

Arizona Department of Corrections Arizona Correctional Industries (Report Highlights)

September 2001

The Arizona Correctional Industries' (ACI) mission is to develop revenue-generating inmate work programs that reduce idleness and develop good working habits. ACI owns and operates 17 enterprises. It also provides inmate employment opportunities through 22 labor contracts with public/private enterprises. ACI is required to be financially self-sufficient.

Our Conclusions:

ACI has reversed its financial trend over the last decade from an operating loss of \$1 million in fiscal year 1991 to net income of approximately \$1.2 million in fiscal year 2001. In addition, ACI has more than tripled inmate employment during this same time period. However, ten of ACI's enterprises operated at losses in 2001. Therefore, ACI should continue efforts to improve its sales. Finally, ACI should explore the development of a printing certification program for inmates.

ACI Businesses

ACI owns and operates 17 enterprises that employ inmates in a variety of trades.

ACI Owned Enterprises:

Manufacturing	Service	Farming
Bakery	Copying	Alfalfa
Bedding	Data Entry	Pine trees
Furniture (2)	Installation	
Garments (2)	Printing	
License Plates	Retail Store	
Metal Fabrication		
Sign Shop		
Upholstery		

ACI also has 22 labor contracts with private sector businesses and government agencies that use inmates to produce goods and provide services.

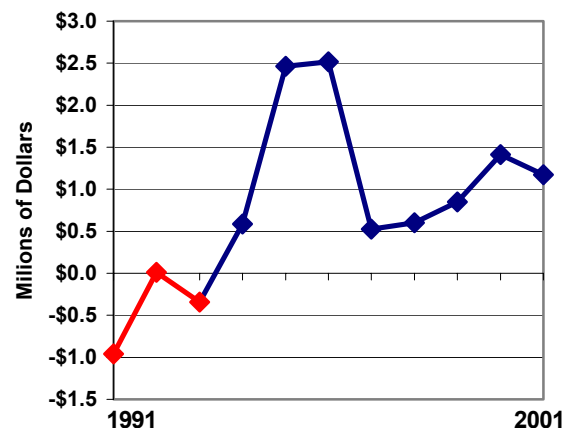
Examples of Labor Contracts:

Window manufacturing	Milling
Car refurbishing	Telemarketing
Egg and tomato farms	Call centers
Hand-crafted wood doors	

ACI Can Improve Sales

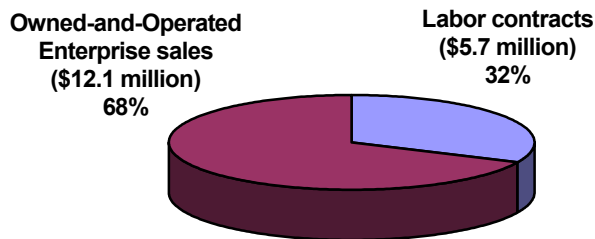
ACI improved sales and profits over the past decade by expanding labor contracts and implementing good business practices. As a result, ACI showed a net income of \$1.2 million in fiscal year 2001.

1991 vs. 2001 Net Income



The increased number of labor contracts is a major factor in ACI's success:

- Labor contracts have increased from 1 to 22; and
- Income from labor contracts now makes up 32 percent of ACI's total sales revenues.



While labor contracts have helped make ACI profitable, 10 of the 17 ACI-owned businesses operated at losses in 2001. Many of these businesses rely heavily on sales to the Department of Corrections. However, a slowdown in inmate growth has reduced the Department's need for some ACI products. Therefore, ACI needs to expand its customer base.

Labor Contract: Window manufacturing



To improve sales, ACI has:

- Improved its product catalog;
- Updated its Web site;
- Updated its marketing plan;
- Started tracking sales staff activities; and
- Sent targeted mailings monthly.

However, there are additional steps ACI can take.

ACI should:

- ✓ Reassess its commission structure and bonus policies to support its marketing plan priorities.
- ✓ Analyze customer complaints to identify and resolve recurring problems.
- ✓ Improve information sharing among its facilities.

ACI and DOC Should Explore a Printing Certification Program

Arizona's printing trade association has expressed interest in developing a certification program for inmate workers at ACI's printing facility in Perryville. The Association says they are interested in such a program because it would be mutually beneficial to both them and ACI. Further, the association reports difficulty in finding skilled workers.

However, before committing to such a program there are several questions ACI needs to resolve:

- Is there a sufficient need for the Program? Although local industry leaders report a labor shortage, the national Printing Industries Association expects employment to grow 1.4 percent over the next five years.

- Will industry hire ex-inmates?
- What additional costs might be required? In addition to staffing and instructional costs, ACI may need more up-to-date printing equipment that could cost up to \$200,000.

Printing facility



There are existing models DOC could look to if it decides to develop a certification program:

- The National Council for Skills Development in Graphic Communications has established national skill standards in pre-press imaging, press operating, and finishing/distribution and administers certification exams two times a year.
- DOC has previously developed a certification program for female inmates in construction technology. The program uses nationally recognized curriculum that includes coursework and an apprenticeship.

ACI should:

- ✓ Continue to explore the potential of a printing certification program by:
 - Measuring the demand for skilled workers.
 - Determining industry's willingness to hire former inmates.
 - Identifying instructional curriculum and staffing needs and costs.
 - Identifying the costs for up-to-date printing equipment.

To Obtain More Information

- A copy of the full report can be obtained by calling (602) 553-0333 or by visiting our Web site at:

www.auditorgen.state.az.us

- The contact person for this report is *Shan Hays*.