

A Review of the Mississippi Prison Industries Corporation

Executive Summary

Introduction

In accordance with MISS. CODE ANN. Section 5-3-51 et seq. (1972), PEER conducted a review of the Mississippi Prison Industries Corporation (MPIC) seeking to determine whether MPIC is financially sustainable and is meeting its statutory mandate to reduce recidivism.

Background

The Mississippi Prison Industries Act of 1990 established the current prison industries program. The act created a nonprofit corporation to operate prison industries independent from, but in cooperation with, the Mississippi Department of Corrections.

MISS. CODE ANN. Section 47-5-533 (1972) defines MPIC's mission and goals. The primary mission of the prison industry programs as established by law is to provide inmates with useful activities that can lead to meaningful employment after release in order to assist in reducing the return of inmates to the system, i.e., reducing recidivism.

Although state law created an independent nonprofit corporation to administer the state's prison industries program, MISS. CODE ANN. Section 47-5-533(1) assigns responsibility for the program to both MPIC and the Mississippi Department of Corrections.

The Master Plan for prison industries (see Appendix C, page 44) created in February 2015 by the Mississippi Prison Industries Corporation and the Mississippi Department of Corrections pursuant to MISS. CODE ANN. Section 47-5-573 gives MDOC the responsibility for providing inmates with the opportunity to gain vocational skills that can prepare them for gainful employment once released. The plan makes MPIC responsible for providing inmates with the opportunity to gain additional skills through its work programs, with an operational premise that inmates' skills are enhanced through MDOC and MPIC collaboration.

The Master Plan assigns MDOC responsibility for facilitating post-release job placement by assisting inmates in obtaining employment-related documentation, such as a birth certificate and Social Security number. MDOC is also responsible for working with the Mississippi Department of Employment Security to create a computerized system by which the inmate will be able to input employment information directly into the Mississippi Department of Employment Security system before the inmate leaves prison.

The Master Plan also describes MPIC's Transitional Housing Program, designed to reduce recidivism by providing temporary housing to offenders being released, as well as any needed support services, such as counseling, employment skills (training), GED classes, and alcohol and drug treatment. The program was terminated in September of 2016 due to a lack of sufficient funds necessary to keep the program operational.

MPIC operates eight prison industry work programs at the three state prisons, the Jefferson-Franklin County Correctional Facility, and a warehouse located in Jackson. These programs use inmate labor to manufacture products and services for purchase by state agencies, local governments, educational institutions, and private entities as authorized by state law.

Is the Mississippi Prison Industries Corporation financially sustainable?

Poor Financial Condition Threatens Long-Term Viability

MPIC's audited financial statements for fiscal years 2012 through 2017 showed a significant decline in the financial health and sustainability of the corporation, a decline that threatens MPIC's future viability as an ongoing business enterprise and its ability to operate an effective prison industries program. From FY 2012 through FY 2017, MPIC's ending net position (net worth) declined by \$6.7 million, from approximately \$10 million to \$3.3 million and fiscal year-end cash balance declined from approximately \$4.8 million to \$560,707. Costs for goods and services, increased payroll, acquisition and construction of capital assets, and capital lease obligations, as well as other expenses, contributed to the significant decrease of approximately \$3.7 million in cash during FY 2016 and FY 2017.

Through February 28, 2018, MPIC's FY 2018 net operating loss totaled \$628,970, including a net operating profit of approximately \$24,000 during February 2018. At the end of February 2018, MPIC's cash balance was \$329,970.

Increases in Product Line Direct Costs without Appreciable Increases in Sales and Increases in Administrative Overhead Expenses Led to Deterioration of Financial Sustainability

While MPIC's financial operations were relatively stable from FY 2012 through FY 2015, significant operating losses of approximately \$3.5 million during fiscal years 2016 and 2017 have affected the corporation's financial health. Since fiscal year 2015, MPIC has experienced a deterioration of its financial sustainability as the result of losses in long-term product lines, unsuccessful expansion into new product lines, and failure to control administrative overhead expenses, such as salaries and benefits, contractual services, and operating expenses.

Increases in direct costs associated with MPIC product lines without appreciable increases in sales caused five of MPIC's six existing long-term product lines to move from being profitable in

FY 2015 to being unprofitable in FY 2017. Costs associated with MPIC's expansion into two new product lines—fish tanks and suture spool recycling—have contributed to a deterioration of the corporation's overall financial condition. In addition, when establishing these two new product lines, MPIC did not conduct marketing feasibility studies, hold public hearings, or consult with Mississippi Delta Community College regarding the lines' financial sustainability as required by state law in the establishment of new product lines.

Administrative overhead expenses associated with MPIC's central office in Jackson increased from \$1,594,494 in FY 2015 to \$2,781,701 in FY 2017, a 74% increase. Despite a freeze on employing new MPIC personnel, wage increases, and year-end incentive payments for all MPIC employees, MPIC salaries and benefits increased 27% from FY 2016 to FY 2017.

Is the Mississippi Prison Industries Corporation fulfilling its statutory mandate to reduce recidivism?

Due to the poor quality of Mississippi's prison industries program data, it is not possible to accurately assess the program's effectiveness in reducing recidivism. Furthermore, Mississippi's implementation of its prison industries program is missing several key components designed to increase the program's effectiveness in reducing recidivism.

Because MDOC and MPIC do not maintain accurate program participant data, it is not possible to determine whether MPIC is fulfilling its statutory mandate to reduce recidivism of program participants.

The participation data available for Mississippi's prison industries program varies significantly from source to source, making it impossible to identify an accurate count of program participants. None of the four datasets examined by PEER had sufficient expected agreement for the data to be deemed reliable.

In addition to the lack of expected agreement between participant datasets, errors within individual dataset included the following:

- The MPIC payroll dataset contained 56 MPIC worker identification numbers with no linkage to worker names or MDOC inmate identification numbers. Each of these 56 inmate worker identification numbers received multiple paychecks.
- The MDOC "All Participants" dataset included 92 cases for which time in the MPIC program was zero or less, indicating that the inmate left the prison industries program before entering the program.

Lack of Reliability in Recidivism Rate Calculations

Recidivism rates presented in MPIC's FY 2016 annual report are not reliable and do not support conclusions regarding the effectiveness of the prison industries program in reducing recidivism:

- Recidivism calculations were performed on an unverified source of data.
- Recidivism calculations involved an unverified subset of the original data.
- Recidivism calculations did not attempt to distinguish program effects from chance or confounding effects.
- Recidivism calculations should be made from all participants, not year-plus participants.

Lack of Alignment with Best Practices

The NIC¹ Guide and high-quality research on prison industries programs identify best practices for inmate worker employment. The following MPIC inmate worker employment practices do not align with best practices, which impedes the corporation's ability to reduce recidivism:

- maximizing the number of prison industry job opportunities available to inmate workers;
- targeting the inmate population most likely to yield a reduction in recidivism; and
- employing inmate workers in industries with job prospects in Mississippi.

Lack of Ensuring Attainment of Post-Release Transitional Assistance

MPIC is not ensuring that prison industries program participants are receiving the technical and soft skills certifications or the pre- and post-release transitional assistance needed to obtain and retain employment upon release.

Conclusion

The Mississippi Prison Industries Corporation is at a critical juncture. The time has come for MPIC and the Legislature to consider seriously whether the state's prison industries program has a future and, if so, what changes can be made operationally and legislatively to ensure that the program has a positive outcome.

Immediate Considerations for the MPIC Board of Directors

The MPIC Board of Directors must immediately assess the financial condition of the corporation and make decisions relative to the corporation's future.

Assuming the MPIC Board of Directors were to be successful in addressing the corporation's ongoing concern issues, the board should employ a chief executive officer and senior leadership with

¹National Institute of Corrections.

the experience and skills necessary to operate an effective prison industry program.

Policy Considerations for the Legislature

The Legislature could amend relevant laws found in MISS. CODE ANN. Section 47-5-531 et seq. to transfer the state's prison industry program to the Mississippi Department of Corrections.

If Mississippi's prison industry program is allowed to continue operating as a not-for-profit corporation, the Legislature could establish qualifications for board members and implement a purchase preference requirement.

Best Practices for Operation of a Successful Prison Industries Program

No matter the direction of Mississippi's prison industries program, there are best practices for operating a successful correctional industries program, such as those contained in the NIC Guide. A prison industries program, such as MPIC, attempting to implement best practices, should study key documents of successful correctional industries programs (e.g., strategic business plans, sales and marketing plans, policies, and procedures) in developing its own plans and policies. It is also critical to identify the management reporting tools and performance measures that successful programs use to keep on track financially and programmatically, and to collect and report accurate data.

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