report of our "Wood Shop Improvement Program." However, please feel free to call us if we can be of further help in explaining our recommendations or conclusions.

Frankly we've covered so many areas in such a short time that in many cases we were only able to hit the "high spots". The fine efforts put forth by you, Brownie, Tim and Wayne are certainly commendable. In summary in the course of the project Ross Associates has provided or helped the Maine State Prison to develop the following:

1. A costing system including bills of material for all components of the items which you are producing.
2. A production control system including route cards listing all operations necessary to produce your products.

3. A job evaluation and pay plan including job descriptions, "point values" for each job, and a method of compensating inmates.
4. Training manuals for wood shop operators to be used by your vocational councilors, supervisors and inmates.
5. Video tapes showing employees at Heywood Wakefield Company, Gardner, Massachusetts working in a production environment. These are intended to show inmates what type of work pace is expected in industry in an "incentive situation", and to show reasonably efficient methods of operation.
6. Recommended layout changes for your "cut-off saw thru planer" line.
7. Recommended machinery purchases, including a glue reel, case clamp, and drawer clamp.
8. Drawings of a "piling jig" for your lumber yard.
9. Instruction in rubbing your finish.
10. Instruction in yard piling practices, kiln operation, and cut up procedures which can save lumber.

11. Recommended design changes for economy, appearance and quality.

Cost System

The purpose of this section is to document the procedures used to establish costs on the items in the Maine State Prison Line.

1. All parts and materials were listed on the bill of materials for each chest, chopping block, etc.
2. All operations necessary to produce each part (eg. front rail on the 3 drawer Cape Cod) were listed on the route sheet.
3. Miscellaneous materials costs were calculated by multiplying the quantity used per unit (chest, etc.) by the price expected to pay times the quantity used.

$$.5 \text{ pint/case} \times \$1.00/\text{pint} = \$.50/\text{case}$$
4. Lumber costs were calculated as follows:

$$\text{Net bd. ft./unit} \times \text{price/bd. ft. (now paying)} \\ \times \text{price rise factor} \div \text{expected yield \%} = \text{Cost of lumber for unit}$$

For instance if there were 10 bd. ft. net of 4/4" maple in a case, and the cost now paid for 4/4 lumber was \$200/MBF (\$.20/ft.) and the

historical yield of 4/4 maple is 40%, the following would apply with a 5% price rise factor.

$$10 \text{ bd. ft. net/} \quad \times \$.20/ \quad \times 1.05 \text{ price} \\ \text{/unit} \quad \quad \quad \text{/bd.ft.}$$

 rise \div .40 yield = \$5.25 cost of lumber in case.

5. Overhead costs are usually calculated as a function of direct labor. Because there are no historical costs on direct labor for inmates, the projected shop overhead was allocated to each product according to the number of operations necessary to produce the unit. Shop overhead and administration overhead expenses for 7/1/72 -- 6/30/73 was \$122,474.32 for 7/1/73 -- 6/30/74 the overhead was projected by Tim to be about \$124,358.30; for 7/1/74 -- 6/30/75 we projected about a 15% increase in overhead or \$143,012.05 . All costs were based on the latter figure.

A portion of the \$143,012.05 was then allocated to each unit produced in accordance with the number of operations necessary to produce it. The procedure was as follows:

A. From the route sheets the number of operations were counted for each part and assembled unit. This quantity was then multiplied by the number of these units produced during 1972-1973. If 200 operations were necessary to produce one "XYZ" chest and 800 were made in 1972-1973, then $200 \times 800 = 160,000$ operations were performed on that chest during the year.

These calculations were made for each product in the Maine State Prison Line. Total operations performed during 1972-1973 were about 773,519.

To spread the expected overhead over the expected production, and corresponding operations the following calculation was made.

$$\star \frac{\text{Expected overhead}}{\text{Expected No. of operations}} = \text{Overhead cost per operation}$$

$$\frac{\$143,012.05}{773,519} = \$.185 \text{ overhead allocation per operation}$$

- * (A basic assumption here is that the number of operations next year will be the same as last year. If there is reason to believe differently, the "expected" figure should be used. For instance once the prison starts to pay, perhaps there will be 1,547,038 operations performed. Overhead per operation would of course then be lower).

To assign overhead then it is often only necessary to count operations and multiply by no. parts/assembly x \$.185 / operation :

$$\frac{\text{No operations}}{\text{part}} \times \text{parts/assy.} \times .185/\text{operation} =$$

Shop + Sales
Overhead cost/unit

If one rough part makes 2 finished parts, counting of operations becomes more difficult. In the following situation. Where, "one makes two", and only one part is required for the assembled unit, the number of operations/unit would be:

<u>From Route Card Operation</u>	<u>Number Operations</u>
Cut-Off	1/2
Rip	1/2
Plane	1/2
* Cut in half	1/2
Bore	1
Sand	1
	<u>4 Operations per part.</u>

*Reduce number of operations by 1/2 up to this point since the two finished pieces are worked on as one until the rough stock is cut in half.

This procedure has been explained to Russell.

If two of these parts were required per assembly the formula would be:

$$\underline{4} \text{ no. operations/unit} \times \underline{2} \text{ parts/assy.} \times .185/\text{operation} =$$

\$1.48 overhead

Russell now has a sheet showing the total number of operations per assembled unit. It is necessary only to multiply those numbers of operations by .185/operation to compute the .185 applicable overhead. The value (\$.185) per operation should be re-computed each year after the expected overhead is projected. If for some reason a great increase or decrease in production is expected, the probable overhead should be broken down into two categories, fixed and variable. The fixed overhead would include those items which would remain about the same regardless of production output. These would include showroom expenses, depreciation on equipment, supervisors salaries, household supplies, health insurance, etc. An examination would have to be made of each overhead account and a judgement rendered as to whether the items included were "fixed" or "variable". Sometimes accounts contain both fixed and variable items. These should be separated. The dollar value of the account

is significant. Otherwise consider the account "variable", if "mostly variable", or fixed, if "mostly fixed".

If production is expected to increase by, for instance 50%, the "variable portion" of the overhead for the past period should be multiplied by 150%. An inflation or price change factor should then be added. Other expected changes in overhead accounts should be added or subtracted. The new "variable portion" of the overhead would then be added to the fixed portion (also including a price rise and "other change" factor) The result would be the expected overhead at the expected level of productivity.

The "expected overhead" could then be divided by the expected number of operations for the year, producing an expected overhead cost per operation. This projection could be revised on a quarterly basis to compensate for variances (actual vs. projected) in the level of productivity.

It is realized that this system of overhead allocation might appear to be fairly complicated. It is a bit unorthodox because the prison does not have a "direct labor" history on which overhead allocation is usually based.

Ideally, the allocation of overhead should be based on the time to perform the operations necessary to produce the units, not the number of operations. The prison has been provided with some time standards, but their implementation is a difficult and time consuming affair.

Also these time standards will still have to be factored in accordance with woodshop performance. Once the inmates are paid their performance should be measured, and compared with the time standards. Once the time standards are implemented, factored, and their adequacy measured, the allocation of overhead, and expected labor costs per unit can be determined from the "time standards," rather than the "number of operations."

Profits or Funds With Which to Pay Inmates?

This was the ultimate question asked Ross Associates, Inc.: How many dollars could the woodshop generate in "profits" which could be used to pay the inmates?

Deputy Warden Laney mentioned a figure of \$200,000 - \$250,000 as a possible goal. Could this be achieved?

The following should explain the situation:

In the furniture industry normal productivity per employee is about \$10.00 per employee hour, wholesale price; or \$20.00 per hour retail price. Fifty men working 4-1/2 hours per day, 240 days per year, should be able to produce \$540,000 worth of goods per year wholesale value or \$1,080,000 worth of goods, retail value. Figuring the prison would not get "full retail price" but rather, only 1/2 way between wholesale and retail, possible production could be about \$810,000. The question of how much to reduce the \$810,000 because of prison labor problems is only a guess, but if the prison labor force, once paid, still only produced at 60 percent of normal outside productivity, possible production would be \$486,000 (showroom value) Materials would probably run \$97,200. Overhead, based upon current figures should not run more than about \$155,000 - \$165,000. Thus possible funds remaining with which to pay inmates would be about \$233,000. If officers salaries, during their institutional hours and other overhead items incurred because of the institution could be covered thru some grant, or charging a "showroom sales commission" on novelties, another \$60,000 or so

could be added to the \$223,000, for a total of about \$283,000 available to pay inmates. A 28% sales commission for instance on novelty sales would generate about \$60,000 in funds. (a novelty item which now sells for \$1.00 would sell for \$1.28. (Twenty eight cents would go to the prison, and the inmate would still get \$1.00)

The situation of an inmate craftsman not getting the full "store price" for his goods is in keeping with what most inmates will have to face upon release if they choose to continue making novelties. Normal practice on the outside is that the craftsman only receives about 50% of the ultimate "store price". Thus, if an item sales for \$1.00 in the store, the producer usually only receives \$.50, unless of course, the producer also operates the retail store.

The achievement of \$486,000 in sales and the resulting \$223,000 in available funds with which to pay inmates will require:

1. An increase in the quality level of the product to the extent that the projected prices can be charged. (one half-way between normal wholesale and retail)

Ross Associates recommendations on how to increase your quality level were included in a previous report to you. The importance of upgrading your quality cannot be emphasized too strongly. Ross Associates, Inc. does not believe that you can complete, and generate your required funds by producing "cheap", camp-type furniture. There are too many, high volume, low quality producers in the market place. These plants characteristically use cheaper materials than the prison, and are often highly automated, and are equipped to work with the cheaper "grain printing" processes, low cost laminates, etc. Your product-line and quality level should be comparable with other "medium priced" furniture. An effort should be continually made to up-grade your line. You will still have an advantage over other producers because of your "retail" store.

The appendix of this report contains a few pictures of some pieces of furniture made by another client of Ross Associates, Inc. The expected retail prices for these items are indicated in ink. Prices which you are charging for items of similar design are indicated in pencil and circled.

Certainly, you cannot command the "other clients" indicated prices today. However, once your quality level is increased you should be able to approach 75% of normal retail price for medium priced furniture. (the prices and pictures indicated are for a "medium" priced line.)

It is very strongly recommended that you conduct a detailed study of the prices which other retailers are charging for their products. This knowledge is a prerequisite to the establishment of realistic prices, which will permit the generation of the required funds. Visit retailers, tell them your problem, ask for their help and guidance. Visit other manufacturers, ask for their help and guidance. Ask Moosehead to lend a hand in the establishment of your pricing policies. Other firms which probably would help are:

1. Temple Stuart
Gardner, Massachusetts
2. Heywood Wakefield
Gardner, Massachusetts
3. Ethan Allen
North Andover, Maine
4. Standard Chair
Gardner, Massachusetts
5. George B. Bent
Gardner, Massachusetts

With the exception of #3, all of the above are clients of Ross Associates, Inc. We would be pleased

to provide whatever introductions are necessary to arrange for you to visit these companies. Also you should search out manufacturers of cutting boards, etc. and ask for their guidance. Ross Associates believes that you will be surprised at their willingness to help. Remember though, your quality must be up-graded before success can be achieved. Also, in addition to knowing your costs, you must know what prices your competitors are charging for similar goods.

2. In order to produce \$406,000 worth of goods, the productivity of your woodshop will have to be increased a little more than double. Included in this projection is the effect of your price increases, once quality improves. Ross Associates, Inc. believes this is a reasonable expectation. Once paid, we believe the inmates could at least double their output. We believe that your plant in general is capable of sustaining the increased level of productivity, if you modify the rough end as recommended by our Mr. Wolf, and purchase a few items of equipment which are indicated later in this report.

3. If a doubling of production in units (and a price increase to "1/2 retail/wholesale level") is a prerequisite to the generation of \$223,000 - \$233,000 with which to pay inmates, obviously sales must also be increased. Mr. Overlock estimated that at your 1973 price level, your retail store could have sold more than 60-70 percent more goods, if the goods had been in stock and available "on the showroom floor." The increasing of the price to the "1/2 retail/wholesale level" there is a small discrepancy in this figure because changes in 1974 as compared to 1973, but the figure is accurate enough for estimating purposes. It might effect the number of units which you can sell, even after quality is increased. Even if unit sales did increase 60-70 percent, you would still be short of the required doubling of unit sales by 30-40 percent. Thus advertising, the establishment of half-way house retail outlets, or more State sales will probably be required to allow unit production to be doubled, and sold.

The question of how an increase in price to the "1/2 retail/wholesale level", with a corresponding increase in quality will affect your sales is beyond the ability of Ross Associates, Inc.

to answer. It is our opinion though, that this "quality improvement" approach, accompanied by increased production and sales efforts is the best approach for the prison. Another consideration in this recommendation is that "quality improvement" will require the inmates to develop their skills and their "quality conscienciousness to a level which will increase their chance of success when ultimately employed by "outside" industry.

Needed Equipment

To improve efficiency, and increase productive capacity, Ross Associates, Inc. recommends that the Maine State Prison purchase or build the following pieces of equipment:

	<u>Item</u>	<u>Approx. New Cost</u>
1	Straight Line Ripsaw	\$7000
1	Glue Reel	8800
1	Case Clamp	6000
1	Drawer Clamp	2800
	Humidifiers	Quotations
1	Sticker Jig and Piling Platform	\$300 - \$500

Good used equipment can often be found and purchased at less than one-half of the price for new equipment.

It is also recommended that the prison discontinue use of your glue jointer. If possible, this piece of equipment should be sold.

Other Recommendations

1. Jobs should be closed out at each department. The "open traveler" procedure should be discontinued.

Jobs should be started and completed, as much as possible as a unit. After a period of about 10-12 weeks the job should have progressed completely through the factory.

Based upon showroom requirements, orders for specific items should be entered into the plant with reasonable expectation as to when the items will be ready to sell.

2. Your cut-off saw should be raised to a level which makes cutting easier for the operators.

Ross Associates, Inc. has appreciated the opportunity to serve you. If we can be of further

assistance please feel free to contact us.

Respectfully submitted,

ROSS ASSOCIATES, INC.

Nicholas C. Weidhaas

Nicholas C. Weidhaas
Associate



INDUSTRIES STUDY
PREPARED FOR
STATE OF MAINE
DEPARTMENT OF CORRECTIONS

BY:

E. J. KEARNEY & COMPANY

THOMPSON'S POINT

PORTLAND, MAINE 04102

207-773-5404

April 15, 1983

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CONCLUSIONS

Based on a marketing study performed for the Maine Department of Corrections, the following conclusions can be made.

1. There is a potential year-round market in Maine which can be served by the Maine State Prison Industries Program.
2. There is a long-standing image of quality which is attributed to products made at the prison.
3. There is interest among Maine Merchants to carry Prison made goods in their product line.
4. There is no mechanism currently in place which will allow the Maine State Prison Industries Program to reach it's potential market other than through it's sole retail outlet in Thomaston.
5. There is an active, competent management team, in place at Thomaston which is capable of expanding the market, thus providing greater work opportunities for the inmates employed and increasing revenues to support the expansion of prison programs without additional tax revenues.

Each of these conclusions will be discussed in detail in the body of the report.

RECOMMENDATIONS

SALES AND MARKETING

- *1. Create legislation which will allow the Industries Program the opportunity to wholesale selected products to merchants in Maine, for resale to the general public. The revenues thus secured would be returned to the Industries Program.
- *2. Develop an advertising program using radio and print media to call attention to the retail store in Thomaston on a year-round basis, thus lessening the store's heavy dependence on the summer tourist trade.

*Note here that both of these recommendations have already been put into effect. Recommendation number 1 is the key element in developing markets for the Industries Program. The legislation will be presented to the legislature now in session. Failure of this legislation to pass will put pressure in the Thomaston store to produce all of the revenues for the Industries Program. The store alone cannot develop the business to support a progressive Industries Program.

Recommendation number 2, put into effect in December 1982, has had a positive effect in developing traffic within the store. People in the marketing area are now aware that the store is open in the winter. Now that an advertising program is in effect, different kinds of promotions should be used to continue to develop traffic.

Suggested here are promotions which would include other area businesses, e.g. 10% off a restaurant meal for a purchase over a certain sum at the Thomaston store. The possibilities of tie-ins are almost without limit, and could serve to show the other merchants that the prison store is a vital link in the area's commerce.

Other sales and marketing recommendations are as follows:

3. Limit the number of products to be made available to Maine merchants to items which have a general market appeal, are of high quality, can be produced on a "production line" basis and can be priced competitively in the market.
4. After (3) above is accomplished, develop a catalog for distribution to Maine merchants. This will be an effective sales tool for the Industries Program. The catalog could also be printed by the prison print shop.
5. Develop a line of furniture which is of high quality both in construction and design. When consumers can be assured that matching pieces will be available in the future, they will be more likely to buy "starter" pieces of furniture. It is suggested that the effort should begin with kitchen furniture, because the equipment is available in the wood working shop. Where components cannot be made because of equipment limitations, they can be purchased, assembled and finished.
6. While developing the lines of products to be sold through Maine merchants, continue to develop relations by hosting events at locations

around the state to acquaint merchants with the products and services available.

7. Hire a sales person to cover the state, selling the services of the Prison Industries Program to other state agencies and the private sector. The Industries Program should be able to compete on the basis of quality, price and service. The Industries Program provides most of the printing for the Department of Corrections and has performed well under contract to the U.S. Navy in projects where ship rehabilitation (wardroom furniture refitting) are required. Legislation requiring the State to purchase certain items from the prison is not recommended at this time. Lack of success in achieving a constant flow of work from the State has more to do with a lack of presence in the marketplace than an absolute reluctance on the part of the State agencies. It is felt that the addition of a salesperson will develop a good relationship to the Program with the State purchasing structure.
8. Design a logo for the Industries Program which can be attached to the product. State law requires that notification of the source of the product be attached to each article made at the prison. Compliance with the law can be turned to advertising advantage if a distinctive logo could be designed.
9. Investigate the possibility of a U.P.S. station at Thomaston.

OPERATIONS

10. Establish an Advisory Board for the Industries Program. Skills recommended for the Board are:
 - (a) Marketing/sales
 - (b) Design
 - (c) Production
 - (d) Finance
11. Develop a written Quality Assurance Manual which describes the quality standards to be achieved and outlines the methods used to achieve them.
12. Increase the working hours to a more reasonable 7-8 hour day, even if it means

a temporary reduction in workforce initially.

13. Develop standard manufacturing procedures with respect to:
 - (a) Work rules
 - (b) Safety
 - (c) Production schedules
14. Develop a statement of mission.
15. Establish financial procedures which will allow accurate production cost data to be accrued.
16. Allow Capital Equipment Purchases to come out of the Industries Program.
 - (a) At first, State might have to purchase capital equipment with Industries paying State back.
 - (b) Second stage would be Industries buying equipment. Industries would borrow from bank, State would guarantee loan.
 - (c) Third stage would be Industries purchasing with no need for State guarantee.

TRAINING

17. First priority should be to develop skills within the current Industries Program.
 - (a) Printing
 - (b) Woodworking
 - (c) Upholstering
 - (d) Millwright
18. Future initiatives should be
 - (a) Machine shop
 - (b) Welding
 - (c) Computer Training
 - (d) Technical skills (drafting, graphics)

DISCUSSION OF CONCLUSIONS

The Maine State Prison Store at Thomaston has long been a shopping place for summer tourists. Tour buses make the store a scheduled stop on their itinerary on the Maine Coast. As can be expected, peak business is conducted during the summer and production, especially in the crafts program, is geared to serving this market. Good quality, reasonable prices and clever designs have been the main selling points. Unfortunately, the products made by the Industries Program are available only at Thomaston, although some of the products have a year-round appeal.

among the latter are cutting boards of various sizes and shapes, breadboxes, trestle tables and other kitchen items. Furniture accessories such as rush stools, end tables, magazine racks and coffee tables, chairs, chest of drawers, bed sets and bunks have a year-round appeal. These items are available in many merchandise settings across the state of Maine on a year-round basis. With one store in a lightly travelled area of Maine, it becomes obvious that the Maine State Prison Industries Program is not reaching its market. The problem becomes one of distribution.

Despite the adverse publicity surrounding the "lock down" there is residual recognition for the quality of the goods produced at the Industries Program. In some cases, the recognition for quality goes back a generation. During the market research, only one merchant indicated that the quality wasn't up to standards on the pieces shown. It should be noted here that, in this consultant's opinion, the quality of the work coming out of the prison is sometimes questionable varying greatly within each lot of product produced. The new management recognizes the problem and is now addressing it.

Several methods of approach to the market were discussed. These were:

- (a) Open a branch of the Thomaston store in population centers around the State.
- (b) Hire a salesperson(s) to sell the products to State agencies (printing, institutional furniture etc).
- (c) Wholesale products to Maine merchants and allow them to "mark up" the products in the usual fashion.

Since the charge of the consulting assignment was to find ways to increase markets at no cost to the State, alternative number (3) obviously has the most appeal. Beside the "no cost" advantage, it has several other long term advantages.

1. If the product could be distributed to Maine merchants for resale, additional markets would be available much sooner.
2. The goods would be merchandized by people who had experience, thus a better ability to "target" the market
3. The State would not be competing with retail merchants.

While this alternative had the most appeal, there was no way of telling how the average merchant would respond to prison-made products.

A significant part of the study was involved with the soliciting of opinions through direct presentation of sample products for critique. The response from the merchants interviewed was enthusiastic and one merchant has volunteered help in choosing products from the prison line for resale to the general public. In at least two cases, the merchant was ready to order from the samples shown. Consensus among the merchants was that, in the price ranges discussed, prison made goods would be more competitive against imports than Maine-made goods. The response of the merchants interviewed forecloses any interest in developing branch stores and their costs/risks to the State.

Once the decision was made to investigate merchant interest in prison-made goods, research was conducted on the statutory possibility of offering the goods to merchants for resale. An informal opinion by the Attorney General's office negated the effort, saying that Maine law expressly forbade selling prison made goods for resale to Maine merchants. This opinion was made in a December 15, 1982 memorandum from David E. Warren to Michael Molloy, Director of Correctional Programs.

During the course of the study, the consultant has had the opportunity to work with and observe the management team now in place at the Industries Program. They are competent, enthusiastic and willing to take the management steps necessary to make the Industries Program a success and hopefully, a model. The recommendations made as a result of the study are all within the capabilities of current management.

RECOMMENDATIONS BACKGROUND

Recommendations cover two areas of the Industries Program and are concerned with sales and marketing and operations.

The consultant feels that the recommendations, when implemented will have a significant effect upon the Industries Program.

Recommendations number (1) and (2) are adequately covered in the recommendations section, although a comparison of sales figures in a like time period without advertising is in order. The periods covered are: November, 1981 through March, 1982 and November, 1982 through March 24, 1983.

	<u>Advertising Starts Last Week of Dec. 82</u>	<u>Without Advertising</u>
	<u>November, 1982</u>	<u>November, 1981</u>
Wood Shop	\$10,758	\$ 8,940
Novelty	18,810	19,208
Upholst/Print	710	720
Sales Tax	<u>1,344</u>	<u>1,242</u>
	\$31,622	\$30,110
	<u>December 1982</u>	<u>December 1981</u>
Wood Shop	\$10,662	\$ 8,699
Novelty	20,269	17,693
Upholst/Print	900	374
Sales Tax	<u>1,379</u>	<u>1,045</u>
	\$33,210	\$28,081
	<u>January, 1983</u>	<u>January 1982</u>
Wood Shop	\$ 7,498	\$ 1,784
Novelty	5,599	3,834
Upholst/Print	292	121
Sales Tax	<u>650</u>	<u>216</u>
	\$14,040	\$ 5,955
	<u>February, 1983</u>	<u>February, 1982</u>
Wood Shop	\$11,318	\$ 3,514
Novelty	7,132	4,817
Upholst/Print	691	250
Sales Tax	<u>949</u>	<u>424</u>
	\$20,090	\$ 9,005
	<u>March, 1983 (3/24)</u>	<u>March, 1982 (all month)</u>
Wood Shop	*\$10,800	\$ 5,881
Novelty	6,200	8,440
Upholst/Print	229	588
Sales Tax	<u>711</u>	<u>625</u>
	\$17,940	\$15,534

*includes \$3,000 sales to Charleston.

Although advertising cannot claim all of the credit for the sales increase, advertising, coupled with an aggressive

effort on the part of management to increase sales played a significant role.

Recommendation number (3) calls for a limitation on the number of products to be made available to Maine merchants and further limits the number to items which have a general market appeal are of high quality, can be produced on a "production line" basis and can be priced competitively in the marketplace.

At the present time, there are over 300 items in the Industries product line. Many of the products do not have broad consumer appeal, others cannot be made on a production basis and still others are of such poor quality that they could not compete head-to-head with products already in the market. The quality deficiencies occur in some of the larger furniture pieces and, in some cases, smaller items. It is expected that the merchants themselves will assist in the product selection phase. If recommendation number (3) is followed, the Industries Program will be entering the market with salable, high quality competitively priced products.

Recommendation number (4) suggests a sales catalog for distribution to Maine merchants. This marketing piece will serve as the link between the merchant and the Industries Program. Reference to the catalog for updates, specials, etc. should keep communications open between the merchants and the Industries Program. Printing of the catalog should also provide a show-piece for the Prison Industries Print Shop.

Recommendation number (5) suggests the development of a line of "open stock" furniture, starting with a kitchen line. Implementation here will require outside help in the form of design consultation and equipment purchases to develop "in-house" capabilities.

Recommendation number (6) suggests a continuing public relations effort be made around the state to introduce merchants and the public to prison made goods. Although contact has been made with significant retailers, additional efforts can be made by setting up displays of prison made goods in a motel setting and inviting store buyers to view the goods and make purchases. Also, a trip to Augusta to a Prison Industries sponsored "Trade Fair" would show the people who buy goods for the state what is available through the prison system.

Recommendation number (7) is a logical continuation of number (6). One of the biggest reasons why the Prison

Industries Program has not made a significant impact upon State purchases is that they do not have a "presence" in the marketplace, someone who is there to make the sale and take the order. Other states have set-asides and legislated requirements to buy from the Prison Industries Program. The Prison Industries Program feels it can compete on quality, price and service, but needs to have a "presence" to do so. In order to capture the costs involved with the salesperson, selling costs should be allocated against the Industries Program.

Recommendation number (8) calling for a "Logo" is adequately covered.

Recommendation number (9) calls for the investigation of adding a U.P.S. station at the store in Thomaston. There are many instances in the summer when additional sales could be made if the purchasers had room in their automobiles or on the bus to take extra items home. If the store could set up a U.P.S. station and charge a fee for packing, these additional sales might be captured. Since these goods are owned by the purchaser, some of the legal ramifications discussed in the December 15, 1982 Attorney General informal opinion might be avoided.

OPERATIONS

Recommendation number (10), if enacted, would go a long way in establishing outside private interests in an advisory capacity to the Industries Program. The support of such a Board could assist in developing new skills among the management of the Industries Program.

Recommendation number (11) addresses the problem of variable quality in the Prison Industries Program. As mentioned earlier, these quality variations make it difficult to represent the Industries Program as a quality producer to the marketplace. Poor quality also costs the State money in wasted materials. Having a written quality manual will also be a good sales tool, in that it shows a dedication to quality as a management and worker commitment.

Recommendation number (12) is designed to get the workers into the flow of a working day. At present, the workforce spends 2-3 hours per day at the workplace. In normal industrial situations, the short work day results in a lack of productivity because start-up and shut-down require about the same amount of time regardless of shift length. Also, work skills are not developed because the work load is too light, affecting quality adversely. The work day should be extended even if it means fewer employees at the start. Increased

business will allow the program to be expanded with more productivity and better quality per inmate employee. Note here that in a Corrections Compendium survey published in 1982, Maine provided the fewest hours per day in Industries Programs of the 56 correctional systems in the United States and Canada reporting. It did employ a relatively high number of inmates at 26%. Best was North Dakota with 35% employment on a 7 hour day.

Recommendation number (13) follows recommendation number (11) in that standard written procedures can assist in developing good work habits.

Recommendation number (14) would assist in providing the management of the Industries Program a philosophical benchmark upon which to run the Program. Top level Corrections Department help is required here.

Recommendation number (15), the establishment of a cost system is adequately covered.

Recommendation number (16), sets up a method by which the Industries Program can become self funding. This will keep the operation of the Program out of the political arena and allow the program to be run as a business entity. It is expected that a procedure for developing a capital budget can be established.

TRAINING

Recommendation number (17) spells out the training programs which are currently available. Training in the areas described will require no new State money, except where repairs to and replacement of equipment is needed.

It is expected that increased training opportunities will result when more business is generated by sales.

Recommendation number (17) is an extension of number (16) in that it pushes for higher skills than those which can be developed currently at Thomaston and are more in the vocational line. Implementation of recommendation number (17) will require study and an undetermined but heavy influx of money. Some of the money could be generated from an expanded Industries Program.

METHODOLOGY

During the first week of the study, a review of pro-

grams at the Maine State Prison at Thomaston and the Maine Correctional Center at Windham was conducted. Based upon observations made, it was decided that Industries Program at Thomaston should be the focus of the Study. This is not to say that the program at Windham is perfect, but since it was funded differently, was providing on-going vocational training and didn't depend upon sales of its goods and services to provide income to support the program, it was judged well-off, at least by Thomaston standards.

The biggest problem facing Thomaston at the beginning of the study was a large inventory and declining sales prospects through the winter months. Since the State has been committed to an Industries Program, the prospects of continuing to build inventory for sale during the next tourist season were financially frightening. Additional outlays of money for materials and inmate pay would create negative cash flow. A layoff of workers as an alternative could only create unrest within the prison.

In-depth discussions were held with Industries management resulting in the conclusion that any short term increase in sales would have to come through the store at Thomaston and through institutional sales to clients like the U.S. Navy at Bath. Immediate attention was focused on the store and an advertising campaign was started. Also, an after-Christmas sale has been in effect. The results have been discussed in a previous section. Several methods of reaching the market were discussed and wholesaling products to Maine merchants for resale was chosen as the fastest way to reach the widest market. A survey was conducted of selected merchants as well as a demonstration of products selected from the Industries Program. Legislation was then written to enable products to reach the market. The Industries management should use the time between now and the passage of the new legislation to continue to develop its marketing plans for the wholesale effort. The woodworking, printing and upholstering shop were visited several times during the course of the study to develop operations and training recommendations. Contact was made with the National Institute of Corrections Information Center in Boulder, Colorado and information was obtained with respect to Industries Programs in other states. Lastly, information concerning future Maine industrial and occupational employment projections was obtained from the Maine State Department of Employment Security.

COMPARITIVE SALES DATA

During the year ended June 30, 1982, total sales from

the Prison Industries Program were \$290,056. Of this total, the Craftsroom generated \$28,579, lumber \$38,872. Sales less the Craftsroom and lumber are \$222,605.

Sales by area are as follows:

Woodshop	\$162,247
Upholstery	11,609
Print Shop	<u>48,749</u>
	\$222,605

During the nine months ended March 25, 1983, sales excluding the Craftsroom have been as follows:

Woodshop	\$157,446
Upholstery/Printing	<u>40,546</u>
	\$197,992

During the same nine month period, the Craftsroom generated \$48,016.

Average monthly sales 1981-1982 = \$18,550

Average monthly sales 1982-1983 = \$21,199

In both cases crafts were eliminated from the total.

A comparison of average monthly sales for the Craftsroom follows:

1981 - 1982	\$2,382/month
1982 - 1983	\$5,835/month

Because of lack of activity in the Industries wood-work program, some inmates transferred into the Craftsroom where it was perceived that sales could be more brisk. It appears that this perception is correct.

It is the opinion of the Industries Management that better job training opportunities are offered in the Woodworking, Printing and Upholstery Shops.

As of December 31, 1982, there were 78 inmates involved in the Industries Program on a daily basis. If each inmate works 15 hours per week, 52 weeks per year, then the average 1982-1983 return per inmate hour worked is \$4.18. For the six months ended December 31, 1982, this represents a gross sales of \$2,466 per inmate employed in the program. During the same time period, operating income less Craftsroom was \$53,000 or \$680 per inmate employed. To further scrutinize the operation results of the Industries Program would not be enlightening since

to many elements of a standard cost system are missing. A recommendation to correct this problem has been made. (Operations recommendation number (15). In order to accomplish a good management system, high level corrections input will be required to establish the guidelines for cost measurement.

Based on information compiled in Corrections Compendium September, 1982, the median gross for prison industries programs studied was \$4 million. New England states reported income as follows:

Maine	\$ 175,000	
New Hampshire	-0-	Just started
Vermont	-0-	
Massachusetts	4,000,000	
Rhode Island	600,000	
Connecticut		Didn't report

COMPARISONS TO OTHER PRISON INDUSTRIES PROGRAMS

The limited scope of the contract prevented a wide ranging investigation of other Prison Industries Programs. However, the National Institute of Corrections Information Center in Boulder, Colorado, provided an invaluable service by providing library information to the project. A copy of the prison industries survey is attached as Appendix I. This survey provides a complete breakdown with comparisons of 56 Correctional Programs in the United States and Canada. A review of the programs will show that the types of programs offered throughout the prison system are remarkably similar. Most offer metal fabrication services which is lacking in Maine and some are offering data processing and computer services.

The most exciting programs reported were those where the prison industries are working directly with private enterprise. Those states reporting this kind of activity are Arizona, Florida, Kansas, Louisiana, Minnesota, Utah, Washington (state) and correctional services of Canada.

The programs below are extracted directly from the Corrections Compendium, September 1982. (Extracted with permission.)

Arizona:

A small number of inmates are employed by Best Western, taking hotel reservations. The inmates are paid \$3.35 to \$5.00 per hour and work an

eight-hour day. Best Western hires and trains the inmate-workers.

Florida:

The 1981 Legislature passed a law authorizing the establishment of a private nonprofit corporation that can lease from Corrections Industries programs. The corporation is currently being organized but has not leased any programs at this time.

Kansas:

Have an arrangement with Zephyr, Inc., a company which operates a sheet metal job shop. Inmates are utilized as welders and machine operators. The business has the authority to hire/fire inmates as they see fit. Currently 54 inmates (out of a population of 3000) are employed with Zephyr. Inmates work a typical eight hour-day.

Louisiana:

About 500 inmates are assigned work duties with the National Guard. Work includes assisting the National Guard in every function connected with the operation of a small city, including heavy equipment operation, warehousing, electrical work, plumbing, mechanical work, etc. The National Guard has hiring/firing authority. Inmates are paid two to five cents per hour and work an eight-hour day.

Minnesota:

Have subcontract programs with Control Data, Western Electric, and various other private firms. Approximately 40% of the inmate population is employed in such arrangements. The private firms can do hiring and firing as they see fit. Inmate employees' wages vary from \$1.50 to \$4.00 per hour. Inmates work a 7½ hour day.

Utah:

Printing and sewing operations are involved

with the private sector. Inmate workers in these industries are paid \$3.35 to \$4.00 per hour and work a seven-hour day. To date; all work is administered by Correctional Industries personnel who provide selection and supervision of inmates.

Washington:

A private industry is able to contract with the Department of Corrections to set up its company in a specific institution. The company provides the management, on-site work supervision, and on-the-job training as well as all needed equipment. They will interview and employ referred inmates at 60% of the prevailing wage or minimum wage, whichever is greater, and pay liability and worker's compensation. The institution will provide the needed space, a representative to coordinate and monitor the program, and on-site or sporadic custody supervision, according to the size of the program and the needs of the institution. This program can take place in the community, depending on the specific institutional custody classification procedures. The Purdy Treatment Center (for women) presently has a drafting program contract with the Tacoma Boat Company, which employs three inmates, eight hours a day at \$5.76 per hour. The inmates participate in the cost of their incarceration by paying a percentage of their salaries to the Department of Corrections.

Correctional Service of Canada:

Inmates have been making solar captors for the Petro-Sun Limited firm of Montreal. Twelve inmates are involved in this arrangement. Twenty other inmates are employed by the Scott Paper Company in a tree nursery operation. Inmates employed by these private businesses represent four percent of the total inmate population. Businesses have the authority to hire/fire inmates. Inmates are usually paid minimum wage or an amount comparable and work five to seven hours per day.

As the Maine program expands, it would be worthwhile to follow the leads of the above named States to

develop programs directly with private sector industry throughout the State. These companies are in a position to provide industrial opportunities requiring the use of up-to-date techniques and technologies, thus providing real transferrable job skills to inmate employees.

JOB OPPORTUNITIES IN MAINE 1990

Information provided by the Maine Department of Employment Security, Division of Economic Analysis and Research breaks down the employment in the State into 9 areas as follows:

1. Agriculture, Forestry and Fishing
2. Mining
3. Construction
4. Manufacturing
 - Durable Goods
 - Non-durable Goods
5. Transportation and Public Utilities
6. Wholesale and Retail Trade
 - Wholesale Trade
 - Retail Trade
7. Finance Insurance and Real Estate
8. Services
9. Government

Comparisons of 1980 to 1990 employment in each industry were made with the following results.

	<u>Employment 1980</u>	<u>Employment Projected 1990</u>
1. Agriculture, Forestry and Fishing	9980	10460
2. Mining	180	190
3. Construction	19690	23730
4. Manufacturing	113810	132800
Durable Goods	42980	58550
Non-Durable Goods	70830	74250
5. Transportation and Public Utilities	18750	21120
6. Wholesale and Retail Trade	89180	106280
Wholesale Trade	18000	23090
Retail Trade	70580	83190

	<u>Employment 1980</u>	<u>Employment Projected 1990</u>
7. Finance Insurance/ Real Estate	16480	20460
8. Services	117030	142730
9. Government	41240	42550

Annual Planning Information, Maine Statewide Fiscal 1983, published by the Maine Department of Labor Bureau of Employment Security, ranks industries in terms of desirability for job development.

The top ten industries were:

1. Health Services
2. Transportation Equipment
3. Miscellaneous Retail
4. Business Services
5. Printing and Publishing
6. Legal Services
7. Banking
8. Wholesale Trade/Nondurable Goods
9. Paper and Allied Products
10. Electric and Electronic Equipment

From Table 29, P. 77 (attached, as Appendix II).

1980 Employment vs. projected 1990 employment in these industries is as follows:

	<u>Employment 1980</u>	<u>Employment Projected 1990</u>
1. Health Services	35330	49850
2. Transportation Equipment	8520	11180
3. Miscellaneous Retail	9900	11160
4. Business Services	5670	8870
5. Printing & Publishing	3610	4490
6. Legal Services	2000	2400
7. Banking	6790	8330
8. Wholesale Trade Nondurable Goods	9190	11500

	<u>Employment 1980</u>	<u>Employment Projected 1990</u>
9. Paper & Allied Products	18190	18940
10. Electric & Elec- tronic Equipment	7750	10880

Rankings were achieved by a number of factors and the details of each of the top 20 industries can be found starting on page 69, Annual Planning Information.

Basically, those receiving high scores "generally had either substantial employment, more favorable growth rates, good wages, a low ratio of Unemployment Insurance claimants to employment or some combination of these factors."

Of the Industries Programs offered, only Printing and Publishing falls into the top ten ranked job development industries.

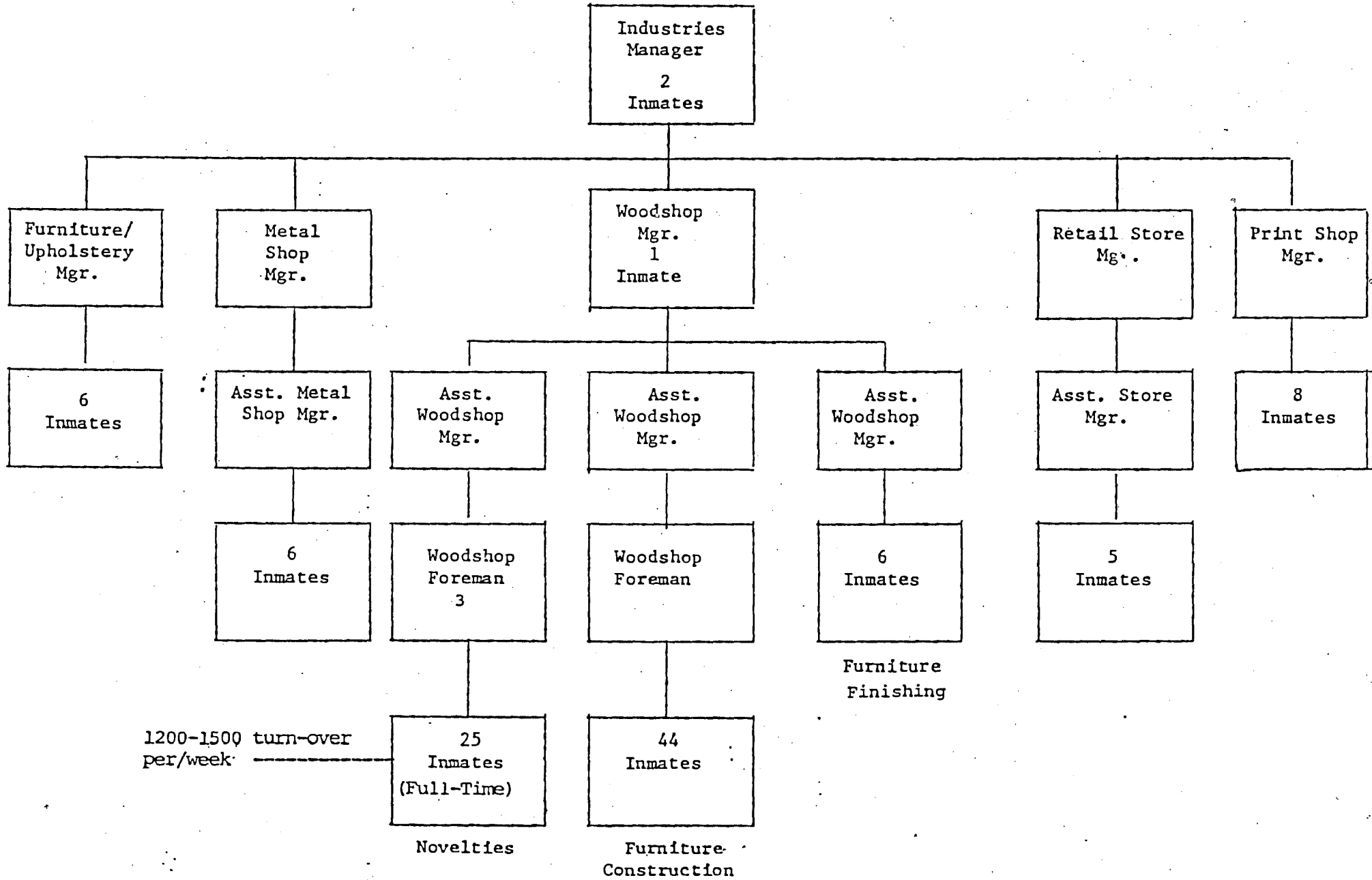
Realistically, the Industries program should be looking to the future by enacting recommendation number (18) (Training). This will allow job training for Transportation equipment (welding and machine shop). Business services (data Processing) and Miscellaneous services (drafting, accounting, etc.).

After the successful redevelopment of the existing Industries Program, the State should fund the resources to achieve training in these new areas.

SUMMARY

The Maine State Prison Industries Program has the potential of providing work opportunities and realistic job training to inmate employees. At the present time, its' products lack adequate access to the market. This report outlines the steps which can be taken to make the Industries Program a successful financial venture and a rehabilitative training mechanism for inmate employees. It also makes recommendations for the development of future training possibilities which will more closely align Prison Industries training to on-going industrial opportunities.

Prison Industries
Staffing



APPENDIX #4

MAINE STATE PRISON INDUSTRIES
Income Statement

Fiscal Year, Ending June 30, 1983

Description	Woodshop	Upholstery	Craftroom	Plate Shop	Print Shop	Totals
Sales:						
Retail	\$197,036.33	\$25,518.95	\$38,528.84	---	\$23,251.87	\$284,335.99
State	18,751.16	4,956.83	---	---	25,113.74	48,821.73
Lumber	43,110.55	---	---	---	---	43,110.55
Total Sales	258,898.04	30,475.78	38,528.84	---	48,365.61	376,268.27
Cost of Goods Sold	171,444.64	6,594.86	---	---	16,184.23	194,223.73
Gross Profit	87,453.40	23,880.92	38,528.84	---	32,181.38	182,044.54
Expenditures	88,419.88	16,128.80	23,269.49	(670.26)	22,457.29	149,605.20
Operating Income	966.48	7,752.12	15,259.35	670.26	9,724.09	32,439.34
Other Income	2,129.80	---	725.00	---	1,000.00	3,854.80
Net Profit	\$ 1,163.32	\$ 7,752.12	\$15,984.35	\$670.26	\$10,724.09	\$ 36,294.14

DATE STARTED July 6, 1983

DR: STOCK

JOB NO: 25-1724

PATTERN NO: 35

DESCRIPTION:

Industrial Office
Use Only

~~XXXXXXXX~~ Deacon Bench

QUANTITY: 4

INVOICE NO:

INVOICE DATE:

INVOICE AMOUNT:

MT.	UNIT	MATERIALS AT STANDARD	QUANTITY EA.	BAL.	UNIT	TOTAL
101		XXXXXXXX Bd. Ft. 4/4 Pine	XXX pt.			39.39
131		XXXXXXXX " " 8/4 "	XXX "			56.32
100,		XXXXXXXXXX FHR Woodscrews 1 3/4 x #10	125 pt.			1.25
4 sets		XXXXXXXXXX Beaton Hinges-Copper	066 qt.			3.61
4 "		XXXXXX Furniture Glides				5.96
5		XXXXXX Ea. #120 Sandpaper				.75
2		" #50 "				.29
6		" #80 "				.93
1		Box 1 1/4" Wire Brads				1.30
5 Pts.		Sealer				5.55
5 Pts.		Gloss				5.15
5 Pts.		Dark Stain				3.90
5 Pts.		Turpentine				2.05
8 Sheets		3x9 #220 Sandpaper				.56
			Total Materials			127.01
		508.00 x 5% = 25.40	Labor added			48.26
		508.00 - 25.40 = 482.60	Total			175.27
		482.60 x 5% = 24.13				
		482.60 x 5% = 24.13				

total Standard Materials (Cr. 71020)		482.60	RES	153.66
Labor at Standard (Cr.)		Less (1)	175.27	
Standard Overhead (Cr. 71200)		307.33	IND	153.67
total Standard Cost (Cr. 71021)				

Materials Over Standard:

Total Cost Over Standard (Dr. 71020)	Cr. 71020			

DELIVERY SLIP

Item: Stools' Oval JOB NO:

Quantity: Carried By:

Sent By: Rec'd. By: Date: