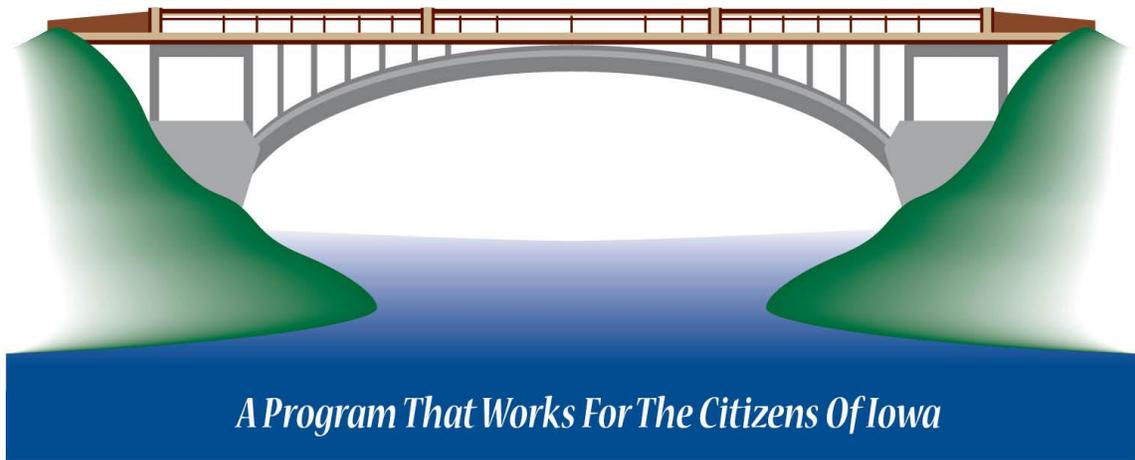


Building Bridges To Success

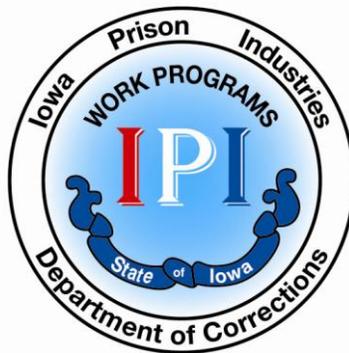


A Program That Works For The Citizens Of Iowa

IOWA PRISON INDUSTRIES

FIVE YEAR TRANSITION AND BUSINESS PLAN

2011-2015



PREPARED BY: ROGER L. BAYSDEN, DIRECTOR



IPI Training Conference
University of Iowa

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MISSION STATEMENT



To employ staff and inmates
who are dedicated to providing:

Exceptional Service

Reasonable Prices

Quality Products

It is this commitment to excellence that will allow our business to remain self-funding, achieve growth, provide more jobs for inmates and staff and assume a national leadership role in correctional industries.

Vision

By ensuring our mission is achieved, we will have assisted the Department of Corrections in protecting the public, staff, and inmate safety through vital work programs that will ensure the offenders' chances of a successful return to society as tax-paying citizens upon their release.

OVERVIEW

Iowa Prison Industries (IPI) is uniquely structured and represents the true spirit of a social entrepreneurship. IPI operates under a business model with a dual purpose; to train offenders and to remain self-funding and free from appropriations as mandated by the legislature. IPI does not cost the taxpayer a dime; furthermore, they return in excess of \$15 million to the community each year with local purchases of raw materials, supplies and services.

IPI is a division of the Iowa Department of Corrections as enabled by section 904.801- 904.815 of the Code of Iowa. It is structured into three (3) divisions: traditional industries, farms, and private sector ventures. IPI is about “character building” through rehabilitation.

Charity work and contributions are a big part of IPI’s character development plan. Last year alone IPI and the offender workforce donated over \$150,000 in goods and services to local communities. IPI donated items such as dolls for adopted children, street signs for communities struck by disasters, furniture for relocated residents of the YWCA, and many other charitable fund raising events for homeless shelters and breast cancer awareness.

Every state in the country and the federal government maintains a prison industries program. While it is controversial and often misunderstood it is vital to good security in the prisons and to the successful re-entry of offenders to the community.

Today, IPI employs over six hundred offenders and generates over 20 million dollars in annual sales thru traditional industries and 1.5 million dollars in agriculture revenue. IPI also provides employment to over 200 offenders through private sector companies. IPI provides over 1.6 million hours of hands-on offender work skill training at *no cost* to the taxpayer.

Traditional industries and farm offenders are paid a stipend. Private Sector offenders are paid a prevailing wage comparable to citizen workers. However, they are mandated by law to surrender all but 20% of the wages earned for taxes, child and family support, room and board, and restitution.

IPI receives no appropriations from the general fund. All revenue earned is generated from the sale of high quality products to tax supported entities. IPI hires staff and pays their salaries from the profit on the sales of goods and services. They are responsible for purchasing/constructing their plant operations, purchasing and maintaining their own equipment and vehicles, as well as purchasing raw materials for manufacturing finished goods. IPI maintains a separate purchasing department and accounting staff to handle purchases, payroll, and accounting details. IPI provides comprehensive accounting records monthly to various oversight entities. IPI also has an extensive Global software system that laces the twenty one (21) different businesses under one accounting control system.

To display products, IPI maintains a newly constructed showroom at 1445 East Grand Avenue, Des Moines, IA. This facility was constructed 100% with earned income. No tax dollars were invested in this property. On November 6, 2009, IPI dedicated the building and donated it to the citizens of Iowa.

IPI has plant operations at eight of the nine Iowa Prisons. The IPI management team consists of a director, sales manager, accounting/IT team, and four plant managers.

THE VALUE AND CONTROVERSY OF IPI

The value of IPI to the State of Iowa is endless. Not only does IPI save the state enormous sums of money, they are also accountable for hands on training of society's most challenging individuals and responsible for returning them to the community from which they came from as productive members of society. The measure of IPI's effectiveness can be found in a three (3) year study by the University of Baltimore which reported that IPI trained offenders have the lowest recidivism rate in the country at 4.9% versus the overall 35% of the Iowa Department of Corrections¹. IPI estimates the annual savings to the taxpayers of Iowa at over \$10 million per year. At a cost of incarceration at over \$25,000 per year per offender, a reduction of recidivism from 35% to less than 5% makes a compelling argument for more work programs in the State of Iowa. No other private company or government funded program can make this claim.

In years past, there was push back from private companies and labor unions suggesting that IPI competed with private industries. This push back has subsided to almost zero resistance today, in fact, AFSCME is now one of IPI's better customers and enjoys an excellent relationship.

IPI attributes this to an excellent and engaged advisory board and the willingness to work with the business community and others when there was a need. Over the past fourteen (14) years IPI has developed a significant community involvement program. With the IPI Board's approval we have made significant contributions in kind to over sixty (60) community charity organizations. In 2008, IPI donated over \$150,000 in goods and services.

¹ Cindy Smith, PhD, University of Baltimore, 2005

New IPI Showroom

Dedicated to the citizens of Iowa on November 6, 2009.



IPI's first permanent home!

Charitable Donations

As inmate doll makers do time, they do good

Women who sew doll clothing give kids a happy Christmas



Jennifer Moore, an inmate at the women's prison in Mitchellville, fits a hat on a doll that will end up under a Christmas tree for a needy child in Iowa. The women volunteer to sew clothing for dolls that are donated to churches, family shelters and other places that help disadvantaged children.

By WILLIAM PETROSKI
bpetroski@dmreg.com

Mitchellville, Ia. — It's busy inside Santa's workshop.

About 10 women are working toward a holiday deadline, cutting fabric and sewing a total of 500 cuddly rag dolls that will soon be placed under Christmas trees for needy Iowa children.

This branch of Santa's workshop is at the Iowa Correctional Institution for Women at Mitchell-

ville. The state prison facility is surrounded by a tall metal fence topped with razor wire that is regularly patrolled by correctional officers.

Inmates working here for Iowa Prison Industries normally spend their days doing upholstery work and making blue denim pants, providing computer-imaging services and performing other chores. But during their spare time, some are volunteering for a labor of love to make rag dolls for this Christmas season from scrap

DOLLS, PAGE 4B

DOLLS

FROM PAGE 1B

materials.

"This is wonderful. It feels good to be able to do something and to know that other people will find joy out of it," said Devon Perkins, 29, of Iowa City, who is serving time for second-degree robbery. She had never operated a sewing machine before entering prison; now she is a lead seamstress at Mitchellville.

Staci Boerjan, 32, of Mason City was convicted of intent to deliver methamphetamine. She had been a certified trainer for restaurant servers in the past. Now she deftly uses scissors to cut colorful fabric for dresses and bonnets that will adorn the dolls.

"Knowing that you will put a smile on some child's face is great. They will have this to hang onto, and it will give them a little comfort," Boerjan said.

The rag doll charity project



Angela Socarras sews the hat down on a doll while other inmates perform other doll-clothing tasks at the prison in Mitchellville. The rag doll charity project began last Christmas season, and 250 dolls were donated. This year there will be 500 of them.

was started last Christmas season by Roger Baysden, director of Iowa Prison Industries, which employs inmates in manufacturing, farming and private sector work programs. The bod-

ies for the dolls are made by male inmates at the Iowa State Penitentiary at Fort Madison. The doll clothing is sewn at Mitchellville.

The inmates last year made 250 rag dolls that

were donated to churches, family shelters and other places that help disadvantaged children. The production is increasing to 500 dolls this Christmas, and Baysden hopes the inmates will make 1,000 for next year's holiday season.

No taxpayer money is spent on the dolls. They are made entirely from fabric scraps remaining from upholstery work and blue jean manufacturing, as well as leftover mattress stuffing, said Shawn Preston, Mitchellville's Prison

Industries manager. The faces are printed on the dolls using prison equipment.

There are multiple benefits from the program, said Betty Brown, administrator of victim and restorative justice programs for the Iowa Department of Corrections. Everyone who goes to prison has a victim — even if it is only the inmate's family that suffers. By making rag dolls for needy children at Christmas, the inmates learn to develop empathy and compassion for others, she explained.

"They are giving back to the community, and it feels really good not to be so selfish," Brown said.

This will be the first Christmas in Iowa's prison system for Jennifer Moore, 19, of Burlington, who has served four months behind bars for a burglary conviction. She said it will be tough being away from her family, and she isn't quite sure how to deal with it.

But having a job in Iowa Prison Industries and working on the dolls keeps her busy and helps her to forget about her circumstances.

Moore said she feels good about helping make the dolls and making at least one child's life a little better at Christmas.

"I like this a lot. I mean, if I was a kid, I would be very grateful," she said.

**Appeared In
Over 50 Midwest
Newspapers!**

—Charitable Donations—

**Over \$150,000
In Donations!**

IPI Donation Projects:

Anamosa

- City of Parkersburg Iowa for street signage caused by tornado (\$3,497.10)
- Fire Ring for Special Olympics (\$116)
- Eagle Intarsia for benefit for paralyzed accident victim Dave Hecht (\$64)
- Cleaning supplies for ASP staff person affected by flood (\$25)
- Flag intarsia to Iowa Library Association (\$40)
- Eagle intarsia to 6th Judicial District for Coaches for Kids Fundraiser (\$64)
- IPI staff has been big supporters of various work activities like the Thanksgiving meal collection for needy families, donations to the local Food Banks.

Des Moines

- Various novelty items for fund raisers: Badger Fire Department, Toys for Tots, Red Cross, Susan B. Komen Cancer Fund, Animal Rescue League, Boy Scouts of Iowa
- \$300 cash donation to Food Pantry of Iowa from sales of novelty planes, trains, and dolls.
- Approximately 400 computers to low income families
- 10 computers to the Youth shelter of North Central Iowa
- 20-30 computers to Inmate Education programs (Anamosa-MT Pleasant)
- 1200 sets of shirts, slacks, and jackets to Amazing Grace for the homeless.
- Approximately 80-90 pallets of bottled water, Advil, children vitamins, adult vitamins and cleaning supplies to churches, homeless shelters, low income child day care, Special Olympics, low income medical centers, YMCA, YWCA, Primary Health Care Clinics, Community Access Pharmacy, Family Violence Centers, Central Iowa Shelter and Services, Bethel Mission, St. Joseph Shelter, Iowa Homeless Youth, Youth Emergency Shelter and Services, House of Mercy, Eyerly Ball – Behavioral Health Resources.
- *Computers (approximately \$50 each)

Ft. Madison

- 270 dolls for Christmas (Fort Madison and Mitchellville jointly) (\$2,025)
- U of I Children's Hospital: 22-wood pickup trucks, 6-wood semi-trucks, 23-wood cars, 10-dolls (\$400)
- Lee County Tri-State Collation (Domestic Violence Shelter): 1-large rocking horse, 2-small rocking horses, 1-cradle, 9-dolls, 12-children sweatshirts, 12-stocking caps (\$500)
- VISTA: 225 embroidered chambray shirts for the volunteers, 540 pairs of socks (\$4,001)
- Numerous briefcases to various people and organizations (\$25 each)
- 100 hot pink tote bags for Artful Dodger project 2008 (\$175)
- Women's Correctional Conference: custom nightstand, embroidered briefcases (\$713)
- 40 arm bands for IDOC Emergency Preparedness (\$600)
- Door for Jan Cordeman (\$100)
- Iowa Vet's Cemetery: cremation wooden box, table cover, chair covers (\$300)

Mitchellville

- Dolls (200 offender hours)
- 15 chairs reupholstered for ISP Conference Room (\$1,500)
- 50 flag/flag boxes for the Governor (\$500)
- Framing jobs and flyers for Women Working in Corrections (\$2,500)
- Special Olympic frame jobs, Chris Wetzel and Monica Reynolds (\$350)
- Couch to ICIW Prototype (\$500)
- Des Moines Public Schools – "Green" dispenser and product (\$300)
- AFSCME – work surfaces re-laminated (\$200)

Newton

- Christmas Bags - To all 9,000 inmates in the State of Iowa (\$3,965)
- Cookies - picked up and delivered (5 hours of staff time and \$100 in fuel cost)
- Ankeny Warehouse - We loaded out 4-5 trailers (15-20 hours, \$250-\$300 in fuel cost)

OBJECTIVE OF THE DIVISION AS ESTABLISHED BY THE CODE

- To provide opportunities for meaningful work and training for inmates of state correctional institutions.
- To provide quality goods and services to state and political subdivisions of the state competitive process.
- To fund these activities entirely from the sale of products and services and without the appropriations to the Prison Industries Revolving Fund by the Iowa Legislature
- Iowa Prison Industries is actually 3 different entities.

What We Do

Iowa Prison Industries is the manufacturing division of the Department of Corrections adult correctional system.

Iowa Prison Industries is a supplier of goods and services to State and local government agencies, public educational systems, and not-for-profit organizations that receive tax dollars.

Iowa Prison Industries is self-supporting through its revenues from sales. IPI supplies quality products and services to government agencies at competitive prices.

Iowa Prison Industries supplies many of the needs of the correctional system (such as furniture, clothing, cleaning supplies, printing and modular panels), reducing the taxpayers' costs for operating the State's prisons.

Iowa Prison Industries is a correctional program: industrial production teaches work habits and skills to men and women who typically have no prior meaningful employment experience and who, once released, will need legitimate work. Correctional Industries contribute to higher post-release employment success and lower recidivism (return to prison) rates.



Iowa Prison Industries is part and parcel of the management and control of Iowa's ever increasing prison population. IPI represents the primary tool for eliminating idleness, a leading cause of disruptiveness and violence behind prison walls.

Iowa Prison Industries is a large-scale purchaser of goods and services, supporting many businesses in small and large communities throughout the State.

Iowa Prison Industries replicates outside working world conditions. IPI inmates punch time clocks and are paid an hourly stipend (depending on the job title and time in grade) with the additional possibility of productivity bonuses. An inmate's work shift is typically seven hours per day, five days per week. In extraordinary circumstances, overtime may be authorized to meet deadlines. Again to replicate outside realities, IPI inmate workers are required either to have a high school diploma or to be making progress toward earning an equivalency diploma.

Iowa Prison Industries employs 81 staff workers in various capacities of inmate management.

**Iowa Prison Industries Is
100% Self-Funding!**

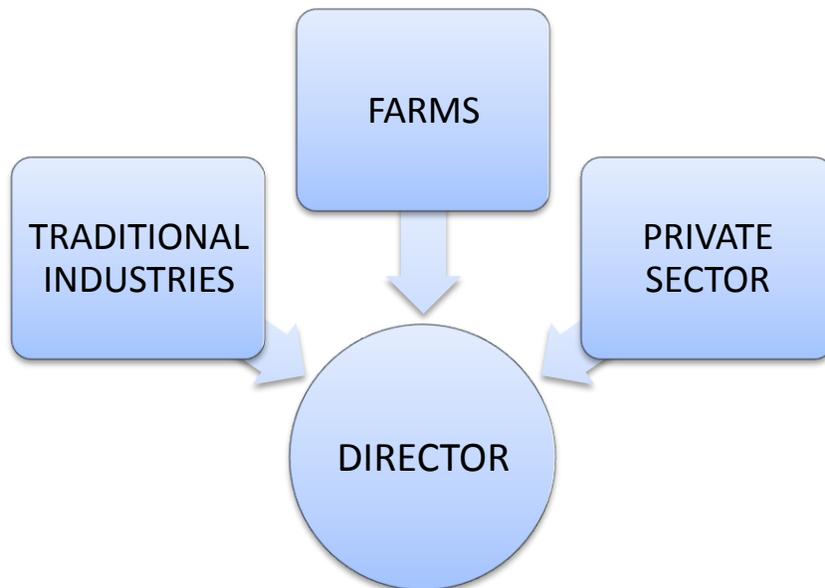
STRUCTURE AND OVERSIGHT

IPI is comprised of three divisions. Private Sector funds are handed over to the General Fund. Traditional Industries and Farms funds are managed by IPI. The auditor of the state provides oversight on policies, procedures, and compliance with state law. Each year, the auditor is responsible for providing the Governor, legislature, Director of Corrections, and the public the findings of their comprehensive audits. IPI has received a clean bill of health and has not been cited for any violations in ten (10) years.

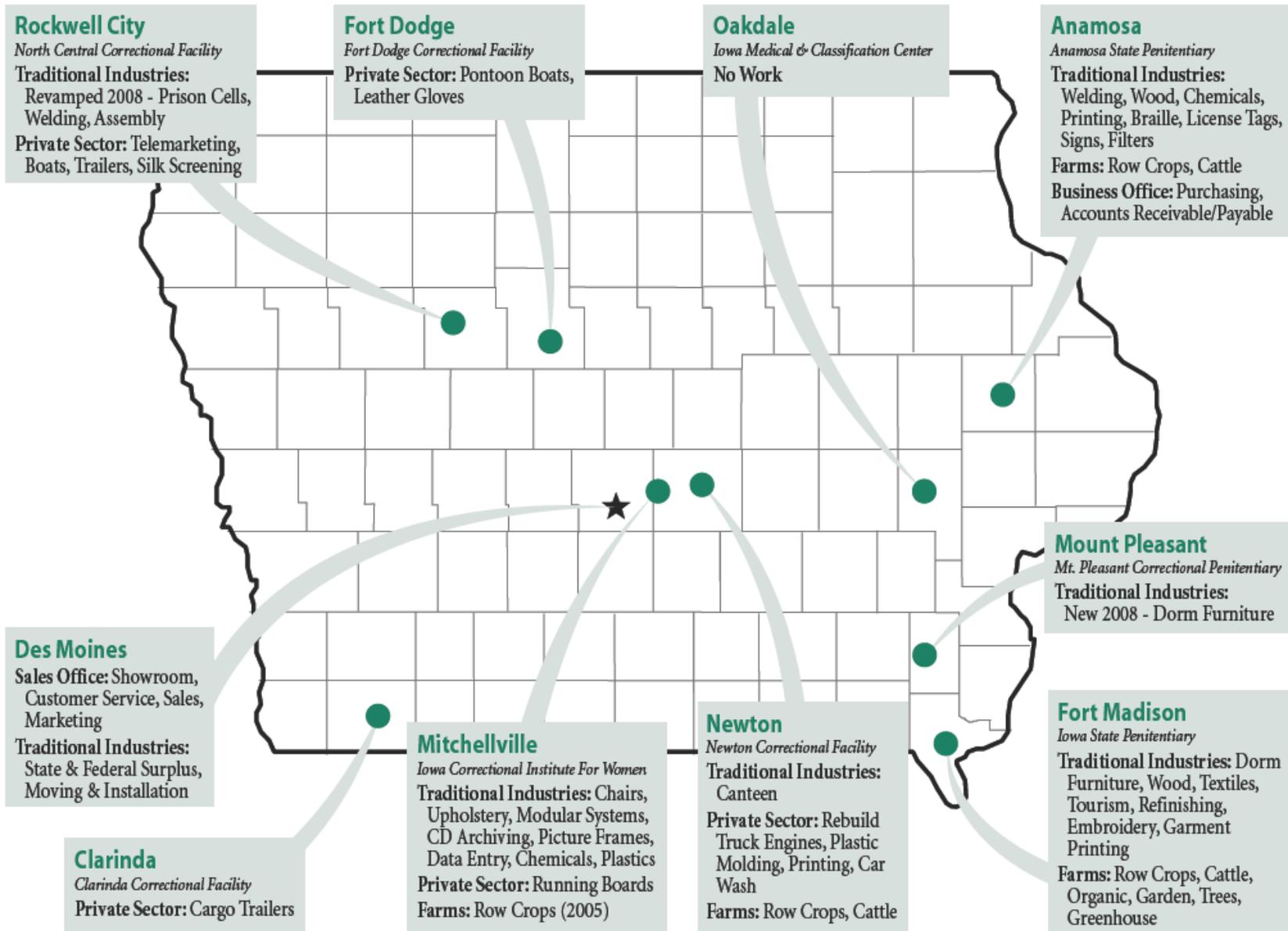
IPI operates under the guidance of an advisory board, comprised of seven members. The advisory board meets at least four (4) times per year at a location of the board's choice, generally at a different prison each quarter. The board reviews the financials, policies, approves any new private sector ventures and offers comprehensive guidance on issues that will impact correctional industries as well as the public and local businesses. Each member serves for two (2) years and may be re-appointed. IPI has found that retaining board members has helped immensely with the continuity of transition and has afforded IPI with superb leadership and guidance.

IPI is 100% self-funding. We receive no appropriations from the general fund. We hire our staff, pay their salaries, and pay the stipend of the offenders. We pay for our raw materials, equipment, and construct our buildings all from the proceeds of our sales.

We operate with a revolving fund and retain any earnings at year-ends. The retained earnings are used for expansion of our work programs.



IPI Training Locations



TRADITIONAL INDUSTRIES

Traditional industries is the oldest segment of prison industries and represents the majority of IPI's sustainable income. Historically, traditional industries has been the largest employer of inmates. This is changing as a result of the private sector work programs. Inmates earn an allowance rather than a wage. Allowances range from .50 per hour to .90 per hour based on the length of employment with IPI. Inmates are eligible for bonuses that can be as much as \$10.00 per month. Approximately 60% of the inmate jobs under the direction of IPI are in traditional industry jobs. Traditional Industries accounts for over 300 inmate jobs and while not growing as rapidly as private sector, it is the bedrock of Iowa Prison Industries.

27% of the offender workforce is minority, up from less than 18% just five (5) years ago and today minority jobs equal the same percent as the prison population.

Female offender jobs have experienced the greatest growth over the past five (5) years. Females have proven to be every bit as capable as the men at manufacturing and they produce some of the highest quality goods that can be found in industries. At Mitchellville, we manufacture office chairs, office panels, textiles, picture frames, and plastic bags.

Traditional Industries operates on a fiscal year ending June 30. IPI maintains a showroom and recently finalized the purchase of almost two acres of land on SE 18th Street for Federal Surplus Property and Move and Install. Federal Surplus was previously a part of General Services. The IPI Business Office is located at Anamosa, where all accounting and information technology operations are located.

Iowa Prison Industries has expanded training programs at six (6) of the states nine (9) institutions. Traditional Industries maintains operations at the Anamosa State Penitentiary in Anamosa, the Iowa State Penitentiary in Fort Madison, and the Iowa Correctional Institution for Women in Mitchellville. In 2006, IPI opened a traditional operation at the North Central Correctional Facility in Rockwell City and it is called our "Re-Entry Operation". Special care is given to the IPI/Rockwell City operation because of the short stay the average worker has with IPI (11 months) before being released to the community. IPI management has developed focused training programs and has developed a network of businesses outside of the prison and across the state that offers opportunities for offenders to find work. Additionally, we do role playing and resume building with the offenders as part of the training curriculum.

PRIVATE SECTOR

Private Sector is the fastest growing segment, now accounting for 30% of all inmate industry jobs. This is up 5% since 1997. Private Sector training is the most popular type of training with the inmates and the most affordable skill building program for the state. Private companies employ the inmates at prevailing wages. The private company is entirely responsible for inmate training. The state provides security only. Iowa Code 904.809 discusses in detail the flexibility of private sector work programs.

Private Sector Work Programs are the most volatile in terms of stability, since they are bound by federal laws of expansion during difficult economic times and in some cases mandate the closing of operations.

All offenders employed in Iowa by private companies are paid prevailing wages as determined by Workforce Development. The wages paid to inmates range from \$ 7.25- 12.68 per hour, depending upon the company.

As previously mentioned, The University of Baltimore's study showed that inmates who were released, having worked in industries either private sector or traditional, had a recidivism rate of 4.9% versus inmates who had not worked in private or traditional industries at over 35%.

The private sector program has proven to be enormously popular with service and manufacturing operations. Over the next 24-48 months we anticipate a huge demand for farm labor to augment the increased pressure of H2A workers coming from the south of the border and will recommend to the 2011 General Assembly code changes that will prepare IPI for the anticipate increase for workers.

Private Sector operations are headquartered in Des Moines and managed by the IPI Director, with accounting at the local prison site.

The intent of the Private Sector Work Program is to allow inmates who are scheduled to be released in the near future the opportunity to learn a skill, develop a work ethic, and earn a wage thus making transition back into society easier. Each private sector company is encouraged to hire or at least offer full-time employment to all inmates working for their company. The private company must hire any inmate that is on their payroll, if the inmate requests the job.

There are 42 states in the U.S. that provides private sector work opportunities. California and South Carolina are the largest employers; Iowa is in the top 10. **Iowa does not actively seek inmate employers, they seem to find us.**

Private Sector work opportunities have fueled the growth of inmate work opportunities. The number of inmate jobs is reflected in the five-year comparison; however the revenue growth is 100% Traditional Industries. The jobs offered and the environment associated with working for a "non-correctional" person has proven to be enormously popular with the inmates and offers tremendous savings to the state.

Inmates want to work for private companies. They not only earn more money, they have better attitudes and tend to be better inmates. The privilege of working for non-correctional operations offers prestigious opportunities. Much like graduation from high school or college, the inmates recognize this as one step closer to civilian life. An inmate with a life sentence is not eligible to participate in the program.

IPI private sector partners have experienced the same decline in sales as regular businesses. Consequently the number of offenders working in private companies has declined over the past twenty four (24) months. During the spring of 2010, we have seen an uptick of demand and we expect this demand to continue to the point that Iowa will again lead the way in inmate jobs.

While Iowa Prison Industries is responsible for administering the program for the state, IPI is not compensated for the administration. Costs, such as maintaining good records, structural improvements, lot changes, fence relocations, leaking roofs, and a host of other operating expenses are done and financed by IPI or the institution. Corrective code action is necessary to ensure the long-term program is not jeopardized.

Private companies that desire to employ inmates must complete a state application and meet stringent guidelines that are established by the Bureau of Justices and strengthened by state government. Once these guidelines have been met, the private company must provide production supervision at all times the inmates are working. The institution provides security. Counselors clear inmates to work based upon their institution record and desire to work. The employer then is allowed to interview the inmates and select those that most closely fit the needs of the employer.

The Private Sector Work Program has something for everyone. Inmates cannot displace civilians, and their wages are redistributed by the state. Inmates pay taxes, restitution, victim's compensation, child support, and room and board. The inmate keeps 20% of their wages. The balance either pays obligations or goes to the state.

Financial Impact of Private Sector Work Programs in Iowa

Since 1996, Iowa has averaged approximately 250 private sector jobs and has generated staggering wages, which have been redistributed as follows:

- \$ 19,022, 658 Earned
- \$ 3,889,108 Taxes Paid
- \$ 6,816,487 Room and Board (to the General Fund)
- \$ 1,656,715 Child support
- \$ 1,824,425 Victims Compensation

Iowan offenders work on average 300,000 man hours per year.

Private Sector

Private Sector companies and jobs have felt the impact of a downward directional economy. In 2009, Iowa has experienced the sharpest decline in private sector jobs since the inception of the self-funding program in 1992. In spite of the loss of inmate jobs, the program has worked as intended. Federal Law requires that offenders be the first to be displaced. When the economy returns to a robust growth, so will the private sector jobs. The unfortunate impact has resulted in lower restitution, child support and room and board payments.

**Private Sector provided
330,467 hours of inmate
contact in FY2009.**

Quick Facts:

- Over 150 inmates work in private sector.
- Private Employers may employ inmates in Iowa.
- Private Employers must pay prevailing wages. Inmates earn \$7.50 to \$12.64 per hour.
- Private Employers are obligated to offer inmates a job upon release from prison.
- Iowa inmates may keep no more than 20% of their wages. Refer to page 23 for wage distribution.
- Private Employers must provide all supervision. NO state assistance is available.
- IPI/DOC has local responsibility for program administration, under the guidance of the Federal Bureau of Justice.
- Private Sector inmates have paid over \$4.9 million in TAXES.
- Private Sector inmates have paid over \$2.4 million in restitution.
- Private Sector inmates have paid over \$1.4 million in Victims Comp.
- Private Sector inmates have paid back to the General Fund over \$9 million.
- Private Sector jobs are the fastest growing jobs nationally.
- Private Sector jobs are almost always service/manufacturing.
- Private Sector jobs are the most cost efficient jobs the state can offer.
- Private Sector jobs are the most volatile, highly dependent upon a strong economy.

Little known fact: IPI inmates paid more in child support in 2009 than all of the Iowa inmates combined earned in 1997!

80% of an inmate's wages goes to satisfy obligations!

**Iowa Outperforms
The Nation!**

	Since Inception Iowa Inmates Have Paid	% Of Wages Earned	Nationally Iowa Ranks
Inmate Population			37th
Total Wages Earned	\$25,871,375.77		7th
Wage Redistribution			
Victims Programs	\$2,859,937.00	11.1%	5th
Room & Board	\$9,441,804.91	36.5%	6th
Family Support	\$2,369,822.62	9.2%	4th
Taxes Paid	\$5,219,012.41	20.2%	6th
Mandatory Savings	\$2,470,425.26	9.5%	3rd
Inmate Share	\$5,161,989.68	19.9%	11th

Iowa Private Sector Employment Works!

In a recent study conducted by Cindy J. Smith, Ph.D., of the University Baltimore, her final report submitted to NIJ described findings from a multi-state study, including Iowa. The following highlights the findings from the Iowa sample, which tracked 1,091 inmates who worked in private sector prison industries jobs and were released from prison between 1999 and 2001, and compared their results with similar offenders who had worked in either traditional prison industries or other institutional jobs. All offenders were tracked through mid-2003. This results in a follow-up period of slightly less than two years up to four and one-half years.

Fact #1: Private sector prison workers **significantly more likely to get jobs following release**. 80% of private sector prison workers obtained employment within the first quarter upon release, compared to 60% of the other groups. 11% of private sector prison workers did not have reported earnings on follow-up, compared with 21% and 27% of the other groups.

Fact #2: Private sector prison workers **significantly more likely to be continuously employed following release**. 49.2% of private sector prison workers were employed for one year or more continuously, compared to 43.9% and 45.6% of the other groups.

Fact #3: Private sector prison workers **retained employment significantly longer** than the comparison groups, based on survival analysis of the employment data described above.

Fact #4: Private sector prison workers **earn more wages and higher wages**. Mean wages for private sector prison workers over 6.6 quarters were \$4,381 to \$5,620 higher than the comparison groups.

Fact #5: Private sector prison workers **significantly more likely to stay out of prison**, compared to offenders who were not involved in prison industries while incarcerated. 95.5% of private sector prison workers, and 95.6% of the traditional prison industries comparison group remained out of prison during the follow-up period, compared to 91.2% of the comparison group who had other institutional job assignments.

What this means: Iowa Prison Industries' private sector prison employment program **helps released offenders become taxpaying citizens quicker and remain employed longer** than similar offenders who did not work in private sector prison jobs, and **reduces their likelihood of returning to prison**. These findings demonstrate private sector prison employment is an effective means to **successful offender reentry into the community**.

Iowa Leads The Nation In Rehabilitation!

FARMS

IPI Farms have a long history in state government. IPI farms pay property taxes, make payroll, construct buildings, purchase equipment, receive zero dollars in federal support, and remain self sufficient. Code should be updated to eliminate ‘land grabbing’ and to prevent knee jerk reactions that portray farms as a source of fixing the state budget.

Farm operations are headquartered in Anamosa and include a business office for accounting. IPI Farms operate on the calendar year.

Farms became part of IPI in the mid 1980’s. Inmates raise row crops and cattle. In 1997, IPI farms sold their hog operations and have no plans to return to this segment of farming. In 1996, the legislature was on the verge of selling the farms because of mismanagement. Since 1996, IPI Farms have become a showcase of DOC operations. We have expanded our cattle operations and opened our Organic Operations at Fort Madison. In 2007, we had our first herd of chemical free livestock. Organic product production is well suited with inmates because of the intense labor that is required.

Every two (2) years management reviews state ground and determines if the land will be row cropped by the inmates available or if the ground will be cash rented. Factors such as available acres for row crop and distances that inmates must travel often times determine whether a farm is rented or inmate farmed. If, after a thorough review, it is decided to rent the ground a bidding process is used to insure the land is rented to the highest bidder. The state, however, retains responsibility for good farming practices such as fencing, maintaining culverts, dikes, ditches, harvesting of trees, clearing of brush, etc.

Iowa Prison Farms are healthy with a strong asset and balance sheet and plans call for the continuation of row crops, cattle herds, and expanding organic operations. There are no plans to open any hog or poultry operations.

Financial Data

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Farm Sales										
Sale of Livestock Raised	\$127,556	\$106,135	\$76,797	\$176,662	\$181,748	\$215,806	\$201,448	\$210,622	\$198,236	\$207,545
Sale of Livestock Purchased	\$195,575	\$209,629	\$273,268	\$211,877	\$33,513	\$24,160	\$22,789	\$19,412	\$30,925	\$12,132
Sale of Organic Crops							\$581	\$3,313	\$17,457	\$12,800
Sale of Produce & Crops	\$96,305	\$155,669	\$157,797	\$138,973	\$180,427	\$193,043	\$199,819	\$290,407	\$481,816	\$531,371
Other Income (Leases, etc.)	\$370,470	\$392,952	\$366,029	\$412,311	\$388,409	\$372,637	\$402,298	\$391,277	\$436,651	\$481,291
Total All Farms	\$789,906	\$864,385	\$873,891	\$939,823	\$784,097	\$805,646	\$822,935	\$915,031	\$1,164,995	\$1,272,924
Profit/Loss	\$211,400	\$134,750	\$161,075	\$(4,337)	\$123,643	\$80,287	\$119,797	\$219,589	\$20,559	\$(8,304)

IPI Farms operate on a calendar year.

IPI Farms

IPI Farms are 100% Self Funding. We operate from a revolving fund, and we manage our business much like any main-street business.

- We Pay Property Tax.
- We Pay Salaries.
- We Purchase Equipment and Buildings.
- We Pay All Operating Expenses.

IPI Farms has been the pride of Industries. Our farm staff, lead by Mike Lynch, has been nothing but specatcular. For those who were around in 1996, they will remember the Legislature was threatening to sell the farms because of lack of leadership and the poor condition of the farms.

Because of Mike's leadership and commitment to the land, IPI Farms are a showcase for all state properties to be measured against. Since 1996, the Legislature has seen fit to donate or transfer 957.9 acres of land, all resulting in a loss of income and work for IPI Farms.



IPI Farms, because of the loss of land, may have passed the point of no return to self dependence and should be either allowed to proceed with its current ground intact, or they should be sold in their entirety. We can no longer prosper with the continued loss of revenue due to land donation and/or transfer to other agencies.

IPI FARMS - LOST LAND

Location	Project	Acres	Type
Fort Madison	Economic Dev Land Exchange	11	Donation
Fort Madison	Gardens	25	Transfer
Fort Madison	Landfill	10	Donation
Glenwood	Renaissance Project	410	Donation
Glenwood	DNR Archeological Preservation	353	Transfer
Mitchellville	Prison Expansion	15	Transfer
Newton	Prison Expansion	50.2	Transfer
Newton	Garden	15.7	Transfer
Newton	Horses	27.3	Donation
Rockwell City	Garden & Prison Expansion	8.5	Transfer
Woodward	Lagoon	22.2	Transfer

MARKET ANALYSIS

IPI, on one hand, has done a remarkable job of creating jobs, increasing sales and building wealth. On the other hand, IPI has been extremely lucky to have a small core of loyal customers. Our challenge in 2000 was to expand our customer base. We have done that thanks in part to a commitment to excellence by the entire department. This will remain the marketing challenge for the IPI Team over the next five (5) years.

Assessment of future markets is not as difficult as one might think. As we review the sales by division/category it becomes abundantly clear, Traditional Industry businesses will mature. The need for seeking out new business ventures will play a paramount role in the growth of work opportunities for inmates in the Traditional Industry segment of our business. The need for long-term planning is vital to such businesses as our case goods program.

The IPI dorm furniture program was the single biggest program that IPI has developed during the last fifteen (15) years. In 2000, IPI opened the first Central Commissary in the United States. In 2009, the Jail Cell operation began; while it is slow to start we anticipate exceptional growth as the economy returns to its previous robust growth. Today, inmate's commissary purchases account for almost \$5,000,000 in annual sales, making inmates IPI's single largest customers. All profits from the commissary are reverted back to the Department of Corrections.

MARKETING MANDATES

Understanding what our customers want and being in a position to react to their needs will dictate how well we are building work programs that are meaningful and fulfilling for our inmate workforce. To accomplish this we will need better communication, and improved technology that will allow IPI to grasp costs and maximize the waste of raw materials that we witness daily in our wood working operations. IPI plants will need to be reactionaries, responding with levels of services that would have been unthinkable five (5) years ago. The perception of many agencies and employees of agencies is that inmates are inferior people (or they would not have committed crimes), and inferior people must build inferior products. This is a real issue; IPI must work diligently to overcome these obstacles. It can be done, and IPI is positioned to tackle this challenge. People + Technology + Determination will see IPI through the next five (5) years. Success is personal and every team member will be called upon to challenge and in some cases to change their ways of thinking. We must look at the whole (IPI) and less at the parts (plants operations and sales). What is good for IPI is sure to benefit all of its members, the Department of Corrections, and the citizens of the State of Iowa.

As an example, sales people earn a bonus and get paid overtime. We are in agreement that they should earn one or the other but not both. I immediately think about the plant staff, what is their incentive? *I would like to propose legislative changes that will allow Plant Managers to develop manufacturing objectives that when met, the plant staff earns a bonus as well. Research has proven teamwork requires everyone working for a common goal. Our compensation plan cannot leave anyone behind. In light of the present state environment this is not likely, never the less it should remain a goal.*

CODE OF IOWA

The Iowa code section 904.805, Duties of the Director is abundantly clear. The Director is to conduct market studies, visit with agency heads for the purpose of determining needs and services desired. This is supported by Iowa code 904.812, Restriction of goods made available. The code is not enforced by the legislature and in some cases it is not consistent from department to department.

904.809. Needs to be revised and this is addressed under recommendations.

TECHNOLOGY

Technology will play a significant part in our growth during the next five (5) years. IPI has positioned itself for this change. We have a totally integrated network of all plant locations with a central hub. The hub is located at the business office at Anamosa. This has been a long process that actually began in 1998. For the first time ever IPI management is able to track an order from beginning to end and never see the actual product. IPI has invested over \$250,000 in new software and hardware since 1998. The software InFiSy Systems offers a Global solution to manufacturing and bundles accounting with purchasing, sales, and manufacturing. Expanded capabilities will allow our customers to log onto our website and determine where their order is in the process. For purchasing, it will improve our bundling of raw materials and help to drive down the cost. For sales, it allows a salesperson to determine where in the manufacturing process an order is. The program also allows the factory to forecast production. Finally for management, it gives “real time” facts and allows us to be better at all phases of our work.

We still need to better understand production costs in order to insure we are the most efficient provider of services and products to our customers. The software has to be user friendly and we still need to encourage shop staff to take full advantage of the system.

Features such as bar-coding, work order inquiry, bill of materials, sales order entry, shipping, invoicing, capacity planning, cost controls, and other valuable programs that operate off of a windows platform will be supported by online service and training as well as in-house schooling for every staff member of IPI.

IPI is provided outside support by ICE Communications, our contract service provider, and by Global Software in Houston, Texas.

CORPORATE

Corporate goals require that we continue to expand our working relationship with the business community. The business community network can play a very significant role reducing recidivism.

Team Building is vital to improving companywide communication and it is essential to improving our customer service. In 2006, for the first time in our history, IPI held a state wide meeting at the University of Iowa, in Iowa City. This one day event was action packed and filled with training, new item presentations, and included guest speakers from outside of IPI who shared their perceptions of a quality organization. Perhaps most inspiring was the opportunity to see entire buildings filled with furniture that had been manufactured by staff and offenders and to hear firsthand the praise of our customers. In a service environment this is essential to achieving excellence in product, price and service. This one day event exceeded managements expectation and by hand vote, 100% of the attendee voted to make this an annual event. In 2007, the meeting returned to Iowa City, as well as in 2008. In 2009, the meeting was cancelled due to budget problems; however it should be resumed in 2011. There is no substitute for staff training on a large scale.

Industries now have a safety person that understands OSHA, EPA, and other regulations will insure the safety of our staff and inmates.

An Online Catalog was established and now we are in a maintenance mode. Our goal is to establish a customer history base that will allow us to do “target marketing” of products to targeted customers. The catalog is the responsibility of the sales manager. It is his duty to review items offered and to advise the plant managers of sales trends and recommendations for improving the web site.

Lastly on the corporate level, we will strive to develop strategic plans that will position IPI Traditional Industries to move into every private sector industry building in the event the private business ventures falter.

Our plan is aggressive and will require change at all levels of industries for us to realize our goals. Each of our objectives are designed to measure our performance, build upon our strengths, provide more work for inmates and staff, recognize our limitations, and at the same time strive to improve total satisfaction with our customer.

And while our Business Plan is for 2011-2015, it is essential that we monitor our goals and objectives quarterly and make adjustments to this business plan via amendments and attachments, while leaving the plan intact for long-term evaluations.

Iowa Prison Industries is a well managed prison program that offers enormous value to the citizens of the state of Iowa. Expanding work opportunities makes sense and cents. Work is the bedrock of our society and it is the greatest form of character building that we have at our disposal.

The time is right for expansion. The economy has experienced the greatest loss of revenue since the great depression, and IPI has thrived! IPI has proven that it can weather the storm. Our greatest liability is the legislature and the lack of will by them to advance job development of offenders for fear of being soft on crime. Inmate work for private companies increases tax revenue and allows offenders to satisfy debts that the tax payer would ordinarily pay.

Benefits of IPI

Iowa Prison Industries Is The Best Value In State Government!

Benefits To Taxpayers:

- Iowa Prison Industries is 100% self-funding.
- Iowa Prison Industries provided over 1.1 million hours of tax-free inmate training in FY2009.
- Iowa Prison Industries provides nearly 600 inmate jobs per day and in FY2009 trained over 1,500 inmates in work programs.
- Iowa Prison Industries is the single most important tool available that will impact recidivism. IPI provides hope.

Iowa Prison Industries purchased over \$16 million in raw materials, supplies & services in FY2009.

Benefits To Corrections:

Iowa Prison Industries programmatic benefits include:

- Security, inmate control, reduced idleness.
- Helps to prepare inmate for re-entry into society.
- Reduces operating costs for the prison.

*"the analysis of the effect of prison industries participation on institutional behavior found a consistent pattern of lower rates of involvement in officially-recorded disciplinary violations among inmates assigned to industry programs" **

*Hindelang Criminal Justice Research Center, State of New York at Albany

Benefits To Customers:

- 98.4% of Iowa Prison Industries' customers rated IPI an EXCELLENT or GOOD supplier in FY2009 and 96.4% said they would recommend IPI to others.
- Quality products.
- Real value for their money.
- Reliable labor at reasonable rates.
- Full-service operation.

Satisfied customers keep coming back! 98.4% of our customers rated us EXCELLENT or GOOD in FY2009!

Benefits To Offenders:

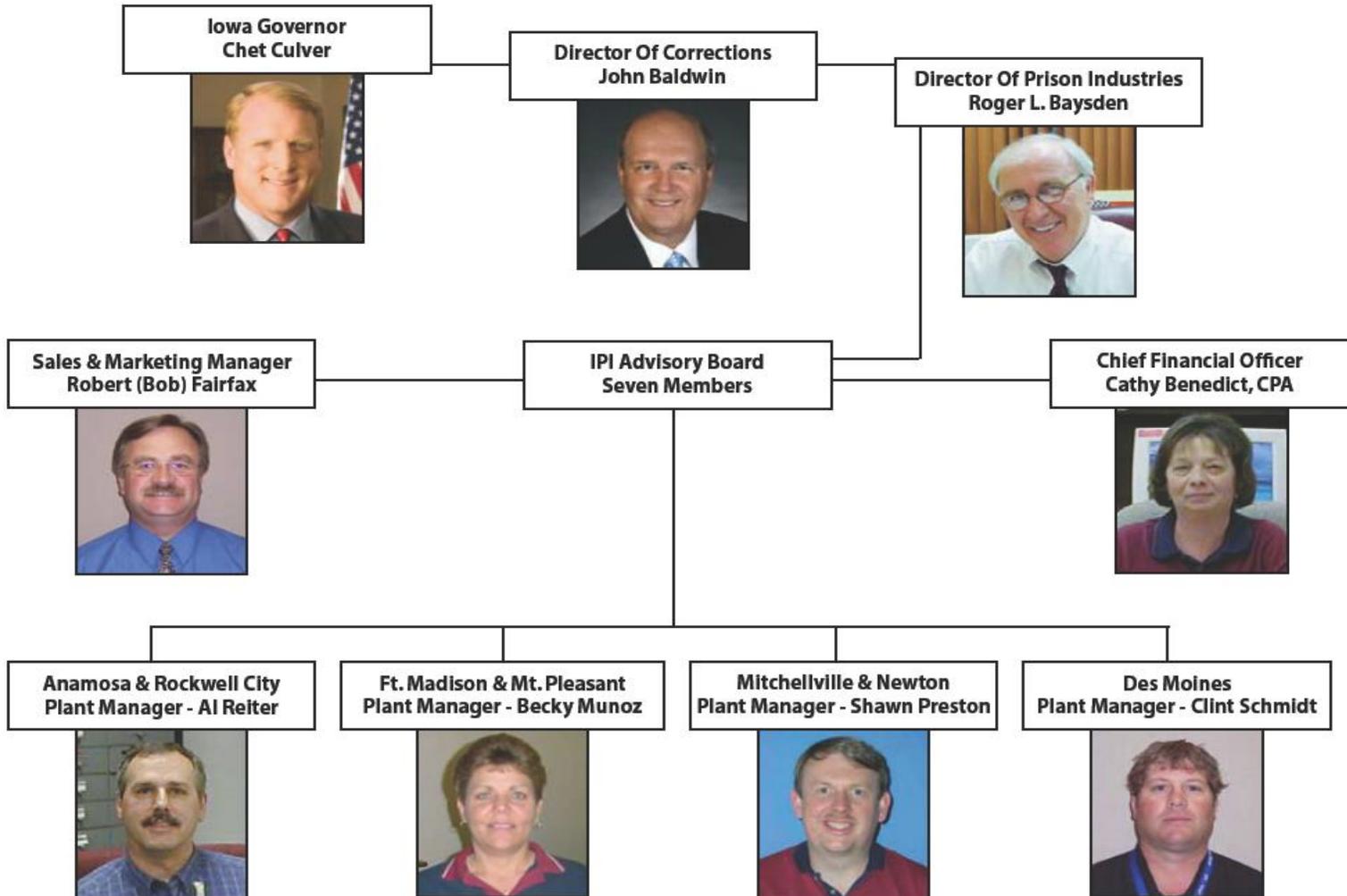
- Marketable skills.
- Developing of a sound work ethic.
- Self confidence and pride of accomplishment.
- Savings and family support.

Offenders are released with a sparkle of hope!

Iowa Prison Industries Is A Tax-Free Program!

LEADERSHIP TEAM

Who We Are



ADVISORY BOARD

Five of the seven IPI Board members are appointed by the Governor, and one member is appointed by the Board of Parole and one by the Director of Corrections. The duties of the IPI Board are to adopt rules related to IPI, and to advise the Director of Industries regarding the management of the Traditional Industries, Farms and Private Sector Work.

The advisory board has proven to be excellent supporters of industries and serve as community representatives of concerned citizens as well as temper labor's concerns.

IPI Advisory Board Members

Name	Professional Organization	Year of Rotation
Robert Carr	Governor's Representative (Former State Senator)	2011
Dan Clark	Manufacturing Representative (Kemin Industries)	2011
Dr. Kathleen Delate	Agriculture Representative (Iowa State University)	2013
Dr. A. Douglas Hillman	Financial Representative (Drake University)	2011
Elizabeth Robinson	Parole Board Representative	2012
Michael Peters (Chair)	Voc-Tech Education Representative (Former State Representative)	2011
Mildred Slater	AFL/CIO-Labor Representative	2013



MANAGEMENT TEAM

The IPI Management Team consists of a Sales Manager, four (4) Plant Managers, one Business Accounting Manager, and one Farm manager. We believe this staffing is adequate for the management of the Traditional Industries and Farms



The *Director of Prison Industries/Farms*, **Roger L. Baysden**, is responsible for the overall management of the Divisions, and reports to the Director of Corrections. The Director of Industries also handles the management of the Private Sector Program. This assignment dates back to 1989 when the Private Sector Program originated in Iowa. This included meeting with prospective companies and developing work plans that were compatible with government regulations. Mr. Baysden will be departing IPI in January, 2011.



The *Sales Manager*, **Robert Fairfax**. Bob holds a BS in Business Administration with a Major in Marketing from Truman State University. He is located in Des Moines and manages a team of sales associates who are responsible for contacting customers in their assigned territories. Additionally, the Sales Manager is in charge of the new showroom. He schedules tradeshows, reviews product categories and advises the Director on pricing, product movement and recommendations for marketing programs. Unlike previous Sales Managers, Mr. Fairfax is a seasoned manager with considerable experience in sales and marketing for several diverse markets. He has embraced the idea that sales drive production. We believe this approach will ensure that IPI is a quality provider of office products and furnishings, in good times and bad. Mr. Fairfax also oversees the marketing department, which is managed by Ms. Ann Baughman. Ann has become the backbone for our marketing and sales department. She assumed a newly created position in 2003 and provided IPI with the boost that was desperately needed. She makes work that was once difficult to accomplish seem easy.



The *Anamosa Plant Manger*, **Al Reiter**. Mr. Reiter joined IPI as a technician and was promoted to plant manager in 2003. He has a degree in Electrical Engineering and is a graduate of Iowa State University. His previous business skills and ownership of a private business has enabled Al to extensively expand the Anamosa operations. Additionally, Anamosa is recognized as one of the leading metal works Prison Industry in the country. Al has added furnace filters and he has tripled the size of his custom furniture. In 2007 Al, will added a 150 X 50 warehouse outside of the prison wall. We anticipate Anamosa work programs to remain fairly stable over the next 4 years, with minimal increase in the 5-7% range. Anamosa will continue to be the financial flagship of IPI for the same period.



The ***Fort Madison Plant Manager, Becky Munoz***. Becky is a self-trained disciplined leader that has gained enormous experience working for Iowa Prison Industries in various capacities at Fort Madison. She started her career with IPI in the administrative office. Her skills and leadership resulted in a promotion to Supervisor of the Textiles and Tourism Divisions of Fort Madison. Under her leadership, Textiles returned to a department of high quality products and reasonable prices. Tourism at the same time began to expand and is now one of the premier prison run tourism departments in the US.

Fort Madison is the largest dorm furniture factory in a prison setting in the U.S. As a result of her willingness to lead in the face of adversity and strong desire to succeed, Becky was appointed Plant Manager for Fort Madison in August, 1999. A new prison and industry building is schedule for completion in 2012-13.

Fort Madison has not introduced any new ventures and it is anticipated that they will not. Fort Madison offenders are not on a short career path and for those who will be released in the near future will certainly get sufficient training at a facility of lower security levels.

The new industry building will be 50% smaller than the current building, but far more efficient. The new facility will employ the same number or more of offenders but it will require significantly less staff to operate the facility.

Fort Madison has lost money for years; however the new facility being self sufficient is a mandate. If they cannot breakeven the entire operation should be shuttered and all staff relieved of their duties.



The ***Mitchellville Plant Manager: Mr. Shawn Preston***. Mr. Preston has been with IPI for 10 years. He began his career as a correctional officer at the women's prison and later joined IPI as our surplus sales manager. He later opened and cultivated the Central Commissary into the first central commissary in the United States. His is recognized as one of the foremost canteen experts in the U.S. and had been a guest presenter at the national conference. In 2005 Mr. Preston accepted a new challenge at Mitchellville and under his leadership; we expected sales and inmate workers to double by 2010. Mr. Preston has exceeded our expectation. Employment of offenders is approaching 70 jobs and sales of over 3 million. Mitchellville is the fastest growing industry operation and presently our second largest. Mr. Preston manages two facilities, Mitchellville and Newton. Collectively he has the largest budget of all IPI Operations.

The female offenders have proven to be a reliable work force. They have the grit to do a good job and the desire to prove that they are as good as the men in manufacturing. They are truly an impressive group and great things will occur at Mitchellville under Mr. Preston's leadership.



The ***Surplus and Move and Install plant manager, Mr. Clint Schmidt.*** Clint holds a B.S. in Marketing from Iowa State University. Clint joined IPI as a salesperson in 1995 and was responsible for the Capitol Complex. In 1997, Clint assumed responsibility for the newly acquired State Surplus. Prior to Clint, Surplus was part of General Services and was considered a dead- end business. Under his leadership, Surplus Sales developed into one of IPI's premiere businesses. Clint has expanded the

business to include moves and installs and contracts with state agencies and Fort Madison for the installation of office systems. In January, 2000, Clint was appointed and promoted to the level of Plant manager for the Women's Industry Programs at Mitchellville. In his new facility and first permanent home since the surplus inception in 1998, it is expected that his operations will become highly profitable and has the potential of employing upwards of 75 offenders during the summer months and tapering of to 20-25 during the winter.



The ***Chief Financial Officer: Ms. Cathy Benedict.*** Cathy holds a CPA/MBA Degree from the University of Iowa. She is the chief financial officer of IPI and has held that position since late 1992. Cathy has been with the State since 1982. In addition to Cathy's financial responsibilities, she oversees Policies and Technology development. Cathy's experience and dedication to high standards have proven to be invaluable to the Department and State.



The ***Farm Director, Mike Lynch:*** Mike began his employment with IPI Farms in February 1996 at Anamosa as a Farm Leader. He was promoted in September 2005 to Farm Manager. In June 2010 he was promoted to State Industries Supervisor/Farm Director. Mike is now responsible for managing the entire IPI Farms operation which includes farms at nine locations throughout the State and a staff of eight. Mike has been instrumental in building an outstanding cow/calf operation and increasing grain production while teaching inmates valuable skills along with good work ethics.

HOW IPI IS FUNDED

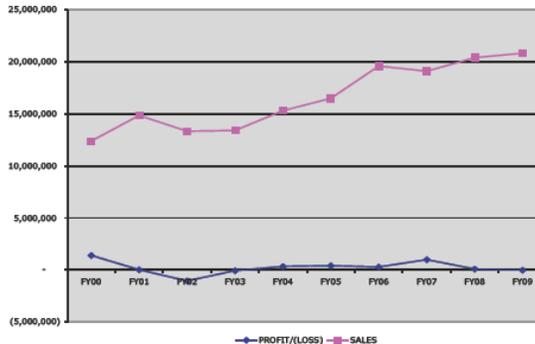
IPI generates their funds from three different sources: Traditional Industries, Farms, and Private Sector Work Programs. Traditional Industries generates 90% of the sustainable income, farms 10% and none from the Private Sector work program. All revenue generated from private sector goes to the general fund, child support, restitution and other small deductions. The private sector portion of the code is in dire need of updating. Presently IPI receives none of the funds, yet is responsible for 100% of the work and is subject to federal audits and must pay any discrepancies.

IPI funds are deposited into a revolving fund that is held by the State treasurer. IPI is subject to all government restrictions as any other agency. However, IPI does enjoy the benefits of an in-house purchasing department and accounting office. The State Auditor's office audits IPI. This process serves the state well. The only exception is Private Sector; IPI is responsible for managing the program at substantial cost, yet all revenue is passed on to the General Fund.

Financial Data

10 Year Sales & Profit Trends FY2000 - FY2009

	PROFIT	SALES
FY09	(23,921)	21,533,426
FY08	73,126	20,819,986
FY07	976,907	20,398,056
FY06	279,018	19,095,222
FY05	401,110	19,582,139
FY04	332,976	16,483,191
FY03	(71,199)	15,291,186
FY02	(1,063,259)	13,386,781
FY01	10,247	13,333,308
FY00	1,376,615	14,841,110



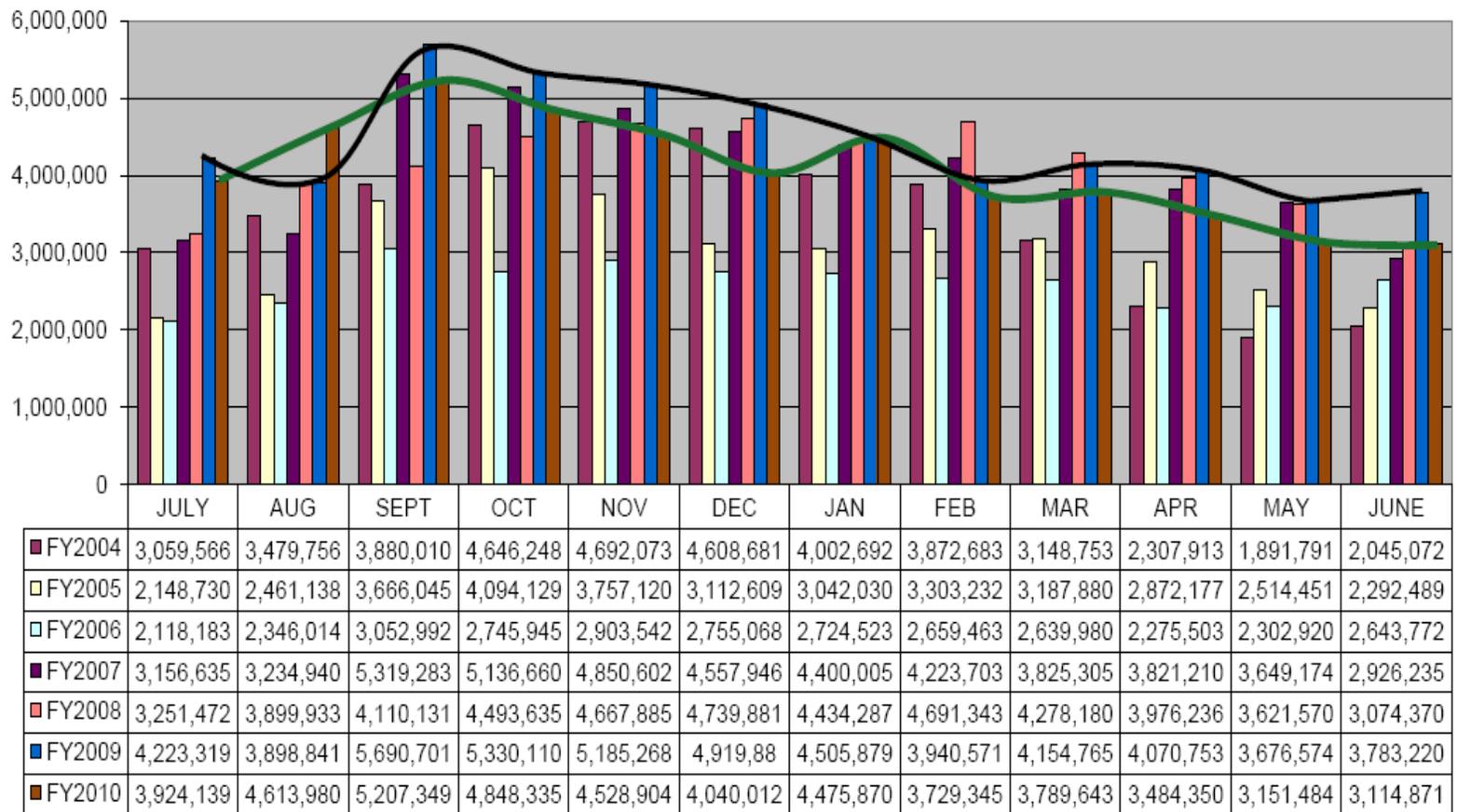
- IPI has increased sales each year, in spite of agencies continuing to ignore Iowa Code 904.808. The Auditor's Report has previously reported this and has recommended code change or corrective action by the legislature.
- 1996 was the last license tag re-issue. Profits increase during re-issue years.
- In 2009, IPI rebated \$573,016 to the Department of Corrections for Canteen.
- In 2005, IPI took over the Federal Surplus operations from DAS. Federal Surplus consolidated with State Surplus, which IPI has operated since 1997.

IPI's mandate is to employ offenders, not to make money.

**Unaudited*

IPI CASH HISTORY

7 Year Rolling



Iowa Prison Industries
Financial Statement Summary
Fiscal Year to Date
June 2010
(\$)

	MTD SALES		YTD SALES		CHANGE		YTD NET SUSTAINABLE INCOME/(LOSS)		YTD NET SUSTAINABLE INCOME/(LOSS) AFTER CORP PRO RATE	
	FY-2010	FY-2009	FY-2010	FY-2009	\$	%	FY-2010	FY-2009	FY-2010	FY-2009
<u>ANAMOSA</u>										
License Plates	99,757	86,482	1,081,064	967,786	93,278	9.4 %	416,960	199,830	367,526	116,907
Sign	404,052	295,490	3,115,513	2,908,437	207,076	7.1 %	583,586	393,519	438,142	241,229
Graphic Arts	54,046	79,779	852,981	905,979	(52,998)	(5.8)%	155,120	205,911	109,805	157,523
Housekeeping/Laundry	152,440	145,473	784,437	867,636	(83,199)	(9.6)%	91,356	96,882	47,975	53,738
Filters	48,517	21,153	259,818	248,142	11,677	4.7 %	51,076	50,551	38,634	41,151
Metal Furniture	247,217	222,793	2,397,381	2,389,881	7,500	0.3 %	165,175	(151,149)	45,625	(301,856)
Custom Wood	58,372	66,403	279,797	665,453	(385,656)	(58.0)%	(214,720)	58,146	(248,012)	29,153
Braille	7,556	40,972	324,092	304,798	19,294	6.3 %	139,583	100,958	124,366	86,709
Rockwell City Oper.	14,318	0	37,127	0	37,127	0 %	(378,197)	0	(378,197)	0
ANAMOSA TOTAL	1,086,275	958,544	9,132,210	9,278,112	(145,902)	(1.6)%	1,009,939	954,650	545,865	424,554
<u>FT MADISON</u>										
Furniture	563,172	77,740	1,942,929	2,060,547	(117,618)	(5.7)%	(328,770)	(575,290)	(431,842)	(683,249)
Recycled Wood	0	115	2,892	6,584	(3,691)	(56.1)%	(3,919)	(1,590)	(4,255)	(2,085)
Textile	140,597	377,671	702,726	1,133,261	(430,535)	(38.0)%	(41,124)	153,715	(97,788)	112,352
Tourism	12,839	18,857	184,924	283,713	(98,789)	(34.8)%	64,052	95,065	49,844	83,487
FT MADISON TOTAL	716,608	474,384	2,833,471	3,484,105	(650,634)	(18.7)%	(309,760)	(328,101)	(484,040)	(489,495)
<u>MITCHELLVILLE</u>										
Panels and Seating	247,133	187,127	1,443,557	1,198,374	245,183	20.5 %	161,710	(62,449)	101,767	(205,437)
CD ROM	0	10,392	18,124	193,333	(175,208)	(90.6)%	(662)	(5,164)	(662)	(17,632)
Housekeeping/Chemical	105,191	156,370	741,644	777,438	(35,794)	(4.6)%	165,638	161,255	126,713	123,851
Textiles	61,760	50,242	310,402	249,314	61,089	24.5 %	39,199	53,613	17,088	41,838
Plastics	81,503	79,643	924,004	1,050,998	(126,994)	(12.1)%	118,128	95,104	65,583	38,403
MITCHELLVILLE TOTAL	495,587	483,774	3,437,732	3,469,457	(31,724)	(0.9)%	484,013	242,359	310,489	(18,978)
<u>DES MOINES</u>										
State Surplus	5,959	7,962	11,859	103,367	(91,508)	(88.5)%	(10,771)	5,865	(15,899)	(7,592)
Federal Surplus	18,755	14,644	109,272	75,946	33,327	43.9 %	(46,102)	(29,815)	(49,885)	(34,763)
Moving and Install	28,669	81,740	272,862	398,069	(125,207)	(31.5)%	6,179	120,660	(13,746)	102,354
DES MOINES TOTAL	53,383	104,345	393,994	577,381	(183,388)	(31.8)%	(50,693)	96,710	(79,530)	59,999
Novelties	856	0	10,849	0	10,849	0.0 %	(176)	0	(176)	0
TOTAL W/O CANTEEN	2,352,708	2,021,047	15,808,256	16,809,055	(1,000,799)	(6.0)%	1,133,322	965,618	292,608	(23,921)
CANTEEN	403,482	389,374	4,475,272	4,724,370	(249,099)	(5.3)%	427,423	573,016	0	573,016
TOTAL WITH CANTEEN	2,756,189	2,410,420	20,283,528	21,533,426	(1,249,898)	(5.8)%	1,560,745	1,538,634	292,608	549,095
							Corp Rev	79,961	169,605	
							Corp Exp	(920,675)	(1,159,144)	
							Canteen Redist	(427,423)	(573,016)	(573,016)
GRAND TOTAL	2,756,189	2,410,420	20,283,528	21,533,426	(1,249,898)		292,608	(23,921)	292,608	(23,921)

7/26/2010

IOWA PRISON INDUSTRIES
COMPARATIVE BALANCE STATEMENT
FISCAL YEAR 2010
As of June 30, 2010
(\$)

	<u>Current Year</u>	<u>Previous Year</u>
<u>ASSETS</u>		
CURRENT ASSETS		
CASH CONTINGENT ACCOUNT	50,000.00	50,000.00
CASH STATE COMPTROLLER	2,851,559.88	3,729,900.34
TOTAL CASH	2,901,559.88	3,779,900.34
ACCOUNTS RECEIVABLE		
ACCOUNTS RECEIVABLE	2,292,961.31	1,768,367.06
TOTAL RECEIVABLES	2,292,961.31	1,768,367.06
INVENTORY		
RAW MATERIALS	3,562,353.81	3,385,718.57
WORK IN PROCESS	366,557.07	334,448.47
FINISHED GOODS	3,038,129.70	3,083,124.09
SHOP SUPPLIES	126,564.78	122,133.86
TOTAL INVENTORY	7,093,605.36	6,925,424.99
PREPAID EXPENSE		
TOURISM POSTAGE FUND	16,115.11	26,383.20
DUE FROM STATE VEH DISPATCHER	0	806.37
TOTAL PREPAID EXPENSE	16,115.11	27,189.57
TOTAL CURRENT ASSETS	12,304,241.66	12,500,881.96
PROPERTY, PLANT AND EQUIPMENT		
LAND	222,666.36	182,020.00
MACHINERY & EQUIPMENT	5,928,380.17	5,851,245.90
DEPRECIATION RESERVE M&E	(4,535,636.97)	(4,360,157.64)
BUILDINGS	5,147,850.60	4,290,686.94
DEPRECIATION RESERVE BLDG	(1,906,553.09)	(1,782,183.39)
VEHICLES	898,616.26	958,718.83
DEPRECIATION RESERVE VEHICLES	(584,727.85)	(560,237.47)
TOTAL PROP, PL, EQUIP	5,170,595.48	4,580,093.17
TOTAL ASSETS	<u>17,474,837.14</u>	<u>17,080,975.13</u>
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
ACCOUNTS PAYABLE	920,839.63	702,462.60
SALES TAX PAYABLE	-	13,202.00
DEFERRED REVENUE	24,669.20	2,641.79
TOTAL CURRENT LIABILITIES	945,508.83	718,306.39
LONG TERM LIABILITIES		
LONG TERM ACCOUNTS PAYABLE	0	0
ACCRUED VACATIONS PAYABLE	534,528.11	593,499.88
ACCRUED SL TERM/RET PAYABLE	55,076.49	122,053.13
TOTAL LONG TERM PAYABLE	589,604.60	715,553.01
EQUITY	15,939,723.71	15,647,115.73
TOTAL LIABILITY & EQUITY	<u>17,474,837.14</u>	<u>17,080,975.13</u>

IPI FIVE YEAR STATISTIC COMPARISON

	<u>1995</u>	<u>1999</u>	<u>2006</u>	<u>2010</u>
Staff Jobs	65	73	85	83
Avg. sales per staff	\$158,920	\$174,453	\$224,649	\$244,379
Sales	\$10,330,073	\$13,239,954	\$19,095,222	\$20,283,528
Total Assets	\$7,806,865	\$12,735,077	\$16,237,586	\$17,474,837

IMMEDIATE PAST HISTORY VS PRESENT

In 1985, IPI's annual report to the legislature described the Division as "a financially tender organization". This was based upon the previous five (5) years actual results and net operating losses.

Today IPI is a financially healthy organization with cash reserves equal to 50% of the 1986 annual sales. Presently cash reserves equal 15% of annual sales. This is considered marginal and necessary, since IPI is restricted from securing loans.

During the past 5 years IPI has invested over \$4,000,000 in buildings and \$3,000,000 in machinery.

As of July 1, 2010, IPI is 100% rent free. This saving is in round numbers valued at over \$100,000 per year and the income saved should be directed towards capital investment of equipment and not used for staffing. Since 1996, IPI has more than tripled our income while holding hiring to less than 8% during the same period. By the end of 2010, IPI should be operating with less staff than in 1996 and have projected sales growth of 15%.

The challenges facing IPI today are the same as 1986. Developing new product offerings; expanding our customer base; strengthening the state purchasing code; maintaining high quality standards; ensuring competitive prices are realized and passed on to our customer; implementing technology that will allow our managers to know their costs and remain flexible will serve IPI Traditional Industries well over the next five (5) years. IPI's 5-year plan includes addressing each of these critical issues beginning with our marketing plan.

**SALES, PROFIT/(LOSS), # OF STAFF, # OF INMATES
FY 2006 VS 2010**

	SALES (\$)		PROFIT/(LOSS) (\$)		# OF STAFF		# OF INMATES	
	FY 2006	FY 2010	FY 2006	FY 2010	FY 2006	FY 2010	FY 2006	FY 2010
METAL STAMPING	1,187,205	1,081,064	358,408	367,526	3	4	11	11
SIGN	2,499,619	3,115,513	160,026	438,142	4	4	41	43
GRAPHIC ARTS	791,147	852,981	133,385	109,805	2	2	16	15
HSKP	1,298,579	784,437	46,575	47,975	2	2	10	3
FILTERS		259,818		38,634		0		4
METAL FURNITURE	2,294,714	2,397,381	116,560	45,625	4	4	39	45
CUSTOM WOOD	663,475	279,797	(12,738)	(248,012)	3	2	34	21
BRAILLE	216,226	324,092	112,534	124,366	1	1	18	21
ROCKWELL CITY OPER		37,127		(378,197)		4		22
ANAMOSA TOTAL	8,950,965	9,132,210	914,750	545,864	19	23	169	185
FURNITURE	1,784,452	1,942,929	(845,832)	(431,842)	10	11	90	56
RECYCLED WOOD		2,892		(4,255)		0		0
TEXTILE	585,525	702,726	(95,277)	(97,788)	2	2	15	16
TOURISM	144,153	184,924	39,054	49,844	1	1	5	6
DRYCLEANING	4,745		805		0		0	
FT MADISON TOTAL	2,518,875	2,833,471	(901,250)	(484,041)	13	14	110	78
PANELS & SEATING	1,372,493	1,443,557	103,331	101,767	3	3	18	17
PRINTING	405,612	0	(6,882)	0	2	0	6	
CD ROM	208,701	18,124	80,173	(662)	1	0	23	
MV/CHEM		741,644		126,713		1		4
MV TEXTILE		310,402		17,088		0		29
PLASTICS	539,460	924,004	16,006	65,583	0	0	4	5
MITCHELLVILLE TOTAL	2,526,266	3,437,731	192,628	310,489	6	4	51	55
SURPLUS	198,351	11,859	44,998	(15,899)	1	0	0	0
FEDERAL SURPLUS	21,757	109,272	(42,172)	(49,885)	1	1	0	0
MOVING & INSTALL	289,958	272,862	70,065	(13,746)	2	3	0	0
DM TOTAL	510,066	393,993	72,891	(79,530)	4	4	0	0
CANTEEN	4,589,048	4,475,272	0	0	4	6	38	36
Novelties		10,849		(176)		0		0
GRAND TOTAL	19,095,220	20,283,526	279,019	292,606	46	51	368	354

NEW BUSINESS VENTURES SINCE 2005

CATEGORY	COMPETITION	MONTHS IN STUDY
-Plastic Bags	one bag mfg in Iowa	18 months
-Steel Jail Cells	no competition in Iowa	24 months
-Federal Surplus	no competition in Iowa	6 months
-Organic Farming	Organic farms helped IPI	24 month
-Recycled Furniture	no competition in Iowa	60 months

Careful research and a thorough market analysis is conducted before making the decision to enter a new business. The market analysis includes research obtained from other states, a thorough understanding of the consumption in the market, and what other companies manufacture the product. We do not spend much time on sales companies that purchase the product and then resale it within the state boundaries. We strive to insure that the training skills learned are transferable to as many industries as possible.

For example- we mix chemical for floor care, those skills are transferrable to a paint manufacturing company or to a toothpaste manufacturer. The same is true for upholstery, welding, textiles, and especially for our central commissary.

GROWTH COMES FROM NEW BUSINESS

Everyone at IPI is responsible for growing our business to new heights. IPI has extremely talented staffs who are dedicated to excellence. They see industries as a business because of our long standing mandate to remain free from appropriations.

Maintaining a strong bond with the IPI advisory board is essential to our long term growth.

CODE CHANGE RECOMMENDATIONS AND FUTURE PLANS

CODE CHANGE RECOMMENDATIONS

- The Department, the Executive Branch and the Legislature need to be thoughtful about what the private sector program is to accomplish. Present legislation requires the funds generated to return to the General Fund as a revenue generator. It is my belief this is short sighted and will serve little or no meaningful purpose. Government should think long-term at the program intent that is simply stated to reduce recidivism. The cost (nothing), benefit (reduced recidivism), analysis suggest everyone wins when inmates find jobs upon release. Iowa's private sector program does this better than any other State in the country.

The State should either allow the Department to retain a portion of the funds, dedicate the resources to administer the Private Sector appropriately, or delete Private Sector as part of the Prison Rehabilitation Program

- One of two things should be done to address the issue of selling the farms every time the state gets into financial trouble or a new idea that requires land is advanced. Either sell all of the farms in 2011 or modify the code that would require the Executive Committee to approve all land transactions.
- IPI management and advisory board recommends code changes to 904.809, which will allow IPI to employ offenders under the provision already established as contract workers. Considerable discussion should be devoted to the contract model for private sector work. By making the necessary change to all for contract work, it is possible to expand the inmate work force by as much as 30%. Ideal locations would be Mount Pleasant and Rockwell City for these on-site ventures.
- IPI management and advisory board recommends that IPI be allowed to off-set the cost of doing business in establishing and maintaining private sector operations.
- IPI management and advisory board recommends a thorough review of the purchasing process Iowa Code 904.815. State agencies either don't know that the code requires them to use IPI, or they ignore it. Now is the time to insure all agencies understand the consequences of not utilizing IPI products. In simple terms, in the absences of penalty, you find reward. Unless the code is enforced, there is no need for the code. Today the code is largely ignored and to a great extent encouraged. Reference the Des Moines Register, lead story, July 2, 2010. Auditor report on code violations.
- IPI management is concerned with the increased solicitation of farm ground for economic development purposes. IPI management and advisory board recommends strengthening, Iowa Code 904. 706, Revolving Fund, to insure that farms are insulated from land grabbers and short sighted legislation that does not take into account the long history and self dependence that IPI must have in order to develop long-term sustainable plans.

RECOMMENDED FUTURE PLANS: 2011-2015

- **STAY TRUE TO THE MISSION**

In an evolving world it is crucial that the Director of IPI, its board members, and the general assembly fully understand the value of IPI to the community. IPI does not exist to compete with private businesses, and those who might suggest that it does are short sighted. IPI is the best value in state government. Offenders learn valuable skills, and the tax supported community has access to high quality products at reasonable prices. Taxes are maximized for all the citizens in the State of Iowa. IPI should continue to pay all wages, construct all buildings, purchase all equipment and supplies, and function with oversight from a citizen's board and report to the general assembly annually on progress. IPI is not a competitor to Iowa businesses, foreign suppliers are. IPI returns over 70% of our sales to the local community.

- **GROWTH**

Invest as necessary to insure that IPI remains a leader in industry technology. Continue to promote staff development and manage the assets.

- **CHARITY GIVING**

Aggressively seek out ways to provide charity work to the community. Make it a concentrated effort to be quick to analyze community needs or charitable needs and develop a plan that will insure the offenders are aware of the IPI giving and the importance of helping those who are in need. It is essential to reinforce the giving as part of the "character building" that is vital to successful re-entry.

- **PRIVATE SECTOR PARTNERS**

Iowa is a leader in private sector jobs and this program offers labor to the community when there is a surplus of need and shortage of workers. These jobs do and should go away during difficult economic times.

- **AFSCME**

They are a great supporter of IPI and they understand the greater good that IPI serves. Maintain the relationship.

- **BUSINESS COMMUNITY**

Expect and prepare for push back from the business associations. If the push back occurs, it is unfounded. IPI can manufacture paper for DOC needs cheaper and of equal quality to anything that is sold by a local sales company. IPI provides training, saves taxpayer's money, and will offset any job loss in the community with the purchase of raw materials from local businesses.

- **FARMS**

We have tinkered long enough with our oldest asset, our farms. During the past thirteen (13) years we have seen the farms dwindled in size because of special favors. All the while, the farms have remained self funding. We should take a hard and bold stand in

2011. Either sell all the farms, or take them off the table for five (5) years. In five (5) years re-evaluate and determine what should be done with the farms for the next five (5) years.

- **MAINTAIN**

IPI needs to maintain 15-20% cash to sales revenue. This will insure adequate cash for payroll, purchase of raw materials, and repair and maintenance cost. IPI must also maintain a staff to sales ratio by department and adjust staffing based upon strict standards. Restructuring of personnel based upon needs is crucial.

- **NEW PRODUCTS/CATEGORIES (Over the next five years)**

- *TOILET TISSUE*

There are no manufacture's of toilet tissue in the State of Iowa. The Department of Corrections alone purchases over 1 million rolls of tissue paper a year. Based upon market test (3 years in Missouri prison) IPI can manufacture tissue of the same or better grade of paper for about ten cents less per roll than what DOC is paying for it now. This is a savings of about \$100,000 to the state and it will add between 40-50 offender skill training opportunities. Tissue paper can be delivered to the prisons weekly, this maximizing the storage space at each location.

Due to the cost of equipment (\$450,000-\$800,000) and the possibility of a re-issue of tags in 2012, it is recommended that the tissue operation be placed on hold until the end of 2012.

- *STRIPPING PARKING LOTS*

The State of Iowa has several hundred acres of parking lots that all need striping. This is an excellent training opportunity for offenders who are near release. This daily venture into the community will minimize the culture shock of walking out the doors of the prison. Moreover, it is beneficial to re-introduce the offenders to the community on a gradual basis.

- *MARKET AGGRESSIVELY THE IPI REFURBISH SECOND LIFE PROGRAM.*

Any consumable product that the state purchases that can be recycle into a second life should be refurbished. For example, a brand new office chair may cost \$400 but an old chair can be recycled and refurbished for \$150, with the same life expectancy as a new chair; that is a \$350 savings on every chair that is recycled. This plan works for office panels, chairs, tables, desks, and many other items. Any company that does business with the State of Iowa in any recycle category should be mandated to supply IPI with replacement components and parts or the vendor should be denied access to state business. The legislature should modify the Department of Administrative Services practices to mandate this proposal.

➤ *LICENSE TAGS*

It is essential for a variety of reasons that the legislature get on a standardized re-issue plan. The last license plate re-issue was in 1996. The warranty on reflective materials expires after six (6) years. Iowa is the lowest price provider of tags in the United States. We should ask ourselves why Wisconsin sells tags for over \$6.00 each and Missouri for \$4.50 each yet Iowa sells tags for eighty six (86) cents. IPI manufacturing prices should increase commiserate with other states. IPI can fund the department's educational program if tag prices are adjusted, or the general fund could sweep the excess cash annually. The IPI Board should be consulted before and approve any sweep of the accounts.