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MEMORANDUM

**To: Interim Joint Committee on Appropriations & Revenue
Legislative Research Commission**

**From: Cookie Crews, Commissioner
Kentucky Department of Corrections** *Crews*

Date: September 3, 2024

RE: 24 RS HB 6 – Kentucky Correctional Industries

The 2024 Regular Session House Bill 6 requires the Kentucky Department of Corrections (DOC) to prepare a report detailing the cost of goods produced for fiscal year 2023-2024 and the preceding five fiscal years, as well as an analysis of the impact of terminating Kentucky Correctional Industries. This report is a preliminary assessment performed by DOC on the feasibility of managing KCI through external contracting, and information gathered could be used for an expanded examination in the future. The mandated timeline for production of this report did not allow for adequate time to contract with an outside party to examine KCI's records to obtain more detailed recommendations, nor was funding appropriated for a contracted assessment of KCI.

Kentucky Correctional Industries (KCI) was established in 1954 via Kentucky Acts Chapter 46, section 1 for the purposes of manufacturing products for the Commonwealth. Pursuant to Kentucky Revised Statute 197.200, "The department may purchase in the manner provided by law, equipment, raw materials, and supplies, and employ the supervisory personnel necessary to establish and maintain, industries at the penitentiary or any penal farm or institution of the department for the purpose of utilizing the services of prisoners in the manufacture or production of articles or products, including license plates, road signs and other articles and products needed for the construction, operation, maintenance, or use of any office, department, institution, or agency supported in whole or in part by this state or its political subdivisions." Other statutes pertaining to KCI include KRS 197.105, KRS 197.210, KRS 197.220, KRS 197.230, KRS 197.240.

Since the establishment of KCI, inmates have produced a variety of commodities utilized by Commonwealth of Kentucky agencies, public schools, universities, private companies and local governments including high-quality wood furniture, janitorial products, clothing, license plates and institutional furniture. Additionally, KCI operates four (4) institutional farms, provides metal fabrication, digital/offset printing, screen printing, embroidery and operates a moving crew. At the Kentucky Correctional Institution for Women (KCIW), inmates working in braille transcription complete products often used by charitable endeavors including Dolly Parton’s Imagination Library.

Inmates employed by KCI acquire essential job skills and training integral to reducing recidivism and providing second chances. The employment opportunities provided in Kentucky Correctional Industries is impactful for the justice-involved population by teaching a variety of job skills. These skills will ultimately assist the clients upon release from incarceration to obtain lifelong careers to earn meaningful wages and become productive citizens in the Commonwealth ultimately leading to successful reentry. Kentucky Correctional Industries plays a huge role in preparing the population with skills for their upcoming release into the community. KCI is celebrating its 70th anniversary this year. The program is the original and longest-operating reentry program in the Department of Corrections providing realistic work experience that cultivates essential job skills.

State and inmate Labor positions as of August 1, 2024, by correctional facility:

KENTUCKY CORRECTIONAL INDUSTRIES			
State and Inmate Labor			
	State	Inmate Jobs	
	Positions		
BCC Farm	1	12	
KSP Clothing	5	103	
EKCC Coupon	1	9	
EKCC Clothing & Mattress	5	50	
GRCC Furniture	6	65	
KCIW Braille	1	34	
KSR Metal	6	61	
Move Crew	1	12	
KCIW PIECP	-	11	
LSCC Furniture	7	120	
RCC Farm	6	21	
LLCC Print & Embroidery	6	60	
KCIW Soap	1	9	
KSR License Plates	1	20	
WKCC Farm	5	8	
Warehouse	7	12	
NTC Farm	1	4	
Sales	6	-	
Administration	8	-	
Total	74	611	



The cost of goods sold, by fiscal year, is detailed below:

KENTUCKY CORRECTIONAL INDUSTRIES						
Cost of Goods Sold						
	FY19	FY20	FY21	FY22	FY23	FY24
BCC Signs and Panel Systems	\$ 193,957.38	\$ 387,980.88	\$ 337,328.01	\$ 737.87		
KSP Clothing	\$ 997,352.62	\$ 1,084,682.54	\$ 607,528.52	\$ 676,626.58	\$ 794,974.43	\$ 806,713.99
EKCC Coupon	\$ 200,345.24	\$ 123,988.75	\$ 77,640.06	\$ 49,353.19	\$ 126,539.15	\$ 105,776.38
EKCC Furniture & Mattress	\$ 283,416.30	\$ 248,365.36	\$ 200,490.33	\$ 74,451.43	\$ 445,591.37	\$ 841,079.56
EKCC Metal	\$ 117,223.11	\$ 110,050.61	\$ 64,501.58	\$ 50,821.69		
GRCC Furniture	\$ 761,370.98	\$ 606,938.87	\$ 602,138.70	\$ 607,530.89	\$ 825,566.35	\$ 788,337.57
KCIW Braille	\$ 1,835.18	\$ 5,304.28		\$ 17,281.89	\$ 71,817.33	\$ 120,753.41
LSCC Mattress	\$ 208,013.57	\$ 185,072.27	\$ 211,325.75	\$ 338,396.47		
KSR Metal	\$ 161,242.50	\$ 174,692.20	\$ 112,260.80	\$ 468,945.84	\$ 546,055.75	\$ 774,717.14
Move Crew	\$ 223,433.02	\$ 221,954.49	\$ 216,278.48	\$ 193,384.38	\$ 163,298.08	\$ 75,623.31
KCIW Mail	\$ 57,442.05	\$ 50,546.70	\$ 20,427.70	\$ 5,863.70		
KCIW PIECP					\$ 102,067.18	\$ 147,976.41
LSCC Furniture	\$ 1,012,933.41	\$ 1,200,438.97	\$ 610,416.34	\$ 999,365.71	\$ 1,298,767.00	\$ 1,191,899.66
KCIW Print	\$ 444,505.05	\$ 207,723.41	\$ 161,743.94	\$ 134,419.98		
LLCC Print & Embroidery	\$ 1,035,363.71	\$ 1,125,499.80	\$ 934,234.35	\$ 896,593.16	\$ 943,847.65	\$ 998,261.95
KCIW Soap	\$ 614,176.10	\$ 727,549.40	\$ 630,916.84	\$ 575,411.68	\$ 663,307.29	\$ 524,762.09
KSR License Plates	\$ 1,145,994.83	\$ 1,151,874.54	\$ 211,089.16	\$ 168,156.55	\$ 138,316.64	\$ 120,189.77
WKCC Recycling	\$ 224,104.53	\$ 146,346.85	\$ 56,034.17	\$ 44,247.11		
Warehouse	\$ 579,256.41	\$ 396,421.99	\$ 239,239.24	\$ 314,640.64	\$ 376,812.15	\$ 754,931.47
Farms	\$ 1,050,076.02	\$ 918,361.72	\$ 1,249,337.65	\$ 568,821.47	\$ 994,415.75	\$ 1,238,337.91
	\$ 9,312,042.01	\$ 9,073,793.63	\$ 6,542,931.62	\$ 6,185,050.23	\$ 7,491,376.12	\$ 8,489,360.62

Ceasing operations of KCI would have severe consequences, including the potential loss of 611 inmate jobs, posing a significant security risk in correctional facilities. Idleness among inmates contributes to staff and inmate assaults, criminal activity, and endangers public safety and institutional security. Loss of inmate jobs reduces the potential cost avoidance achieved by inmates eligible to receive work for time credit (KRS 197.047). In Fiscal Year 2024, 1,740 days of work for time credit were earned by inmates employed by KCI. This is approximately \$205,111.20 in cost avoidance.

KCI produces the Commonwealth's license plates, temporary tags, institutional clothing, institutional furniture, mattresses, office furniture, janitorial products and more. Wood office furniture is handmade by inmates with exceptional craftsmanship and durability. Loss of production of these items not only increases the costs of incarceration but the operational costs of the Commonwealth. In turn, these cost increases are passed on to the taxpayers.

Currently, KCI is producing the institutional furniture for two capital projects - the Little Sandy Correctional Complex Expansion and the relocation of Medical Services. Acquiring these items from either private companies or correctional industries in other states would substantially increase the costs of both projects. For example, double metal bunks from Norix are typically \$1,860.00 each and do not include an integrated television tray. KCI's price for a double metal bunk with an integrated television tray is \$1,845.03. KCI's price for a heat-sealed mattress with an integrated pillow is \$137 while Norix's price for a similar mattress is \$306.00.

Closure of KCI also will undoubtedly affect the recidivism rate. KCI's operations afford inmates practical and marketable job skills in industries including manufacturing, farming, embroidery, printing, braille transcription and metal fabrication.

Privatization of KCI would be equally devastating for the Commonwealth. To the Department's knowledge, there are only two (2) other privately operated correctional industries in the United States (Florida and Mississippi). In 2021, Mississippi's legislature recommended rescinding the privatization of correctional industries and returning control to the Mississippi Department of Corrections.

Further, moving to a privately managed model will undoubtedly increase prices, eliminate state employee positions, and reduce inmate jobs, increasing the operating costs of the Commonwealth. KCI staff are well-versed in prison operations, safety and security. Managing plants and farms within a correctional environment requires a unique skill set developed by individuals with significant experience in corrections - skills that would unlikely be possessed by employees working under private management and operation.

KCI participates Prison Industries Enhancement Certification Program (PIECP), which partners with private companies for production of goods. This program enables inmates to earn at least minimum wage to pay victim restitution and to support their families. Additionally, it is a partial offset of incarceration costs through deductions of room and board. PIECP programs are governed by and require the approval of the United States Bureau of Justice Assistance (18 U.S.C. §§ 1761-1762) and are administered pursuant to KRS 197.105. Currently, there is one PIECP program in operation at the Kentucky Correctional Institution for Women, with other opportunities currently being explored at Luther Lockett Correctional Complex and Green River Correctional Complex. Privatization of KCI would require ending these programs.

In summary, ceasing KCI operations or exploring privatization adversely affects reentry, state government operations and increases costs of incarceration borne by the Commonwealth's taxpayers. Inmates employed by KCI take great pride in their work and receive valuable work skills essential to gaining employment after incarceration.

KCI's entire product line can be viewed at: <https://www.kci.ky.gov/Pages/index.aspx>