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106 N. Bronough St. ♦ P. O. Box 10209 ♦ Tallahassee, FL 32302 ♦ (850) 222-5052 ♦ FAX (850) 222-7476

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## **Florida's Prison Industries Training Program is Back on Track**

*After several tumultuous years of ill-advised corporate restructuring and failed business ventures, the private sector company that operates Florida's prison industries program is back on track. Under a new Board of Directors and new management, Prison Rehabilitative Industries and Diversified Enterprises (PRIDE) has made significant strides in recovering from financial losses that had resulted in an accumulation of debt and core asset depletion. In 2005, the company achieved \$72 million in sales and generated \$6 million net income, the most in dollars and as a percentage of sales in its 24-year history.<sup>1</sup>*

*PRIDE's challenge in the years ahead is to expand sales in appropriate markets in order to appreciably increase the participation of inmate employees, currently about 4% of the prison population, of which only one-third receive certificates for completing training programs.<sup>2</sup>*

### ***Two Decades of Ups and Downs***

Prison Rehabilitative Industries and Diversified Enterprises (PRIDE) has operated Florida's inmate training program since 1981. This non-profit manufacturing and services corporation was founded under the leadership of the late drugstore magnate Jack Eckerd, working in partnership with Governor Bob Graham and the Legislature. PRIDE is governed by a twelve-member Board of Directors appointed by the Governor and confirmed by the Florida Senate, and includes the Secretary of the Department of Corrections. The company receives no state appropriations; its operations are funded completely from gross profits from the sale of the products and services it produces.

Following legislative transfer of the program from the Department of Corrections to PRIDE, prison industries sales and profits increased for a decade and PRIDE earned high marks for creating business-like work environments. These increased sales allowed PRIDE to expand the number of inmate jobs to 2,944 in 1994, which represented 5.25% of the prison population. However, by 2005, the proportion of jobs fell to 2.5% of the inmate population. This current level of participation compares unfavorably with an estimated nationwide proportion of 3.7% state prison industry jobs to inmates.<sup>3</sup>

Florida law directs that the prison industries program's missions are to provide work training programs and post-release job placement; reduce inmate idleness; simulate a real-world working environment; and reduce the cost of state government.

In 1999, PRIDE underwent a radical corporate restructuring designed to grow the prison industries program by building private sector alliances and expanding into new markets in Florida and other states. The result, however, was reduced sales and millions of dollars of unpaid loans to one of PRIDE's affiliate companies, Industries Training Corporation (ITC), which was created to perform PRIDE's administrative functions and serve as an umbrella entity for several not-for-profit and for-profit subsidiaries. Between 2002 and 2004, PRIDE loaned over \$19 million to ITC without charging interest or setting terms and conditions for repayment by ITC and affiliated businesses.<sup>4</sup>

In a January 2005 meeting with Florida TaxWatch, PRIDE executives acknowledged that the firm had "bottomed out" and stated their unwavering commitment to refocus on performing the prison industries program's core statutory missions. A February 2005 Florida TaxWatch *Briefings* stated that PRIDE's Board of Directors and management, working in partnership with the Department of Corrections, must act decisively to revamp a worthwhile, but under-performing, initiative.

### ***Prison Industries Company Reforms***

PRIDE's 2005 annual report describes objectives and results toward fulfilling missions created by its founding visionary, Jack Eckerd, and others in 1981:

▪ **Restore credibility and confidence with stakeholders.** Most important is the Department of Corrections. Others include: state agencies, the Governor's office, legislators, customers, suppliers, employees, and inmate workers. The key message communicated to these stakeholders was PRIDE's unwavering commitment to return to its roots.

▪ **Refocus on core missions.** PRIDE's first mission is to provide work training programs and post-release job placement. Toward this end, a top level management position reporting directly to the president was established to focus on mission achievement. Results included:

✓ A nine percent increase in operational activity over 2004 expanded inmate work stations by six percent and fueled the need for further expansion. An internal mandate to train each

### ***Florida Prison Industries History***

**1925:** The Legislature directed the Department of Corrections to set goals for prison industries. Its goals, which resemble today's, were to develop good inmate work habits and skills in high-demand occupations; provide quality products at cost savings to the state and local governments; help defray prison operating expenses; and avoid unfair competition with private industry.

**1957:** The Legislature established the prison industries program in state law; specified what could be produced and to whom products and services could be sold; and designated the Department of Corrections to run the program.

**1976:** The Legislature appropriated \$11 million to expand the prison industries program to 2,000 workstations for a population of 20,000 inmates.

**1981:** The Legislature established Prison Rehabilitative Industries and Diversified Enterprises (PRIDE), Inc. as the nation's first private, non-profit business organization to operate prison industries. Statutory language was added to relate the success of prison industries to reduced recidivism.

inmate to perform multiple jobs to help alleviate the impact of absenteeism, transfers, and fluctuations in production demand.

- ✓ Ex-offenders needing assistance can email a PRIDE transition specialist. They can also access web-based instruction on filling out job applications and preparing for job interviews.
- ✓ A transition services community advisory board now evaluates pre-release training and post-release support and job placement. An ex-offender advisory council provides feedback on program effectiveness.

▪ **Return the company to financial stability.** PRIDE's president was removed from the Board of Directors to reduce the possibility of a conflict of interest. Meetings of the board and committees are now held in public. A new auditing firm was hired. A February 2006 audit attested to PRIDE's improved financial position.

Approximately 50% of PRIDE's sales are to state government entities. Under state law, if PRIDE certifies that it can provide a needed product, a state agency is prohibited from buying that product from a vendor other than PRIDE, if it is of comparable price and quality. To assist in this determination, the Department of Management Services, Division of State Purchasing, has developed PRIDE Price Agreements, which identify approved products and services offered by PRIDE from which an agency may purchase without competitive bid. PRIDE Price Agreements are established upon verification of pricing methodology, general specifications, and quality assurance.<sup>5</sup>

### *Increasing Sales is Key to Achieving Mission*

The mission of PRIDE is to reduce inmate recidivism, enhance prison security, and reduce state government operating costs through the production and sales of goods and services. PRIDE seeks to accomplish its mission to reduce recidivism by enabling inmates to gain vocational skills that can help aid their transition to the outside world. PRIDE industries provide two types of skills. First, they teach basic work skills to inmates, who often lack adequate workplace experience. These skills include reporting for work, working as a team member, taking directions, and having their work reviewed. Second, they allow inmate workers to develop specific work skills, such as operating and repairing complex machinery in various industries, including optical, dental, and food.

PRIDE achieves its mission of enhancing prison security by reducing inmate idleness and providing incentives for good behavior. Occupying inmates in group activities focuses their attention on productive pursuits, and makes it easier for correctional officers to supervise them. PRIDE work positions also help the department manage inmates by providing incentives for good behavior. Because these positions are highly valued, the inmates assigned to prison industries tend to behave better in order to keep their jobs.

Despite providing these public benefits, PRIDE does not receive any legislative appropriations. It relies solely on revenue from the sale of products and services to finance its operations.

Consequently, any expansion of public benefits derived from PRIDE is directly dependent on increased sales.

Department of Corrections Secretary James McDonough, a member of PRIDE's Board of Directors, has challenged the company to expand its training by tens of thousands of inmates.<sup>6</sup> Florida TaxWatch suggests that this laudatory goal is tempered by the reality that increasing prison industries jobs is contingent on sales, and in some business sectors growth is constrained by private sector concerns about competition. Thus, substantial expansion of prison industries will require a high degree of coordination and cooperation with private sector interests.

An October 2006 report by the Legislature's Office of Program Policy Analysis and Government Accountability states that PRIDE has held discussions with Enterprise Florida to identify ways to develop private business opportunities. However, the report states that Enterprise Florida and the Governor's Office of Tourism, Trade, and Economic Development have not aggressively promoted PRIDE because of a belief that supporting PRIDE conflicts with the Governor's focus on promoting a competitive business climate and creating jobs for Florida citizens.<sup>7</sup>

The stars may at last be aligning for ex-prisoners. The public supports job training and other pre-release services, former prisoners want to work, and politicians on both sides of the aisle are starting to see reentry programs' social and cost-saving benefits.

*The Urban Institute, July 2006*

### ***Rationale and Support for Inmate Training***

Recent initiatives and studies in Florida and nationally provide support for increasing sales through identification of associated benefits that accrue to the state and its citizens from PRIDE. Some of these studies include:

- Governor Jeb Bush's 2005-06 Ex-Offender Task Force found that gainful employment after release from prison is one of the critical elements necessary to achieve successful reentry after prison.<sup>8</sup>
- A 2003 examination by the Legislature's Office of Program Policy and Government Accountability reported that PRIDE benefits the state by providing vocational training for prison inmates. Its programs enhance security in correctional institutions and increase opportunities for inmates to find gainful employment upon release.<sup>9</sup>
- A Council of State Governments report notes that programs to give prisoners real work experience before they are released can jump start their successful transition to free society.<sup>10</sup>
- The Urban Institute, a nonpartisan economic and social policy research organization, found that more than 80% of prisoners interviewed one month before release said that a job trumps all other ways of staying out of prison.<sup>11</sup>

- In a national public opinion poll on attitudes toward rehabilitation of nonviolent offenders convicted of drug and property crimes, 82% of respondents identified job training as very important, and 70% favored rehabilitation services both in prisons and after release.<sup>12</sup>

### ***Florida TaxWatch Monitoring of Prison Industries***

- A 1989 Florida TaxWatch report entitled *Is Florida's Prison Industries Experiment Succeeding?* stressed the need to assure an adequate supply of inmate labor for prison industries, avoid the use of non-inmate labor in production processes, eliminate anti-competitive statutory provisions, and measure the impact of prison industries on reducing inmate recidivism. The 1989 Legislature acted affirmatively on four recommendations.
- A 2003 Florida TaxWatch study examining how well PRIDE was accomplishing its statutory missions was put on hold as the Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) issued a critical report in December 2003, followed by a Governor's Inspector General report on PRIDE's corporate re-restructuring and fiscal stewardship in February 2005.
- The February 2005 Florida TaxWatch *Briefings*, as cited above, stated that PRIDE's Board of Directors and management, working in partnership with the Department of Corrections, must act decisively to revamp a worthwhile, but under-performing, initiative.

### ***Conclusion***

In recent years, PRIDE has taken steps to return the company to financial stability by restoring credibility and confidence with its stakeholders and refocusing on its core mission. As a result of these efforts, the performance of PRIDE has shown improvement. For example, PRIDE sales grew 10% between 2003 and 2005 to \$71.2 million, which allowed for an increase in the number of inmate hours worked by 12%, from 3.6 million hours in 2002 to 4.1 million hours in 2005.<sup>13</sup> In addition, PRIDE has improved its operations by implementing internal controls regarding monitoring of its activities and those performed by its contractors.<sup>14</sup>

PRIDE must continue to increase inmate workstations to enhance its benefit to the state. While PRIDE programs enhance prison security, reinforce vocational training, and increase opportunities for inmates to find gainful employment upon release, the number of inmates it employs has changed little.

*Florida Legislature's Office of Program Policy Analysis and Government Accountability*

## ***Recommendations***

To further improve the performance of PRIDE and increase the public benefits provided through its operations, Florida TaxWatch provides the following recommendations for consideration.

- PRIDE should develop and publish a long-range strategic plan, in partnership with the Florida Department of Corrections, that identifies specific objectives and implementation plans. The strategic plan should include 5-year sales and revenue projections for each of its products as well as corresponding projections of the sources of the sales. Using these sales and revenue projections, PRIDE can then develop reasonable goals for the number of job positions and inmate work hours, by product and facility, that it can support. The analysis should also include marketing strategies that will be employed to meet the goals for each targeted good and service.
- To help ensure compliance with the requirement that state agencies purchase products and services available from PRIDE, the new Florida Management Information System, FMIS, should include the capability to identify types of goods and services purchased by state agencies.<sup>15</sup> This information can be used to identify state agency procurement of products and services that were available from PRIDE, but were bought from other sources. Increased compliance with statutory requirements for state agencies to purchase comparable quality and priced goods and services produced by PRIDE may serve to increase product sales and associated benefits to the state and its citizens.
- To assist in determining the level of public benefits derived from PRIDE, an analysis of the economic impact of PRIDE's operations on the state and its citizens should be considered. Cost savings and economic benefits associated with reducing inmate idleness, increases in inmate training, lowered recidivism, increased restitution payments, as well as taxpayer savings associated with PRIDE purchases by state agencies, should be included in this analysis. This information can then be used by PRIDE, as well as various program stakeholders, such as the Department of Corrections and the Legislature, when assessing whether greater assistance and coordination with other relevant education, training, and post-release programs is warranted and should be pursued.

## ***Endnotes***

<sup>1</sup> PRIDE sales improved after falling from a high of \$81 million in 1998 to a low of \$61 million in 2002. According to the Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA), the company appears to be adapting to changing market conditions to increase the sale of prison industry products. [www.oppaga.state.fl.us/profiles](http://www.oppaga.state.fl.us/profiles).

<sup>2</sup> [www.dc.state.fl.us/pub/index](http://www.dc.state.fl.us/pub/index); [www.oppaga.state.fl.us/profiles](http://www.oppaga.state.fl.us/profiles); and Florida TaxWatch.

<sup>3</sup> Source: National Correctional Industries Association

<sup>4</sup> In December 2004, PRIDE severed all business relationships with Industries Training Corporation (ITC). In September 2005, PRIDE filed a civil suit against ITC and affiliates for damages, interest, costs, and any other just relief. On August 22, 2006, PRIDE and ITC reached a settlement agreement with confidential terms.

<sup>5</sup> As described in State Purchasing Memorandum No. 01 (2005-06), dated March 20, 2006.

<sup>6</sup> Telephone interview with Corrections Secretary James McDonough, November 20, 2006. The Secretary stated that PRIDE's Board of Directors has set a target of employing 4.6% of Florida's inmate population in prison industries by 2012. He explained that 36,000 inmates are currently released annually. A goal is to train more of them in construction as well as janitorial work and fruit picking. Currently, an estimated 16,000 inmates are suitable security risks to work "outside the wire", while an additional 25,000 should be working "inside the wire".

<sup>7</sup> "PRIDE Is Tightening Its Business Practices But Needs Greater Transparency", Office of Program Policy Analysis and Government Accountability, [Report No. 06-67](#).

<sup>8</sup> Governor's Executive Order Number 06-89.

<sup>9</sup> "PRIDE Benefits the State But Needs to Improve Transparency in Operations", Office of Program Policy Analysis and Government Accountability, [Report No. 03-68](#).

<sup>10</sup> *Report of the Re-Entry Policy Council*, Council of State Governments, January 2005. [www.reentry.org](http://www.reentry.org).

<sup>11</sup> *Sunshine for Ex-Cons Looking to Work*, The Urban Institute, July 2006, [www.urban.org/publications/900967](http://www.urban.org/publications/900967).

<sup>12</sup> The poll was conducted by Zogby International for the National Council on Crime and Delinquency.

<sup>13</sup> PRIDE Enterprises 2005 Annual report.

<sup>14</sup> "PRIDE Is Tightening Its Business Practices But Needs Greater Transparency," Office of Program Policy Analysis and Government Accountability, [Report No. 06-67](#).

<sup>15</sup> FMIS includes several functional subsystems; LAS/PBS, Aspire, MyFloridaMarketPlace and PeopleFirst. The Governor's Office of Policy and Budget is the functional owner of the Planning and Budgeting Subsystem, LAS/PBS; the Department of Financial Services is the functional owner of the planned Florida Accounting Information Resource Subsystem and Cash Management Subsystem, Aspire; and The Department of Management Services is the functional owner of the Purchasing Subsystem and MyFloridaMarketPlace, and the Personnel Information system, PeopleFirst.

**This *Briefings* was written by Dave Davis and Charles Hefren, Senior Research Analysts, with the assistance of Becky Reese, Research and Communications Specialist, under the direction of John Turcotte, Senior Vice President for Research.**

**Michael A. Jennings, Chairman; Dominic M. Calabro, President, Publisher, and Editor;  
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