

Approved _____

3/1/86
Date

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Senator Edward F. Reilly, Jr. at
Chairperson

11:00 a.m./p.m. on March 25, 1986 in room 254-E of the Capitol.

All members were present ~~except~~

Committee staff present:

- J. Russell Mills, Legislative Research
- Emalene Correll, Legislative Research
- Mary Torrence, Assistant Revisor of Statutes
- June Windscheffel, Secretary to the Committee

Conferees appearing before the committee:

- Representative Sandy Duncan
- Representative Donna Whiteman
- Dr. William Albott, Kansas Psychological Association
- Adjutant General Ralph Tice
- Lt. William Jacobs, Kansas Highway Patrol
- Mr. John Lamb, Director, Alcoholic Beverage Control
- Mr. Robert R. Clester, Kansas Sheriffs Association
- Mr. Ronald P. Desch, Chief of Motor Carrier Inspection Bureau, Department of Revenue
- Mr. Paul Schwartz, Industries Development Specialist, Department of Corrections
- Ms. Ellyn Rullestad, Senior Auditor, Legislative Post Audit

HB2735 - concerning psychological testing of law enforcement officers

The Chairman introduced the first conferee, Representative Sandy Duncan. Representative Duncan had chaired the Joint Committee on Rules and Regulations. The Law Enforcement Training Commission had stricken the regulation concerning the regulation for psychological testing. The Joint Committee felt that psychological testing should be done, and was uncertain why it was stricken.

Representative Donna Whiteman was the next conferee. Representative Whiteman said that basically on the rules and regulations of the training center they deleted the one test requirement. It was found that there was nothing in the statute concerning it. Her basic concern is that putting people to work on the street is a stressful job, and this would insure that all officers have at least one test.

It was stated that there is no fiscal impact since the current policy is in effect.

Representative Duncan also said they support the amendments in HB2735 that are on the bill.

The Chairman thanked the Representatives for appearing and introduced the next conferee, Dr. William Albott, of Kansas Psychological Association. Dr. Albott appeared in support of the intent of the bill. They do have some proposed changes. A copy of his statement is Attachment #1. Dr. Albott said that the American Psychological Association has developed a "Standards for Educational & Psychological Tests." Psychologists are bound by their ethics to follow these standards. He said thus the consumer is afforded additional protection. In this case the consumer would be the aspiring law enforcement applicant.

SB736 - concerning repealing section limiting amount state may expend for armory buildings

The Chairman then referred to SB736, and introduced General Ralph Tice, State Adjutant General, who spoke in favor of it. Due to the fact that this is Allied Officers Day in the Capitol, General Tice had another commitment, and the Chairman afforded him the opportunity to explain his support of the

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS,
room 254-E, Statehouse, at 11:00 a.m./~~p.m.~~ on March 25, 1986

proposed legislation. General Tice's statement is Attachment #2. He pointed out that over the last number of years the Department of Defense has increased the mission and size of the National Guard, and the state of Kansas has experienced a large increase in manning, equipment and missions. As a result construction in the Army and Air National Guard has been great, and has demanded that units be added in the state of Kansas, which also results in building armories, supply buildings and training areas.

General Tice said the provisions of K.S.A. 48-306 have long since served their useful purpose, and the state is in a better posture to finance armory construction. General Tice said that a repeal of this statute in his judgment is in the best interest of the National Guard and the state of Kansas.

The Chairman thanked General Tice for appearing and then referred back to HB2735. The Committee continued on with questions of Dr. Albott. Lt. William Jacobs of the Kansas Highway Patrol also assisted in answering some questions. Mr. John Lamb, Director of the Alcoholic Beverage Control, also assisted in answering some questions.

Dr. Walker asked to check on the Fiscal Note.

The next proponent of HB2735 was Mr. Robert Clester. Mr. Clester appeared for the Kansas Sheriffs Association and the Kansas Peace Officers Association. He said they are supportive of the one test. They think it is something that adds to the professionalism of law enforcement.

The Chairman thanked the conferees for their statements, and said that would conclude the hearing on HB2735.

SB730 - concerning employees of department of revenue with law enforcement powers who enforce vehicle laws not subject to Kansas law enforcement training act.

The Chairman asked the Committee to turn its attention to SB730. Mr. Ronald Desch, Chief of Motor Carrier Inspection Bureau, Department of Revenue, was the first conferee. He stated that training has increased their ability to recruit quality personnel greatly, and since they are now stopping trucks at random and the motor carrier inspectors are engaged in selective enforcement they need to be trained on how to deal with the more dangerous violators. They are required by statute to arrest people who are driving while intoxicated or with suspended drivers' licenses.

Mr. Desch said they would request that the Committee reject SB730.

Lt. William A. Jacobs, of the Kansas Highway Patrol, appeared in support of Mr. Desch's statement.

The Chairman said that would conclude the hearing on SB730.

SB731 - concerning sale of prison made goods to private industry for use in its product

Mr. Paul Schwartz, Industries Development Specialist of the Department of Corrections, was the next conferee. Copies of a Memorandum from Secretary Richard A. Mills, were distributed by Mr. Schwartz for the Committee. (Attachment #3.) Mr. Schwartz spoke of the Department of Corrections' support for this bill, as did the statement of Secretary Mills. It was pointed out that SB731 presents one of the most cost effective ways to employ more inmates. There would be no additional costs accrued to the State General Fund, minimal costs of the Correctional Industry fund and no displacement of civilian labor.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS,
room 254-E, Statehouse, at 11:00 a.m. ~~p.m.~~ on March 25, 1986

The Chairman introduced Ms. Ellyn Rullestad, Senior Auditor, Legislative Post Audit, as the next conferee. Ms. Rullestad had distributed copies of the Performance Audit Report concerning Expanding Sales of Prison-Made Goods to the Committee. (Attachment #4) Ms. Rullestad gave a brief overview of the Report. The audit addresses two primary questions:
1. To what extent are State and other agencies purchasing prison-made goods? and 2. How can the sale of prison-made goods be expanded or encouraged? Ms. Rullestad emphasized that they are looking at ways to expand the sales of prison made goods.

The Chairman thanked the conferees for appearing on SB731.

HB2733 - concerning alcoholic beverages, minimum quantity

The next bill for consideration by the Committee was HB2733. Mr. R. E. "Tuck" Duncan, Executive Secretary, Kansas Wine and Spirits Wholesalers Association, presented his statement and testimony to the Committee. Copy of his handout was distributed to the Committee. (Attachment #5) Mr. Duncan said that this bill is supported by the Alcoholic Beverage Control, the industry, has passed the House and is not even opposed by Kansans for Life at Its Best. Mr. Duncan said this merely changes the size of containers to give the Director of the ABC some flexibility in approval of ways to accommodate some sizes which have been unavailable in the past. He said that this is a unique bill in that it seems to have everybody's approval.

The Chairman thanked him for appearing.

Senator Morris moved that HB2733 be reported favorably. 2d by Senator Martin. Motion carried.

Then the motion was made by Senator Morris that SB736 be reported favorably. 2d by Senator Vidricksen. Motion carried.

The Chairman said that he would ask the Committee to look through the Post Audit Review before consideration of SB731.

The Committee then continued on to SB730. Senator Walker moved that SB730 be reported adversely. 2d by Senator Morris. Motion carried.

The meeting was adjourned.



KANSAS PSYCHOLOGICAL ASSOCIATION

3/25/86
Attachment #1

25-MARCH-86

Mr. Chairman, members of the committee, I am Dr. William Albott. I am appearing before you today on behalf of the Kansas Psychological Association in regard to H.B. 2735. Our association is in support of the intent of this bill, but we would like to propose some changes which we believe will strengthen it.

In 1964, Dr. Colarelli and Siegel, psychologists at Topeka State Hospital, reported on a project they had conducted with the Kansas Highway Patrol. They began their report in a manner that is still as appropo today as then--

"The effectiveness of a law enforcement organization rests to a large degree on its ability to adequately select, train, and supervise its personnel. The critical problem of selecting candidates is one of the thorniest, the most expensive, and the most time consuming tasks facing such organizations."

They then went on to describe how through the use of psychological evaluations this process of selection could be improved. There are numerous other examples in the psychological literature where such psychological evaluations have demonstrated effectiveness in personnel selection.

I call your attention to the use of the phrase "psychological evaluation" rather than "psychological testing". Psychological testing is not the use of tests in the traditional

Sen. Fed. & State Affairs
3/25/86 Attachment 1

sense of the word. One takes a driver's test, for example, and one either passes or one fails. Taking a psychological test is quite different, one does not pass nor does one fail. Psychological testing is a phrase used to cover a large number of standardized procedures that allow for one to describe intellectual, cognitive, emotional, personality, and social functioning. One cannot pass or fail such a test since indeed all of us possess all of the above features. Tests then are but part of the evaluation process. The evaluation is intended to describe, in personnel selection, the individual in terms of key aspects that have demonstrated relevance to performance in the job, here being law enforcement. It therefore, is our recommendation that this bill incorporate the change of language from "psychological testing/test" to "psychological evaluation". In the attached ballon, we have made this change on lines 0018, 0044, and 0054.

We have also on lines 44 and 54 changed the word "approved" to "acceptable" in light of the possibility that a person may have completed an evaluation that is acceptable to the board in, for example, another state before applying for such a position here in Kansas. This change would allow the commission to accept the findings of the prior evaluation.

A final change is the addition of a definition of the phrase "psychological evaluation" to be insert at the end of Sec. 1 and also at the end of Sec. 2. The language of the definition we are suggesting is "Psychological evaluation" shall mean an examination conducted by, or performed under the direction of, a

psychologist as defined in KSA 74-5310, where in psychological tests, with established validity, are used, in full or in part, to assess the intellectual, cognitive, emotional and psychological functioning of the individual applicant." Our reason for including this definition is to insure that the evaluation used is not one that does not meet appropriate standards. The American Psychological Association, in cooperation with the American Educational Research Association, and the National Council on Measurement in Education, has developed and published "Standards for Educational & Psychological Tests". Psychologists are bound by their ethics to follow these standards and thus the consumer--here being the aspiring law enforcement applicant--is afforded an additional protection.

Thank you for the opportunity to appear before you.

HOUSE BILL No. 2735

By Joint Committee on Administrative Rules and Regulations

1-23

0017 AN ACT concerning law enforcement officers; relating to psy-
0018 chological ~~testing~~ thereof; amending K.S.A. 74-5605 and 74-
0019 5618 and repealing the existing sections.

← evaluation

0020 *Be it enacted by the Legislature of the State of Kansas:*

0021 Section 1. K.S.A. 74-5605 is hereby amended to read as fol-
0022 lows: 74-5605. Every applicant for admission to a course for
0023 police officers or law enforcement officers conducted by the
0024 training center shall be an employee of a state, county or city law
0025 enforcement agency or a railroad policeman appointed pursuant
0026 to K.S.A. 66-524, and amendments thereto. Prior to admission to
0027 a course conducted at the training center or at a certified state or
0028 local law enforcement agency, the applicant shall furnish to the
0029 associate director a statement from the applicant's department
0030 head certifying the applicant's fulfillment of the following re-
0031 quirements. The applicant:

- 0032 (a) Is a United States citizen;
- 0033 (b) has been fingerprinted and a search of local, state and
0034 national fingerprint files has been made to determine whether
0035 the applicant has a criminal record;
- 0036 (c) has not been convicted, and does not have an expunged
0037 conviction, by any state or the federal government of a crime
0038 which is a felony or its equivalent under the uniform code of
0039 military justice;
- 0040 (d) is the holder of a high-school diploma or furnishes evi-
0041 dence of successful completion of an examination indicating an
0042 equivalent achievement;

0043 (e) is of good moral character; and

0044 (f) has ~~successfully~~ completed a psychological ~~test~~ ~~approved~~
0045 ~~by~~ the commission; and

← evaluation acceptable to

0046 (f)(g) is free of any physical or mental condition which might
0047 adversely affect the applicant's performance of a police officer's
0048 or law enforcement officer's duties.

0049 Sec. 2. K.S.A. 74-5618 is hereby amended to read as follows:
0050 74-5618. Every police officer or law enforcement officer, as
0051 defined by in K.S.A. 74-5602, and amendments thereto, shall:

0052 (a) Have attained at least 21 years of age; and

0053 (b) ~~successfully completed a psychological test approved by~~
0054 ~~the commission.~~

0055 Sec. 3. K.S.A. 74-5605 and 74-5618 are hereby repealed.

0056 Sec. 4. This act shall take effect and be in force from and
0057 after its publication in the statute book.

(h) "Psychological evaluation shall mean an examination conducted by, or performed under the direction of, a psychologist as defined in KSA 74-5310, wherein psychological tests, with established validity, are used, in full or in part, to assess the intellectual, cognitive, emotional and psychological functioning of the individual applicant.

evaluation acceptable to

(c) "Psychological evaluation" shall mean an examination conducted by, or performed under the direction of, a psycholgoist as defined in KSA 74-5310, wherein psychological tests, with established validity, are used, in full or in part, to assess the intellectual, cognitive, emotional and psychological functioning of the individual applicant.

3/25/86
Attachment #2

STATEMENT OF THE
ADJUTANT GENERAL OF KANSAS
MAJOR GENERAL RALPH T. TICE
TO THE
SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
SENATOR ED REILLY, CHAIRMAN
IN SUPPORT OF
SB 736
MARCH 25, 1986

Mr. Chairman and members of the committee, I am Major General Ralph T. Tice, the Adjutant General of Kansas and I am here to voice my support for the passage of Senate Bill 736 which repeals K.S.A. 48-306.

Over the last number of years the Department of Defense has increased the mission and size of the National Guard nationwide. The state of Kansas has experienced a large increase in manning, equipment, and missions. As a result of this increase, construction in the Army and Air National Guard has been dramatic. The majority of the construction on the Army side has been because of the activation of the 35th Division Headquarters at Fort Leavenworth, Kansas. This has demanded that we add units in the state of Kansas which also results in building armories, supply buildings, and training areas.

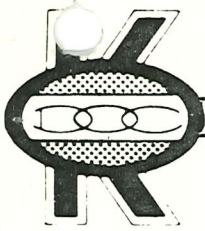
I have been before the Legislature this year explaining our programs and making the Legislature aware of our growth.

K.S.A. 48-306 effectively limits the state's ability to fund the necessary cost of today's armory structures. This is particularly painful when the federal government is in a position to fund 75 percent of our construction costs. Unfortunately the statute limits our contribution to no more than \$50,000 which is consistently less than the required minimum percentage of construction cost.

The statute further addresses the municipal option of unilaterally funding armories under certain conditions. This procedure, although considered many years ago a viable alternative for armory funding, appears obsolete and unwieldy. I cannot foresee a situation in which this provision would present an acceptable financing alternative; or one that I could in good conscience recommend.

Further, K.S.A. 48-306 mandates a community contribution "of at least one-half of the amount expended by the military board". This serves only to limit our flexibility to finance armories unnecessarily and for no particular present purpose.

The provisions of K.S.A. 48-306 have long since served their useful purpose. The state is in a much different and better posture to finance armory construction with significant federal contribution returned to the communities today than ever before. A repeal of this statute is in my judgment in the best interest of the National Guard and the state of Kansas. I therefore respectfully urge this committee to recommend Senate Bill 736 for full Senate consideration.



KANSAS DEPARTMENT OF CORRECTIONS

JOHN CARLIN — GOVERNOR

RICHARD A. MILLS — SECRETARY

JAYHAWK TOWERS • 700 JACKSON • TOPEKA, KANSAS • 66603-3798
913-296-3317

March 24, 1986

TO: Members of the Senate Federal & State Affairs Committee

FROM: Richard A. Mills, Secretary of Corrections

SUBJECT: Senate Bill 731
Subcontracting for Kansas Correctional Industries

The problems of overcrowding and resulting inmate idleness have been well documented over this current legislative session. The Department has developed a plan to deal with inmate idleness utilizing three (3) components: the Correctional Industry program; public works projects; and, private industry programs. New programs for Correctional Industries are traditionally funded through fees generated by the program. These types of new programs are expensive to start because of the cost of equipment and physical space. Correctional Industries itself cannot solve the idleness problem due to the rapid growth of the inmate population. Public work projects are limited due to the number of minimum custody inmates available to work in the communities and the cost of overhead of these programs. The third component, private industry programs, provide the most effective cost alternative to reduce inmate idleness because the capital outlays are provided by the private industry.

Kansas is considered a national leader in the area of private prison industry programs. We currently have three businesses utilizing inmate labor. They are Zephyr Products, Heatron and Jensen Engineering. They employ about 35 inmates total and are considered highly successful. We recently applied for and received a Departmental Certification from the Federal Bureau of Justice to enable the Department to certify new industries with an exemption so they may compete for federal contracts and ship products interstate. We hope by obtaining this certification to attract new business, therefore, putting more inmates to work.

Sen. Fed. & State Affairs
3/25/86 Attachment 3

Senate Bill 731 is an attempt by the Department to tie the correctional industry program together with the private sector by giving KCI the statutory authority to enter in contract with private industry for the repair of, assembly of, or fabrication of, products produced by private industry. These contracts will be short term in nature employing varying numbers of inmates depending upon the work project. Correctional industries would supply its existing supervision, equipment, floor space, and inmate labor and private industry would provide any additional equipment needed, products to work on and capital.

This idea is not new, there are currently 16 states who have granted authorizations to their Department of Corrections to enter into the contracts with the private sector for the production of goods and services. States included are: Arizona, Colorado, New Mexico, Oklahoma, and Iowa. We envision the work projects to be labor intensive service work requiring minimum level skills and minimum capital requirements. Much of this type of work is currently now being sent off shore to other countries. This bill will give the Department the ability to try and capture some of this work and could subsequently create new civilian jobs in our economy because of our ability to compete with less expensive off shore labor. This bill also addresses our concern with displacing civilian labor currently in the market place by statutorily prohibiting that from happening.

Inmates would generally be paid the standard prison wages with profits returned to the Correctional Industry Fund for the creation of new industry projects. In the event, due to job skill levels, inmates should receive the minimum wage, deductions including taxes, room and board, family support and victims compensation would be applied.

A recent study performed by the Institute for Economic and Policy Studies for the Department shows that Senate Bill 731 is economically feasible. The Institute is nationally recognized as experts in the area of private sector prison industry programs. Additional copies of this report are available.

In closing, we feel that Senate Bill 731 presents the Department with one of the most cost effective ways to employ more inmates. There would be no additional costs accrued to the State General Fund, minimal costs of the Correctional Industry fund and no displacement of civilian labor.

3/25/86
Attachment 4



PERFORMANCE AUDIT REPORT

Expanding Sales of Prison-Made Goods

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas**

August 1985

Legislative Post Audit Committee

Legislative Division of Post Audit

THE LEGISLATIVE POST Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$3 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

As a guide to all their work, the auditors use the audit standards set forth by the U.S. General Accounting Office and endorsed by the American Institute of Certified Public Accountants. These standards were also adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the Representatives, three are appointed by the Speaker of the House and two are appointed by the Minority Leader.

Audits are performed at the direction of the Legislative Post Audit Committee.

Legislators or committees should make their requests for performance audits through the Chairman or any other member of the Committee.

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LEGISLATIVE DIVISION OF POST AUDIT

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PERFORMANCE AUDIT REPORT

Expanding Sales of Prison-Made Goods

OBTAINING AUDIT INFORMATION

This audit was conducted by Ellyn Rullestad, Senior Auditor, and Tom Vittitow, Cindy Lash, Cindy Denton, and Roy Fitzpatrick, Auditors, of the Division's staff. If you need any additional information about the audit's findings, please contact Ms. Rullestad at the Division's offices.

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EXPANDING SALES OF PRISON-MADE GOODS

Summary of Legislative Post Audit's Findings

This audit was designed to examine the current and potential sales volume of the Kansas Correctional Industries program. It was conducted at the request of the Special Committee on Federal and State Affairs.

To what extent are State and other agencies purchasing prison-made goods? The Prison-Made Goods Act requires that State agencies purchase prison-made products from Kansas Correctional Industries. Local units of government, other states, the federal government, and non-profit organizations may also purchase products from Kansas Correctional Industries. The auditors sampled agency vouchers from fiscal year 1984 in order to determine the extent to which State agencies were complying with this law. They found that although agencies were buying many prison-made products, there is still considerable room for expansion of sales of existing products to State agencies. The auditors determined that agencies could have purchased an additional \$54,332 worth of paint products and \$358,588 worth of soap products in fiscal year 1984.

The auditors also found that there was a huge potential market for sales to local units of government and non-profit organizations. Based on surveys and sales information, the auditors determined that these local organizations buy less than five percent of their product needs from Correctional Industries. In one county alone, the auditors identified a potential market for prison-made products in excess of \$68,000.

How can the sale of prison-made goods be expanded or encouraged? Several options emerged for expanding and encouraging the sale of prison-made goods. One option was to strengthen the language and enforcement of the Prison-Made Goods Act so that there would be better compliance on the part of State agencies. A second option was for Correctional Industries to provide agencies with a greater incentive to purchase prison products by ensuring that the products are of consistently high quality and meet the needs of agencies. A third option involved increasing sales to local units of government and non-profit organizations by improving the marketing capabilities of Correctional Industries. The final option for expanding the sale of prison-made goods was to develop new industries. Correctional Industries recently received a feasibility study conducted by a consultant which recommended three possible candidates for new industries. Two of these, microfilming and data key entry, are in the process of being established and should employ inmates sometime during fiscal year 1986.

EXPANDING SALES OF PRISON-MADE GOODS

At its July 8, 1985, meeting, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct a performance audit looking for ways to expand sales of prison-made goods. This audit was requested by the Special Committee on Federal and State Affairs which, among other topics, was charged with examining the issue of inmate idleness. One way of reducing inmate idleness is increasing employment opportunities for inmates.

Kansas Correctional Industries, which employs inmates to work in prison industry factories making products such as soap, paint, signs, and furniture, is one vehicle that the Committee identified as being potentially able to employ more inmates. Legislative Post Audit had conducted an earlier performance audit of Kansas Correctional Industries in the summer of 1983 which focused on the rehabilitation aspects of the program. This audit examines the current and potential sales volume of the Kansas Correctional Industries program.

Kansas law requires State agencies to buy prison-made goods manufactured by Kansas Correctional Industries. The law also allows the prison products to be sold to local governments, school districts, and non-profit organizations.

The audit addresses two primary questions:

1. To what extent are State and other agencies purchasing prison-made goods?
2. How can the sale of prison-made goods be expanded or encouraged?

To answer these questions, the auditors sampled State agency vouchers for purchases of paint and soap products. The auditors also surveyed State agencies to get their opinions about Correctional Industries products. In addition, they contacted several local units of government and school districts to determine how much they were buying from Correctional Industries. Finally, the auditors contacted neighboring states to see what kinds of prison industries were successful elsewhere.

In general, their reviews showed that although State agencies are buying many of the products manufactured by Correctional Industries as required by State statute, there is still considerable room for expansion of sales of existing products to State agencies. They also found that there is a large market for the products of Correctional Industries in counties, cities, and school districts. There also appears to be some potential for creating new products or industries to fill market needs. Finally, the auditors found that Correctional Industries is working to encourage new industry development. These findings are discussed in this report, preceded by a brief discussion of the Kansas Correctional Industries program.

Background on Kansas Correctional Industries

Kansas Correctional Industries is part of the Department of Corrections. It operates a number of factories that employ inmates at several State prisons.

At the Kansas State Penitentiary, Correctional Industries operates furniture upholstery, furniture refinishing and manufacturing, sign, and paint factories. The Industries program at the Penitentiary also has a farming operation. A soap factory is operated at the Kansas Correctional Institution at Lansing. In addition, there is a clothing factory at the Kansas State Industrial Reformatory in Hutchinson.

The director of Kansas Correctional Industries coordinates the industries program at all of the institutions. He is assisted by a salesman, an assistant director, two accountants, and an office manager. Each factory has a civilian supervisor. In addition, an industries development specialist employed by the Department of Corrections works with the program.

The following table presents information on the number of inmate jobs in Correctional Industries. The fiscal year 1982 figures present comparative data from the earlier performance audit. That audit was limited to an examination of the Correctional Industries program at the State Penitentiary.

Employment of Inmates By Correctional Industries

	<u>Fiscal Year 1982</u>	<u>Fiscal Year 1985</u>	<u>% Change</u>
<u>State Penitentiary</u>			
Warehouse/admin.	8	13	62.5%
Paint	27	26	(3.7)
Signs	20	32	60.0
Upholstery	29	39	34.5
Furniture	38	76	100.0
Private Sector	0	9	N/A
Farm	0	15	N/A
Total	<u>122</u>	<u>210</u>	<u>72.0%</u>
<u>Correctional Institution at Lansing</u>			
Soap		12	
Private Sector		<u>22</u>	
Total		<u>34</u>	
<u>Industrial Reformatory</u>			
Clothing		<u>30</u>	
GRAND TOTAL		<u>274</u>	

At Kansas State Penitentiary, Correctional Industries employs 10.7% of the total population of 1,964 inmates. At the Kansas Correctional Institution at Lansing, there are 34 inmates employed by Correctional Industries or 17.9% of the total population of 190. At the State Industrial Reformatory, the 30 inmates employed by Correctional Industries represent 2.1% of the total population of 1,432 inmates.

As the table indicates, there has been a significant growth in inmate employment in Correctional Industries since fiscal year 1982. Employment

increased the most at the Penitentiary's furniture refinishing factory, which began a furniture manufacturing operation within the past two years. In addition, since the earlier audit, the farm began operating at the Penitentiary.

A new record-conversion factory will begin operating at the Penitentiary in fiscal year 1986. It will encompass two components: microfilming historical county court records, and data entry. According to Industries officials, up to 30 inmates will be employed by this factory. In addition, Industries officials anticipate that about 16 more inmates will be employed in private sector firms in fiscal year 1986. Total inmate employment at all institutions in fiscal year 1986 is expected to be about 326 inmates, up 19% over fiscal year 1985.

Sales of prison-made products have increased since fiscal year 1982. At the time of the earlier audit, total sales were just over \$3 million per year. Total sales in fiscal year 1985 were about \$3.6 million. The following table shows these sales by factory unit.

Sales of Correctional Industries Products

<u>Factory</u>	<u>Fiscal Year 1982 Sales</u>	<u>Fiscal Year 1985 Sales</u>	<u>% Increase</u>
Paint	\$1,844,720	\$1,904,414	3.2%
Signs	514,382	570,534	10.9
Soap	243,419	305,099	25.3
Clothing	180,507	285,544	58.2
Re-upholstery	151,541	204,342	34.8
Re-finishing	101,985	315,193	209.0
Total	<u>\$3,036,554</u>	<u>\$3,585,127</u>	<u>18.1%</u>

Overall, sales have risen just over 18 percent since fiscal year 1982. The biggest jump has been in the furniture re-finishing factory, where sales have increased by over 200 percent. The primary reason for this jump is that the factory is now manufacturing furniture in addition to re-finishing it.

Kansas Correctional Industries sells its products to State agencies, counties, cities, school districts, and non-profit organizations. The majority of its sales are to State agencies, however. The following table presents total Industries sales by type of buyer.

Correctional Industries Sales By Type of Buyer, Fiscal Year 1985

<u>Buyer</u>	<u>Sales</u>	<u>% of Total</u>
State agencies	\$3,088,933	86.16%
Cities, Counties	321,129	8.96
School Districts	55,951	1.56
Other	119,114	3.32
Total	<u>\$3,585,127</u>	<u>100.00%</u>

To What Extent Are State and Other Agencies Purchasing Prison-Made Goods?

State agencies are required to purchase prison-made products under the Prison-Made Goods Act (K.S.A. 75-5273 et seq.). Under this statute all agencies are required to purchase from the Secretary of Corrections:

"all articles or products required by such state agencies that are produced by inmates and no such article or product shall be purchased by any state agencies from any other source, unless excepted from the provision of this section by law or in accordance with K.S.A. 75-5277."

Several divisions or sections within the Department of Administration play roles in ensuring that the purchasing statutes relating to prison-made goods are being followed.

The Division of Purchases controls the bidding process for large-order purchases in excess of \$500. If an agency wants to purchase an item that is available from Correctional Industries, the Division does not request bids for that product but notifies the agency that it should order the item directly from Correctional Industries. If the desired product is not acceptable to the agency, the Division requires the agency to secure an exemption from Correctional Industries stating that it is unable to provide the required product. Alternatively, the agency can send a written justification to the Division documenting that the product produced by Correctional Industries is not acceptable.

In general, agencies have been authorized to buy less than \$500 worth of products without going through the Division of Purchases. The Division's procedures for such purchases state that use of the prison-made items is required. These smaller purchases are examined by the Pre-Audit Unit of the Division of Accounts and Reports. According to officials of the Division, if an auditor notices that an item was purchased from a source other than Correctional Industries, the auditor will send the voucher back to the agency. The agency must then obtain an exemption from the Division of Purchases before payment will be made.

Purchases under \$500 are also audited by the Special-Services Section of the Division of Purchases for compliance with purchasing laws. These audits are called 29-E audits because they refer to memorandum 29-E, issued by the Division of Purchases, which delegates authority to agencies to make small purchases. This Section may issue citations to agencies that do not comply with the Prison-Made Goods Act. The 29-E audits have been conducted for the last two years. Summaries of the compliance violations found are forwarded to the Director of Purchases, who sends a copy of the findings to the Secretary of Administration and the head of the audited agency. The agency must provide a written response.

To test agencies' compliance with the Prison-Made Goods Act and to determine the approximate market for sales of existing prison-made products, the auditors identified a group of 20 agencies likely to have significant purchases of Correctional Industries products. Included in this group of 20

agencies were the Regents' institutions, State hospitals and training centers, the Department of Administration, the Department of Transportation, the Park and Resources Authority and the Fish and Game Commission. (A complete list is provided in Appendix A.) From this group of 20 agencies, the auditors selected a sample of eight agencies that were representative of each type of institution in the original group of 20 agencies.

The auditors examined the purchases of paint and soap products for fiscal year 1984. They identified all expenditures made for the types of paint and soap products available from Correctional Industries, and compared those figures with the amount each agency actually spent on Industries products that year. For this review they drew two samples. First, they selected a sample from all vouchers in the object codes which included paint and soap. Because this sample included many vouchers that were for very small amounts, even under \$1.00, they drew a second sample from all vouchers greater than \$50. Combining these two samples provided the most reasonable estimates possible. The following tables present the results of their review.

**Percentage of Purchases from Correctional Industries
Fiscal Year 1984**

<u>Agency</u>	<u>Total Purchases of Paint in the Samples</u>	<u>Total Purchases of Paint From Correctional Industries</u>	<u>Percent of Total</u>
Department of Administration	\$ 808	\$ 164	20%
Emporia State	9,653	9,451	98
Fish and Game Commission	1,333	759	57
Department of Transportation*	361	0	0
Kansas State	4,992	1,784	36
Park and Resources Authority	3,220	2,771	86
Topeka State	1,351	1,072	79
Winfield State	<u>5,789</u>	<u>5,268</u>	<u>91</u>
Total	<u>\$27,507</u>	<u>\$21,269</u>	<u>77%</u>

* This represents purchases of architectural paint. The Department of Transportation purchases all of its traffic line paint from Correctional Industries; fiscal year 1984 purchases totalled about \$968,000.

<u>Agency</u>	<u>Total Purchases of Soap in the Samples</u>	<u>Total Purchases of Soap From Correctional Industries</u>	<u>Percent of Total</u>
Department of Administration	\$ 7,024	\$ 1,256	18%
Emporia State Fish and Game Commission	9,239	3,907	34
Department of Transportation*	1,066	845	79
Kansas State Park and Resources Authority	11,674	3,285	28
Topeka State	8,508	1,751	21
Winfield State	5,995	1,901	32
	10,766	3,297	31
	2,740	290	11
Total	<u>\$57,023</u>	<u>\$16,532</u>	<u>29%</u>

Agencies Bought Significant Amounts of Prison-Produced Goods From Other Vendors in Fiscal Year 1984

As the table shows, these eight agencies made 77 percent of their "sample" paint purchases from Correctional Industries but only 29 percent of their "sample" soap purchases. In general, items that were not purchased from Correctional Industries involved relatively small dollar amounts. But, the total dollar value of the purchases was not insignificant. For example, \$6,238 worth of paint was purchased from other vendors, as was \$40,491 worth of soap. Agencies' compliance varied. The Department of Administration bought only 20 percent of the paint in its samples from Correctional Industries, while Emporia State University bought 98%. And Winfield State Hospital bought only 11 percent of the soap products in its sample from Correctional Industries, while the Fish and Game Commission bought 79 percent.

Examples of prison-produced goods that agencies bought from other vendors included varnish, paint, disinfectant, hand soap, and all-purpose cleaner. In each of these cases, the agency could have purchased the product from Correctional Industries.

There Are A Number of Reasons Why Agencies Are Not Buying Everything They Can From Kansas Correctional Industries

The auditors found that agencies did not buy everything they could from Correctional Industries because of exceptions provided in the law and ineffective enforcement. Agencies cited additional reasons for not buying from Correctional Industries. These reasons are discussed in the following sections.

Provisions in the Prison-Made Goods Act make it relatively easy for State agencies to avoid complying with the Act. Although the statute clearly requires State agencies to purchase prison-made goods, the exceptions allowed in parts of the statute are broad. Agencies may purchase items from other vendors if

the Secretary of Administration and the Director of Purchases agree that the product does not meet the "reasonable requirements" of the agency or that the requisition made cannot be reasonably complied with.

There is no statutory definition of "reasonable requirements". In the past, agencies have been given substantial leeway in determining whether or not a prison-made product met their needs.

Similarly, the Act's provisions are unclear with respect to the role of the Division of Accounts and Reports in enforcing compliance. The statute states that neither the Director of Accounts and Reports nor the State Treasurer shall question a voucher or warrant on the grounds that it violates the Prison-Made Goods Act. The Act does state that continued intentional violation of the Act by any State agency constitutes malfeasance in office, subjecting the person responsible for the violation to suspension or removal from office. This provision has never been used as the grounds for removing anyone from office.

There has not always been effective enforcement of the law. Sometimes, prison-made items can be purchased on State contracts that were awarded to vendors other than Correctional Industries. In their sample testwork, the auditors found that the Department of Administration had purchased floor wax that was on a State contract. Similarly, the Park and Resources Authority had purchased a cleaning solvent that was on a State contract. In addition, some agencies, such as the University of Kansas, have historically had contracts for janitorial supplies.

According to Division of Purchases' officials, awards for products were made to outside vendors in the past because of complaints about the quality of some of the Correctional Industries' products--especially floor wax. The Department of Administration awarded a contract for floor wax to another vendor in fiscal year 1984 because agencies asserted that the prison-produced product did not meet their needs. Contracts are also awarded to other vendors if there are questions about whether the Correctional Industries product meets the required specifications. For example, even though Correctional Industries produces a germicide, the University of Kansas Medical Center has a contract for this product because Correctional Industries has not tested its product to ensure it meets the required specifications.

Purchases for less than \$500 do not come through the Division of Purchases for approval. The procedures governing the agencies' local purchasing authority note that the use of certain items, including those produced by "Kansas State Industries," is required by State statute. However, the memorandum which delegates this purchasing authority to agencies does not specifically mention the mandatory purchase requirements contained in the Prison-Made Goods Act.

The Pre-Audit Unit with the Division of Accounts and Reports scans vouchers for purchases under \$500 for compliance with State laws and regulations. Officials of the Pre-Audit Unit estimate that only about 25-30 vouchers are rejected annually for non-compliance with the Prison-Made Goods Act. Based on their testwork, however, the auditors found considerably more instances where vouchers did not comply with the requirements of the Prison-Made Goods Act.

Agency compliance with State purchasing laws is also audited by the Special Services Section of the Division of Purchases. This section reviews agencies' records to determine if they are complying with the 29-E regulations delegating the authority to make small purchases.

The auditors examined three recent 29-E audits. In each case, they found one or more instances where the agency did not buy from Correctional Industries as required by law. In some cases, the audit cited the voucher as violating the Prison-Made Goods Act, while in other cases the voucher was cited for a violation of other purchasing requirements such as no competition. According to officials of the Special Services Section, if repeated violations of the authority to make small purchases are found, an agency may lose its small purchasing authority. This has never happened.

Agencies offered several additional reasons for not buying prison-made products. The auditors conducted a telephone survey of the eight agencies in the sample to discuss their purchasing patterns and attitudes toward prison-made products. All agencies said they were aware of the statutory requirement to buy prison-made products; however, only three agencies had written policies regarding purchases of these products. All agencies said they often used Correctional Industries goods, but nearly all also stated that there were particular products they did not purchase from the prison. Reasons for purchasing from other vendors fell into four categories:

1. **The quality of the product was not satisfactory.** Soaps for institutional laundries and automatic dishwashers were repeatedly mentioned as being too caustic. Several agencies purchase these products from other vendors. Floor wax and certain paints were reported to have been poor quality in the past. Both have been reformulated and agencies who have tried the new products appear to be satisfied.
2. **The product does not meet the specific needs of the agency.** Several agencies said they needed to purchase special colors or finishes of paint to meet specific requests or to match previous work. Many agencies also purchase a single detergent-disinfectant product for cleaning. Correctional Industries produces several disinfectants and several general cleaning products, but does not market one product that does both.
3. **A particular brand is requested by an agency's staff.** One state hospital reported that the staff "required" that Dial soap be used. The purchasing officer recently substituted Correctional Industries soap for Dial and received no complaints. Requiring a particular brand is in violation of the Prison-Made Goods Act if Correctional Industries also produces the product.
4. **Items are sometimes needed on a limited or immediate basis.** Several agencies stated that they purchased small quantities of paint or cleaning supplies on an emergency basis.

Although the agencies surveyed said they thought they purchased all they possibly could from Correctional Industries, the auditors' analysis of vouchers suggests that the reasons listed above are contributing to a considerable underutilization of prison-made goods.

In addition to determining the extent to which agencies were buying from Correctional Industries, the auditors were interested in determining the potential market for prison-made products. In their calculations, the auditors developed a ratio which expressed the percentage of expenditures in the sample that were for soap or paint products. This ratio was then projected to the total agency expenditures for the appropriate object codes to estimate the amount that could have been purchased from Correctional Industries.

Based on the sample data, the auditors estimated that the 20 identified agencies could have purchased an additional \$412,000 of prison-made soap and paint products in fiscal year 1984. These agencies bought \$97,374 worth of soap products and \$268,274 worth of paint products from Correctional Industries in fiscal year 1984. Using the ratios developed from the sample data, the auditors estimated that they could have purchased as much as \$455,962 worth of soap products and \$322,606 worth of paint products. This analysis suggests that 20 agencies could have bought approximately \$358,588 more in soap products and \$54,332 more in paint products than they actually did buy, for a total of about \$428,000. The following table summarizes these results.

Auditors' estimate of the amount of paint 20 agencies could have purchased	Actual amount of paint these agencies bought from Correctional Industries	Difference
<hr/> \$322,606	<hr/> \$268,274	<hr/> \$54,332
Auditors' estimate of the amount of soap 20 agencies could have purchased	Actual amount of soap these agencies bought from Correctional Industries	Difference
<hr/> \$455,962	<hr/> \$97,374	<hr/> \$358,588

Local Units of Government, School Districts, and Non-Profit Organizations Also Buy Products Produced by Correctional Industries

The prison-made goods statute mandates that State agencies buy prison products. It also gives other units of government and school districts the opportunity to purchase prison-made goods. In fiscal year 1985, school districts, local units of government, and non-profit organizations purchased a total of \$496,000 worth of Correctional Industries products. This represented 13.8 percent of the total sales.

To determine what the market for prison products was at various other governmental units and school districts, the auditors surveyed several organizations of varying size and location to see if they bought products from Correctional Industries. Twelve of the 15 organizations surveyed were aware of Correctional Industries, although not everyone contacted was aware of all of the products that Correctional Industries produced.

The following table lists the local units of government and non-profit organizations that were contacted. Fiscal year 1985 sales information, prepared by Correctional Industries' staff, is also shown.

**Fiscal Year 1985 Purchases of Correctional Industries
Products by Selected Local Units of Government
and Non-Profit Organizations**

<u>Organizations</u>		<u>Fiscal Year 1985 Purchases</u>
Counties:	Douglas	\$3,236
	Cherokee	286
	Jackson	171
	Gove	75
Cities:	Topeka	2,483
	Wichita	44
	Manhattan	-0-
	Atchison	48
	Garden City	198
School Districts:	Wamego U.S.D. 320	-0-
	Salina U.S.D. 305	240
	Shawnee Mission U.S.D. 512	-0-
Non-Profit Organizations:	Menninger Foundation	N/A
	Red Cross	N/A
	Capper Foundation	-0-

Generally, the auditors found that these other organizations buy relatively small amounts of products from Correctional Industries, less than five percent of their total needs. Paint and signs, each purchased by four of the organizations surveyed, were the most commonly purchased products. In addition, two organizations had furniture re-upholstered by Correctional Industries, one organization purchased towels and one bought janitorial supplies. The survey respondents indicated that they were highly satisfied with the quality of the Correctional Industrial products they purchased.

Local units offered several reasons for not buying more products from Correctional Industries. Many counties and cities purchase goods through individual departments rather than through a centralized purchasing agent. Thus, when catalogs and other information from Correctional Industries are sent to the city or county, that information does not always filter down to the buyers in each department. In addition, two survey respondents indicated that they discontinued using Correctional Industries products several years ago because of the inferior quality of the products.

A third reason cited by survey respondents for not buying Correctional Industries products was that the products available did not meet their needs. The most frequently mentioned example of this was in the purchase of traffic

line paint. Large counties and cities are generally using "hot" paint for their traffic lines. This type of paint dries very quickly. Although Correctional Industries does not currently product "hot" paint, it does produce a paint that dries in seven minutes. Officials of the paint factory also indicated that they are in the process of developing "hot" paint manufacturing capabilities and that such paint should be available within the next 18 months.

There is a hugh untapped market for sales to local units of governments and non-profit organizations. The auditors asked the survey respondents how much they spend for the various categories of products available from Correctional Industries. Although not everyone was able to give a precise figure, three respondents provided estimates. For example, one county estimated that it spends about \$72,000 annually for paint, signs, janitorial supplies and clothing. Of this total, it purchased about \$3,200, or 4.5 percent of the total, from Correctional Industries. The potential market for this one county alone, then, is about \$68,800 per year. On average, it appears that the organizations buy less than 5 percent of their product needs from Correctional Industries.

Conclusion

Although State law requires State agencies to purchase prison-made goods, agencies are buying many of these same products from other sources. This is particularly true for smaller purchases. It is relatively easy for State agencies to avoid purchasing from Correctional Industries because of exceptions in the Prison-Made Goods Act and because of ineffective enforcement of the statute. Local units of government buy relatively small amounts of prison-made products. Based on the results of the auditors' samples and surveys, there appears to be a large market for selling additional prison-made goods to State agencies, and a potentially huge market for sales to local governmental entities.

How Can the Sale of Prison-Made Goods Be Expanded or Encouraged?

Given the findings in this report, and based on the auditors' contacts with other states and local units of government, several options have emerged for increasing the sales of prison-made goods. These include strengthening the language and enforcement of the Prison-Made Goods Act to ensure that State agencies buy existing products from Correctional Industries as required, distributing promotional materials and quality-test results on products to provide agencies a greater incentive to want to buy prison goods, tapping into the huge potential market of local governments and non-profit organizations, and creating new products or industries to fill existing market needs. These options are discussed in the following sections.

Options for Increasing Sales of Existing Products By Strengthening The Language and Enforcement of the Prison-Made Goods Act

The auditors' estimates showed that as much as \$412,000 in additional sales of soap and paint products should have been made in fiscal year 1984 by

the 20 State agencies identified as likely to use prison-made products. Exceptions contained in the Prison-Made Goods Act and the lack of strong enforcement contributed to agencies' failure to buy all of the required products from Correctional Industries.

The Division of Purchases is beginning to tighten its bid process so that contracts are not awarded to other vendors for products that are produced by Correctional Industries. However, there are no written procedures in place to ensure that all agencies and products are handled in the same manner. In addition, there are no specific sanctions in the law for failure to comply with the Prison-Made Goods Act. Officials in one state surveyed by the auditors noted that the threat of revoking an agency's purchasing authority was a sufficient incentive to induce agency compliance with the mandatory purchase requirement in that state's Prison-Made Goods Act.

The auditors found that provisions in the State law governing purchases of products made by the Kansas Industries for the Blind may provide some solutions to the problems found in the Prison-Made Goods Act. The statute, K.S.A. 75-3316 *et seq.* sets up a committee of five people who are authorized to determine the fair market prices of products manufactured by the Kansas Industries for the Blind. In addition, this committee ensures that the products meet specifications required by the Director of Purchases. The committee certifies a list of available products and State agencies and school districts are required by the statute to purchase the products on the list. Unlike the Prison-Made Goods Act, there is no section in this statute which diminishes the responsibility of the Director of Accounts and Reports to enforce the mandatory purchase requirement.

Recommendations

To strengthen the Prison-Made Goods Act and provide for more effective enforcement of the Act, Legislative Post Audit makes the following recommendations:

1. The Special Committee on Federal and State Affairs should consider amending the Prison-Made Goods Act to do the following:
 - a. Eliminate the exceptions to the mandatory purchase requirement or more clearly define the conditions for getting exceptions. For example, a committee could be established to certify the products available from Correctional Industries that meet required specifications.
 - b. Clarify the role of the Director of Accounts and Reports in enforcing the Act.
 - c. Provide clear sanctions, such as withholding State payment for improper purchases and taking away delegated local purchasing authority for repeated violations of the Act.

2. The Division of Purchases should take the following steps:
 - a. Develop written guidelines to govern decisions relating to agencies that want to buy from vendors other than Correctional Industries. An agency should be required to satisfactorily demonstrate that the product it needs is not available from Correctional Industries, or that the available product is of unsatisfactory quality.
 - b. Amend memorandum 29-E relating to the delegation of authority for small purchases or sales and emergency purchases by agencies to specifically note that agencies are required by statute to buy all items from the Kansas Correctional Industries. Compliance with this statute should form one of the emphases of the 29-E audits.
 - c. Work with State agencies that make small purchases throughout the year for items needed on an "immediate" basis and provide guidance on making larger purchases so that a reasonable inventory of supplies can be maintained.

Options For Increasing Sales of Products By Providing A Greater Incentive for State Agencies to Buy Prison-Made Goods

In the past, agencies have complained about the quality of various products made by Correctional Industries. One of the products cited most frequently as being of poor quality was the floor wax. In the Spring of 1985, Correctional Industries had its reformulated wax tested to see how well it compared to other commercial waxes. The results of the test, performed by an independent laboratory, indicated that the quality was as good as and in most cases superior to the major waxes on the market. Because the wax has been proven to be high quality, the Division of Purchases is requiring agencies to sample the wax and provide written justification that it is not acceptable before it will request bids on another wax product.

Correctional Industries is also beginning to respond to buyer needs. For example, the soap factory produces a dry bleach but not a liquid bleach. The factory is in the process of developing a liquid bleach for sale to State agencies. The production of "hot" paint, being contemplated by the paint factory, is another example of addressing the needs of buyers.

The auditors also found that Correctional Industries manufactures some products that are marketed for a particular use but that can be used for other things as well. For example, discussions with Industries officials indicated that one of its cleaning products can be used by agencies for cleaning toilet bowls. The product is not marketed for this use, however, so agencies are buying toilet bowl cleaners from other vendors. Officials of several of the states contacted indicated that increasing product awareness enhanced sales of their prison products.

Recommendations

To maximize its sales volume, Correctional Industries should take the following steps:

1. Continue to have its formulated products tested by independent laboratories to show that they are of high quality. The results of these tests should be widely distributed to State agencies and other organizations.
2. Enhance its marketing efforts so that State agencies are aware of all of the uses of particular products.
3. To the extent feasible, continue to respond to buyers' needs for particular products.

Options for Increasing Sales to Local Units of Government and Non-Profit Organizations

There is a huge potential market for increasing sales of prison products to local units of government. In one county alone, the auditors estimated that the potential for Correctional Industries products was in excess of \$68,000. The survey respondents indicated that they would be willing to consider increasing their expenditures of Correctional Industries products, but that they needed more information about Correctional Industries and its products. Several respondents also suggested that increased assistance from a salesperson would be helpful so that questions could be answered and new products could be introduced and demonstrated. A number of the neighboring states contacted had two or more salespersons. At least one state also used telemarketing to assist its salesmen through pre-arranged sales calls. Sales booths at state conventions were also found to be an effective way of reaching new markets and disseminating product information to potential buyers.

Recommendation

To increase sales of prison-made goods to local units of government and non-profit organizations, the following recommendation is made:

1. Correctional Industries should consider enhancing its marketing capabilities by expanding its use of direct mail, telemarketing, and product demonstrations and exhibits.

Neighboring states have some innovative approaches to correctional industries. Most states have some type of prison industries program. The following table lists the number of inmates and total sales volume of the prison industry programs in the surrounding states.

Prison Industries in Surrounding States

<u>State</u>	<u>Number of Inmates Employed By Prison Industries</u>	<u>% of Total Inmate Population</u>	<u>Fiscal Year 1985 Sales</u>
Missouri	852	11%	\$7,303,000
Oklahoma	650	10	3,700,000
Colorado	450	15	6,040,000
Nebraska	140	10	2,000,000

Most states' industries programs examined by the auditors followed conventional approaches to increasing sales, including expanding the size or direction of existing industries. Some are using innovative approaches, however. One state had a contract with the Air Force to refinish all the furniture at one of its bases. Another had a contract with a university to make drapes and furnitures for a new dormitory. One state was involved in telemarketing sales in conjunction with a private company. Finally, one state had a blood plasma processing operation in conjunction with a private company. More information about other states' programs is provided in Appendix B.

Options for Creating New Industries

The earlier audit made several recommendations to improve the efficiency and financial stability of the Correctional Industries program. These included the following:

1. Conducting more long-range planning before developing new industries.
2. Conducting more research on proposed products to determine the level of demand.
3. Conducting more extensive financial analysis to determine which products or factories are least profitable.

Correctional Industries has begun to implement these recommendations. The Department of Corrections has developed a set of industry selection criteria that are used in evaluating the creation of new Industries programs. These selection criteria include the following:

1. Level of capital investment required.
2. Industry should produce a profit or at least break even.
3. Primary focus on institutions with greatest number of inmates in need of jobs; Industry should be labor-intensive.
4. Industry should allow for some form of incentive pay.
5. Industry should not place unreasonable burdens on security forces.
6. Priority for location: State Penitentiary, Correctional Institution at Lansing, Industrial Reformatory.

7. Industry should provide reasonable balance between reducing idleness and rehabilitation; Service industry is preferred type.
8. Industry should be selected on basis of identified need among the statutorily-defined market and not established without identification of market demand.

A market feasibility study has been conducted for new Correctional Industries programs. Correctional Industries received this report in January 1985. One part of the study was an evaluation of the selection criteria identified, which were determined to be appropriate and prudent.

The second part of the study analyzed five possible industries to determine their feasibility. Microfilming, data key entry, meat processing, printing, and auto repair and servicing were the industries examined. For each industry, the consultant analyzed market demand, technical requirements, and economic feasibility. It was concluded that microfilming, data key entry, and printing were good candidates as Correctional Industries. Two of these industries will begin operations in fiscal year 1986--microfilming and data key entry. Both industries satisfy the selection criteria established by the Department of Corrections. In particular, they are service industries that will reduce idleness as well as provide rehabilitation skills. In addition, an identified market need was discovered for both industries prior to their establishment.

APPENDIX A

Agencies Identified As Likely to Purchase Prison-Made Goods

Department of Administration *
Fish and Game Commission *
Park and Resources Authority *
Department of Transportation *
Emporia State University *
Fort Hays State University
Pittsburg State University
Kansas Technical Institute
Kansas State University *
University of Kansas
University of Kansas Medical Center
Wichita State University
Topeka State Hospital *
Larned State University
Osawatomie State Hospital
Rainbow Mental Health Facility
Winfield State Hospital and Training Center *
Parsons State Hospital and Training Center
Kansas Neurological Institute
Norton State Hospital

* This agency was one of the eight chosen for further testwork.

APPENDIX B

Correctional Industries Programs in Other States

This appendix identifies prison industry programs in other states. Innovative programs are also noted.

Colorado

construction	janitorial products factory
license tag factory	wood furniture shop
sign shop	metal fabrication
printing	upholstery shop
lumber products	agribusiness
	inmate labor

Colorado Correctional Industries also sets up displays at conferences in order to familiarize potential buyers with its products.

Nebraska

vinyl shop	printing
wood shop	sign shop
upholstery shop	soap factory
metal work factory	furniture refinishing shop
license tag factory	garment factory

Missouri

printing	chemical products shop
data entry	furniture manufacturing
custodial	sign shop
furniture refinishing	laundry services
graphic arts	optical lab
shoe manufacturing	dental lab
license tag factory	microfilming

The state of Missouri has also established a blood plasma center that is financed and staffed by a private firm. Inmates donate blood from which plasma is extracted. The inmates are paid and earn about the same amount as they would if they worked in an industry factory.

Oklahoma

license tag factory
garment factory
drapery shop
sign shop
printing
furniture manufacturing
metal fabrication

data entry
microfilming
upholstery shop
box manufacturing
mattress factory
meat packing
furniture renovation

Inmates in Oklahoma are also making custom drapes and furniture for a new university dormitory.

Texas

shoe repair
bus repair
tire retreading
validation sticker manufacturing
metal fabrication
soap and detergent factory
textile mill

mattress factory
license tag factory
woodworking shop
mop and broom factory
box and sign manufacturing
furniture refinishing

Recently, Texas has established industries in microfilming, record conversion, data entry, and garment making.

Washington

metal fabrication
office furniture manufacturing
printing
cell furnishing manufacturing
dairy
detergent factory
meat cutting

mattress and flat goods manufacturing
sign shop
laundry
license tag factory
furniture restoration
concrete products

The state has also negotiated a contract with the federal government to repackage cheese.

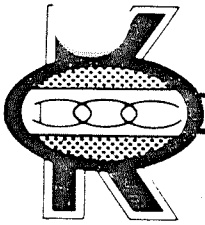
Idaho

data processing
microfilming
metal fabrication
sign shop
carpentry shop

upholstery shop
auto body shop
dairy
farm
decal manufacturing

Inmates in Idaho also work in a rock cutting industry in conjunction with a private company. Industries' inmates are also building a boat dock for the state and are refinishing furniture for a local Air Force base.

APPENDIX C
Agency Response



KANSAS DEPARTMENT OF CORRECTIONS

JOHN CARLIN — GOVERNOR

MICHAEL A. BARBARA — SECRETARY

JAYHAWK TOWERS • 700 JACKSON • TOPEKA, KANSAS • 66603
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August 13, 1985

Meredith Williams
Legislative Post Auditor
Legislative Division of Post Audit
109 W. 9th Street, Suite 301
Mills Building
Topeka, Kansas. 66612



Dear Meredith:

Thank you for the opportunity to review the draft report on Expanding Sales of Prison-Made Goods.

We would like to compliment Ellyn Rullestad and other members of the audit team on the thorough and professional job they did. We agree with the facts as presented and with the conclusions drawn. The following areas do merit response and further clarification.

AUDIT RECOMMENDATION:

Eliminate the exceptions of the mandatory purchase requirement or more clearly define the conditions for getting exceptions.

We agree that the statute for the mandated purchases needs to be tightened; however, we feel that there are justifiable exemptions and feel the second option of more clearly defining the type of exemptions as a better alternative. We already have an Advisory Committee which oversees the Industry Program and is responsible to review price changes among its other duties.

AUDIT RECOMMENDATION:

Correctional Industries should consider enhancing its marketing capabilities by expanding its use of direct mail, telemarketing, and product demonstrations and exhibits.

Again, we agree with this recommendation and the Correctional Industry program is currently taking steps to increase its marketing capabilities. KCI is expanding its customer mailing lists from 1,500 customers to 5,000. In October we will be mailing out 5,000 furniture brochures on the new Harvester furniture line. In December new price catalogues will be mailed to 5,000 customers.

In addition, for FY 87, we plan to increase the size of our sales staff for KCI and increase expenditures for advertising. We also hope to have a product exhibit at the State Capitol sometime after the beginning of the year.

We welcome the findings, comments and recommendations of the Legislative Division of Post Audit as constructive and useful. We feel that better utilization of the products offered by KCI not only is important in helping us deal with inmate idleness, but is also beneficial to the state as a means of saving taxpayers dollars. If we may be of further assistance, please feel free to contact me or my staff.

Sincerely,

A handwritten signature in cursive script, reading "Michael A. Barbara". The signature is written in dark ink and is positioned above the typed name.

Michael A. Barbara
Secretary of Corrections

MAB/PGS/jh
cc: R. Mills
D. Barclay
L. Ewell

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WINE & SPIRITS
WHOLESALE ASSOCIATION, INC.

M E M O R A N D U M

TO: Senate Committee on Federal and State Affairs
FROM: R.E. "Tuck" Duncan
Executive Secretary
Kansas Wine and Spirits Wholesalers Association
DATE: March 25, 1986
RE: HOUSE BILL 2733

The Kansas Wine and Spirits Wholesalers Association (KWSWA) supports HB 2733 as amended, and urges the Committee to recommend it favorably for passage.

This bill would provide greater flexibility in the approval of packages by the Director of the Alcoholic Beverage Control for sale in the state. The bill was recommended by the Interim Joint Committee on Rules and Regulations, is supported by the Director of the Alcoholic Beverage Control, and by all segments of the industry, and passed the House 117-3.

Recently the following regulation was approved as both a temporary and permanent regulation:

Article 6.—CONTAINERS AND LABELS

14-6-2a. Capacities of containers. Alcoholic liquors shall be sold or offered for retail sale in this state in original containers of the following capacities: (a) Beer: 6 1/2, 7, 8, 10, 11, 11 1/2, 12, 15, 16, 17, 24, 25.6 or 40 fluid ounces; 1 quart; 1/2 gallon; 2 liters; 1 gallon; 5 liters; 2 1/2 gallons (tapper); 1/8 barrel; (37/8 gallons); 1/6 barrel (5 1/6 gallons); 1/4 barrel (7 3/4 gallons); 1/2 barrel (15 1/2 gallons); or 1 barrel (31 gallons).
(b) Wines: 4/5 pint or 375 milliliters; 1 pint (imports only); 4/5 quart or 750 milliliters; 1 quart or 1 liter; 1/2 gallon; 2/5 gallon or 1/5 liter; 1 gallon or 3 liters; or 4 liters through 18 liters. Any brand or type of wine may be permitted in 1/2 gallon; 2/5 gallon or 1.5 liters; 1 gallon or 3 liters; or 4 liters through 18 liters, provided they are measured in full liter quantities. Any brand or type of wine may be permitted in one of the following: the 1/2 gallon, 2/5 gallon or 1.5 liter size; or the 1 gallon or 3 liter size. Apertif wine, including vermouth, may be sold or offered for retail sale in this state in original containers having a capacity of 15/16 quart, if the gallonage tax is paid at the full quart rate per bottle.
(c) Alcoholic liquor other than beer and wine: 1/2 pint or 200 milliliters; 1/10 gallon or 375 milliliters; 1 pint or 500 milliliters; 4/5 quart or 750 milliliters; 1 quart or 1 liter; 1/2 gallon or 1.75 liter; or 1 gallon.
(1) Domestic whiskey, including bonded bourbon, bonded rye, straight bourbon, straight rye, all blends of neutral spirits, corn whiskey, alcohol, domestic and imported gin, vodka, tequila, and Canadian imported whiskey shall not be offered for sale in containers of 1/10 gallon.

(2) Domestic brandies, prepared cocktails, rum, American cordials, liqueurs and specialties, flavored gin, flavored vodka, flavored whiskey, and scotch whiskey shall not be offered for sale in containers of 1 pint size, but may be offered in containers of 500 milliliters size.
(3) Any brand or type of merchandise except as restricted in subsections (1) and (2) of this subsection (c) may be permitted in any one of the following: the 1/10 gallon, 375 milliliter, 1 pint, or 500 milliliters size.
(d) For tax approval purposes on containers offered for sale, a variance in content may be permitted within 2 fluid ounces or 59.14 milliliters from the approved sizes in subsections (a) through (c).
(1) Each supplier of spirits authorized to do business in the state of Kansas may post for sale both a 375ML size container and a 500ML size container for a particular product. Once a supplier of spirits ships to Kansas an item in a 375 ML container, that supplier is prohibited from shipping a 500ML container of that same item to a licensed Kansas distributor.
(2) Each licensed Kansas distributor shall, upon receipt of a particular item in the 375ML size containers, first deplete their inventories of 500ML size containers of that particular item. Upon depletion of a distributor's stock of 500ML size containers, the distributor may introduce the 375ML size containers of that particular item into the distributor's franchise territory.
(3) Upon the filing of an affidavit by the supplier that the supplier has discontinued the distribution and sale of 375ML containers for an item in the state of Kansas, the supplier may, with authorization of the director and under such conditions as the director

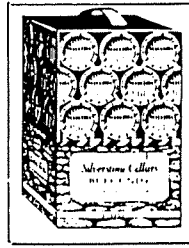
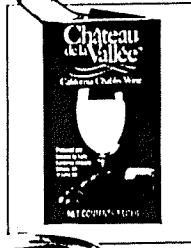
deems necessary to maintain an orderly market, report and ship 500ML containers to licensed Kansas distributors.
(f) Alcoholic liquors may be sold or offered for retail sale in this state in original containers of capacities other than those specified in subsection (a) through (c) inclusive only upon written approval from the director.
(1) Any container that is smaller than 200ML shall not be approved.
(2) Upon receipt of a request to approve a new container size, licensees and other interested parties shall be notified by the director that a request has been received, and that the request will be acted upon within 30 days after the date that public notice is given. The notice shall further state that any licensee or other interested party may submit written comments to the director either in favor of or opposed to an approval of the proposed size during the 30 day period. All comments submitted prior to approving or disapproving any new size shall be considered. Any party requesting approval for a new size, or any party that submitted written comments on a requested approval for a new size, who is aggrieved by a decision of the director may appeal such a decision through the appeal procedure set forth in K.S.A. 41-321 and 41-323. (Authorized by K.S.A. 41-211, as amended by L. 1985 ch. 170, sec. 3; implementing K.S.A. 41-211, as amended by L. 1985 ch. 170, sec. 3 and K.S.A. 41-1119; effective May 1, 1983; amended May 1, 1984; amended May 1, 1985; amended May 1, 1986.)

This regulation will govern the approval process for containers, and will ensure an orderly market under the control of the A.B.C. Director.

Attached hereto are illustrations of packages. As recently stated in one industry publication consumers expect new designs: "Did anyone in the '60s believe sodas would ever be sold in anything but glass bottles? Today Coke's hour-glass bottle is a collector's item. Before World War II, beer in aluminum cans was laughed at -- this year the can industry celebrates the 50th anniversary of the beer can." In summary packaging is designed for today's customer, and approval of this bill will afford the A.B.C. the opportunity to respond in a timely manner.

Your favorable consideration of HB2733 as amended will be appreciated.

PACKAGING DESIGNED FOR TODAY'S CUSTOMER



The wisdom of buying the first imported wine that comes without a bottle.

Caraffa Doro wine is the first imported wine that comes without a bottle. It is a full-bodied, rich wine with a long, smooth finish. The wine is made from the finest grapes in the Caraffa Doro region of Italy. It is a true gem of the wine world.

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