

2003-2004 Annual Report



A Program That Works For The Citizens Of Iowa



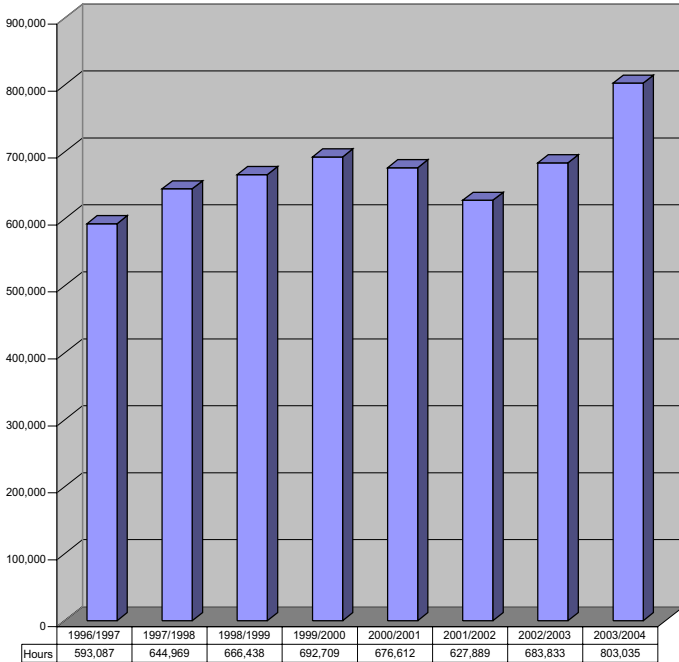
Iowa Prison Industries

A Division of The Department of Corrections
420 Watson Powell Jr. Way
Des Moines, IA 50309
800-670-4537 • www.iaprisonind.com

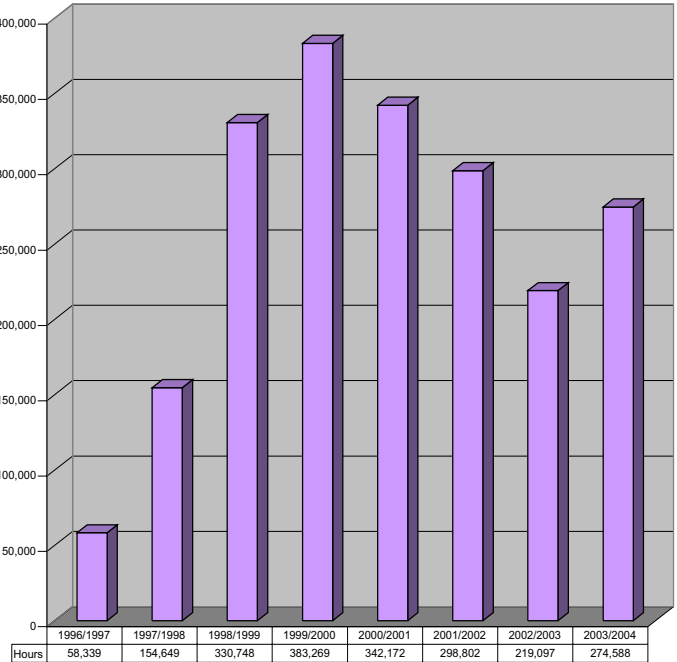
"Your State Owned Store"

Inmate Work History

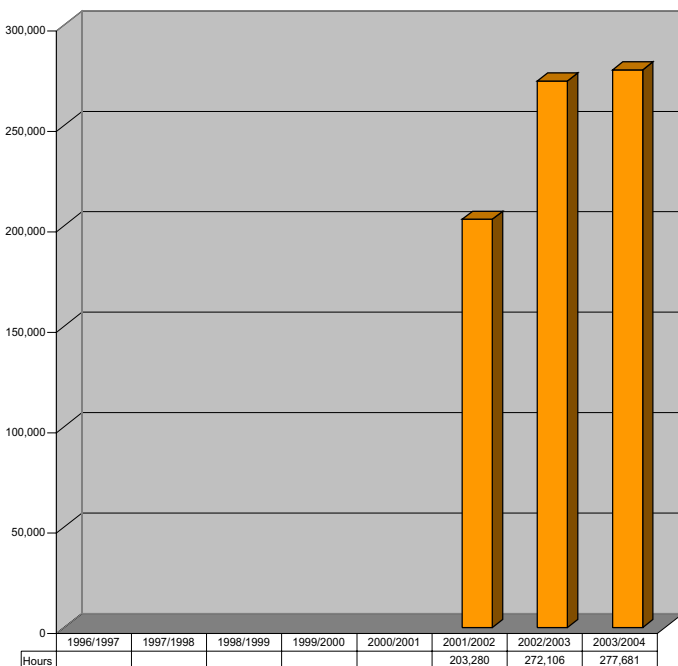
Traditional Industries Hours



Private Sector Hours

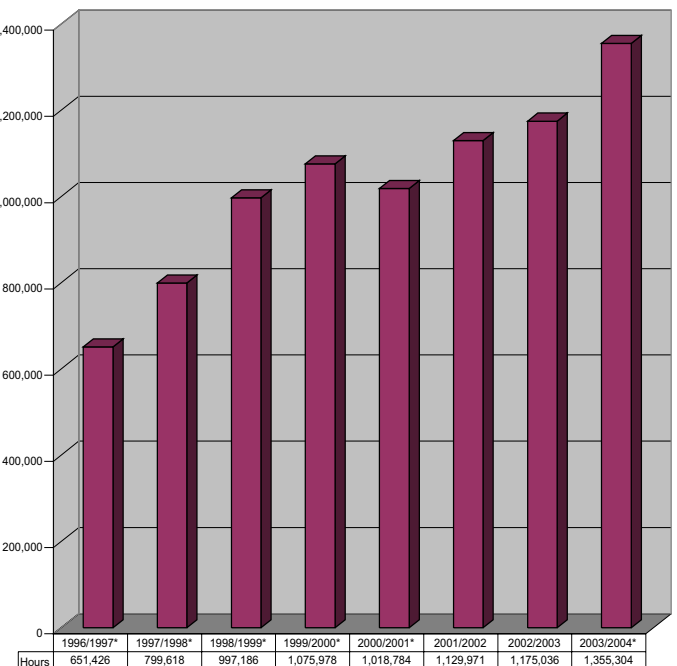


Farms Hours*



*Includes all farm work, DNR & community service.

Total IPI Inmate Hours



*Does not include farm hours.

2004 at a Glance

Civilians Employed: 78

Inmate Jobs:

Traditional Industries 435
 Private Sector 216
 Farms 154
Total **805**

Sales Revenue:

Traditional Industries \$16,483,191
 Private Sector \$755,539*
 Farms \$939,823
Total **\$18,178,553**

MISSION STATEMENT



To employ staff and inmates who are dedicated to providing:

- Exceptional Service**
- Reasonable Prices**
- Quality Products**

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

Vision

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

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*Pass through to the General Fund

Industries Across The Nation



Iowa Comparison

Iowa Population

50 States Have Traditional Industries

38 States Have Private Sector

16 States Have Farms

Iowa Ranks

30th

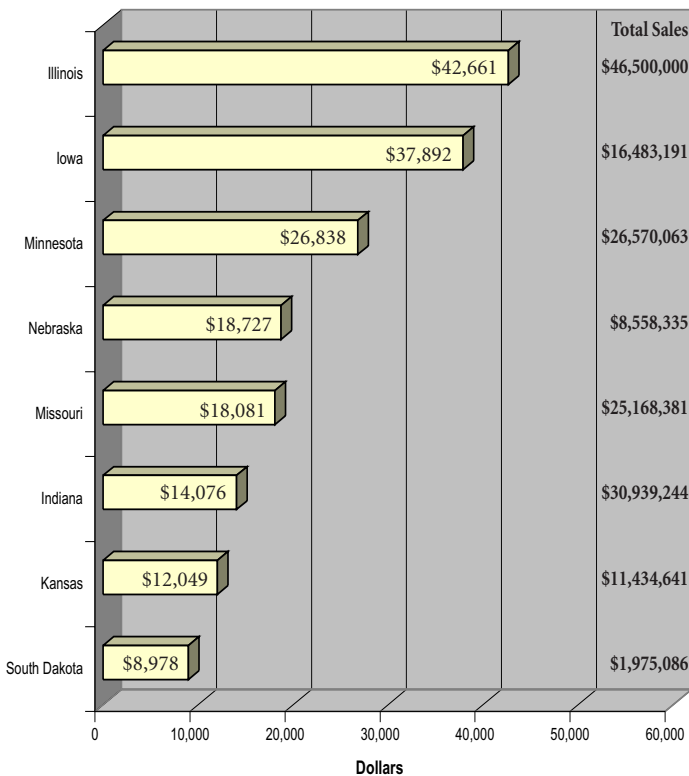
29th (Sales)

9th (Jobs)

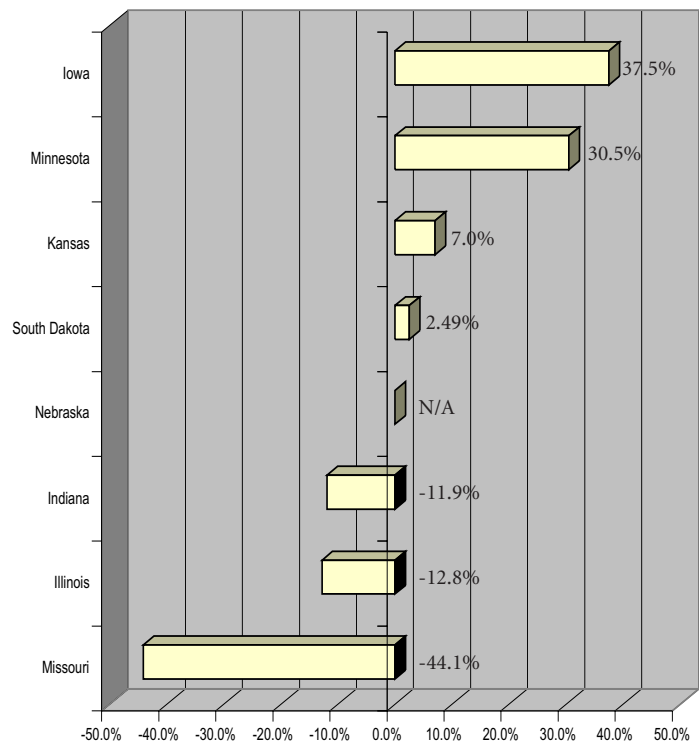
5th* (Jobs)

Midwest Correctional Industries

Sales Generated Per Inmate Worker**



5-Year Growth**



*Estimated

**Data compiled from 2003 NCIA Directory



IPI Overview



Inmate Labor:

IPI is a program that works by changing the lives of offenders so that they have a chance to become responsible, law-abiding, tax-paying individuals when they return to society.

Benefits of inmate labor:

- Provides Job Training
- Reduces Disruption and Violence
- Reduces Taxpayers' Costs
- Satisfies Citizens' Expectations

IPI provided over 800 jobs throughout Iowa during FY 2004. No other program is more important to the successful re-entry of an offender than work ethic and interpersonal skill development.

IPI focuses heavily upon hard skill development by hands-on teaching of craftsmanship and on the soft skill development of cooperation and teamwork.

IPI inmates are among the finest craftsmen that can be found in a prison setting as is evidenced by our "Customer Report Card;" receiving over 77% "Excellent" rating on Service, Quality and Pricing (see page 22 for full results).

Inmate Wage Scale:

\$.50 for unskilled workers up to \$1.00 for skilled workers.

Industries Role In Rehabilitation Focuses On:

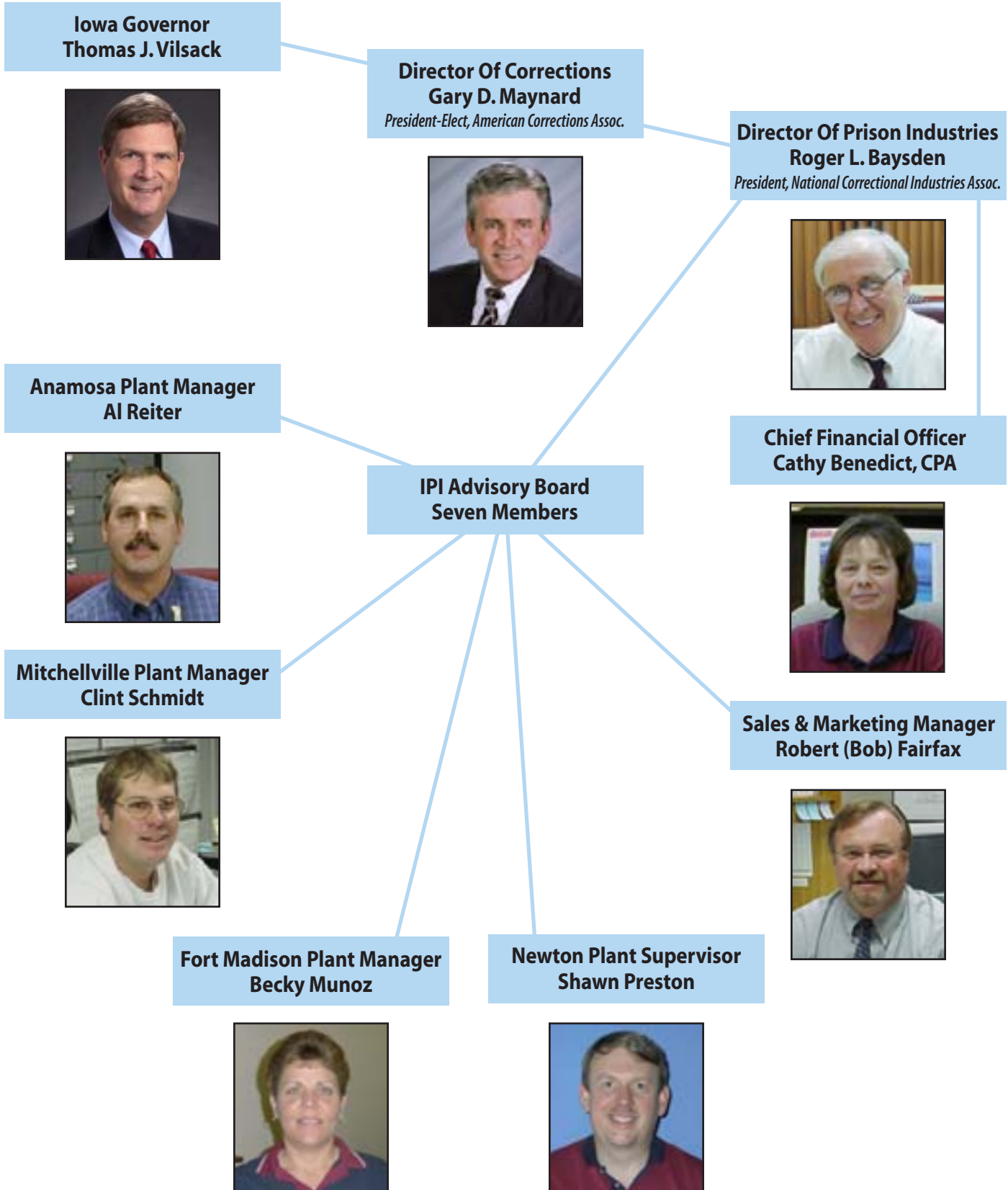
Soft Skills:

1. How to get along with others
2. How to interview
3. Problem solving
4. Customer satisfaction
5. Taxpayer expectation

Hard Skills:

1. Work / production
2. Measurements
3. Technology / design
4. Quality control
5. Performance rewards

Organizational Chart





IPI Advisory Board

Who They Are:

Name	Professional Organization	Year Of Rotation
Mildred Slater*	AFL/CIO-Labor Representative	2005
Michael Peters*	Voc-Tech Education Representative	2007
Pat DeLuhery Director, DGS	Governor's Representative	2005
Dr. A. Douglas Hillman*	Financial Representative	2007
Curtis Jenkins*	Parole Board Representative	2007
Jack High	Manufacturing Representative	2007
Dr. Kathleen Delate	Agriculture Representative	2005

***Received Gov. Vilsack's Volunteer of the Year Awards in 2003.**

What They Do:

- Board meetings are held quarterly and rotate between all prisons with industries.
- Board members bring specialized expertise to IPI that has proven valuable.
- Board members:
 - Approve new business ventures.
 - Approve IPI's overall operations plans.
 - IPI Farm operations.
 - IPI / Private Sector operations.
 - Represent public and private business and labor.

Legislative Mandates 2004-2005



1. **Mandate:** The state Prison Industries Board and the Department of Corrections shall continue the implementation of a plan to enhance vocational training opportunities within the correctional institutions listed in Section 904.102, as provided in 1993 Iowa Acts, Chapter 171, Section 12. The plan shall provide for increased vocational training opportunities within the correctional institutions, including the possibility of approving community college credit for inmates working in Prison Industries. The Department of Corrections shall provide a report concerning the implementation of the plan to the co-chairpersons and ranking members of the Joint Appropriations Subcommittee on the Justice System and the Legislative Fiscal Bureau, on or before January 15, 2005.

Actions that IPI has taken to ensure compliance: We are pleased to report that this year IPI has expanded our inmate vocational jobs to include a Central Canteen Program. Up to 40 new inmate jobs were created as a result of this self-funding venture. Inmates work a full 2,080 hours per year and learn valuable skills such as shelf stocking, stock ordering, invoice reconciliation, checking, bagging, logistics of order routing and a host of other activities. To ensure proper training, IPI has added 4 new staff that is funded with non-general fund monies. Staff is responsible for training, ongoing management and the creation of additional vocational work opportunities. We anticipate that, in view of the dismal financial position of the state, that opportunities in the service sector will create more inmate jobs than the traditional industries has in the past. For example, we are exploring the possibility of plastic bag making. This offers enormous savings to the state and creates jobs in vocations that do not compete with Iowa industries, yet the skill sets learned are very applicable to many manufacturing processes.

2. **Mandate:** Each month the department shall provide a status report regarding private sector employment. The report shall include the number of offenders, hours worked and wage distribution, in accordance with Iowa Code 904.702.

Response: IPI provides a summary report to the Legislative Fiscal Bureau monthly.

3. **Mandate:** IPI is to explore the feasibility of opening an organic farm site and report in December 2004.

Response: IPI has opened an Organic Farm. The first year's crop is harvested and the yield was exceptional.



What Is Iowa Prison Industries?

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

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

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

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

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



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

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

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

Iowa Prison Industries employs 78 staff workers in various capacities of inmate management.

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

Iowa Prison Industries Is The Best Value In State Government!

Benefits To Taxpayers:

- Iowa Prison Industries is 100% self-funding.
- Iowa Prison Industries provided over 1.3 million hours of tax-free inmate training in FY2004.
- Iowa Prison Industries provided over 800 inmate jobs and trained over 1,300 inmates in work programs in FY2004.
- Iowa Prison Industries is the single most important tool available that will impact recidivism. IPI provides hope.

**Iowa Prison Industries purchased
over \$8 million in raw materials
& supplies locally in 2004.**

Benefits To Corrections:

Iowa Prison Industries programmatic benefits include:

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

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

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

Benefits To Customers:

- 77% of Iowa Prison Industries' customers rated IPI an EXCELLENT supplier in FY2004.
- Quality products.
- Real value for their money.
- Reliable labor at reasonable rates.
- Full-service operation.

**Satisfied customers keep
coming back! 77% of our customers
rated us EXCELLENT in FY2004!**

Benefits To Offenders:

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

**Offenders are released
with a sparkle of hope!**

Iowa Prison Industries Is A Win-Win Program... There Are NO Losers!



IPI Traditional Industries

*Traditional Industries employs
5% of the DOC Offenders,
resulting in over \$1 million in
salary savings to DOC.*

- IPI operates under a business model.
- IPI is 100% self-funding, receiving no appropriations.
- Industries' revolving funds pay union scale wages, construct workspaces, purchase raw materials and equipment.
- Inmates earn \$.50 - \$1.00 per hour.
- Customers are limited to not-for-profit and government agencies.
- IPI operates 31 separate training centers for inmate offenders.

***IPI Traditional Industries provided 803,035 hours
of inmate contact in 2004. (+17%)***

Plant Locations:	Year Industry Opened	2004 Inmates Employed (July)
1) Anamosa	1935	181
2) Fort Madison	1935	169
3) Mitchellville	1999	42
4) Newton	2003	43
		435 Total

Quick Facts:

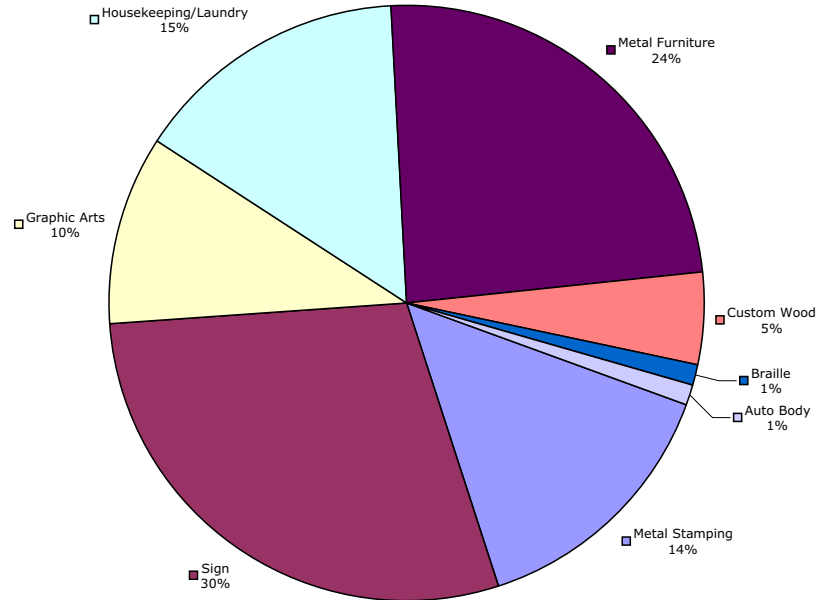
- Traditional Industries growth opportunities are limited by our imagination and our ability to continue to provide high quality products when our customers want them.
- Traditional Industries is likely to experience greater growth over the next 10 years in service-oriented ventures.
- IPI employs 78 full-time staff and operates with a 15% average vacancy rate in order to maintain low prices, thus ensuring our sustainability.
- IPI operates under the guidance of a seven member Advisory Board.
- IPI purchased over \$8 million in local supplies and services in FY2004.

Anamosa



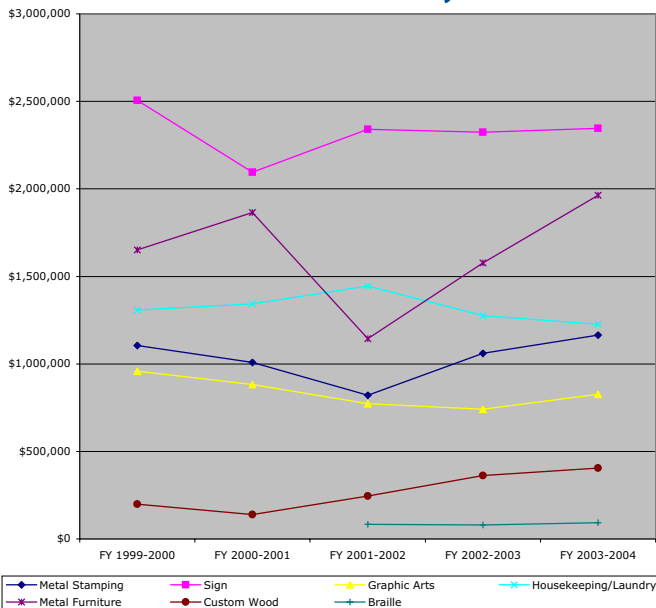
- Anamosa accounted for 49.2% of IPI sales and 45.8% of IPI inmate contact hours in FY2004.
- Anamosa currently operates seven separate shops.
- Plans are underway open a filter operation at Anamosa in FY2005.

Anamosa Sales By Shop

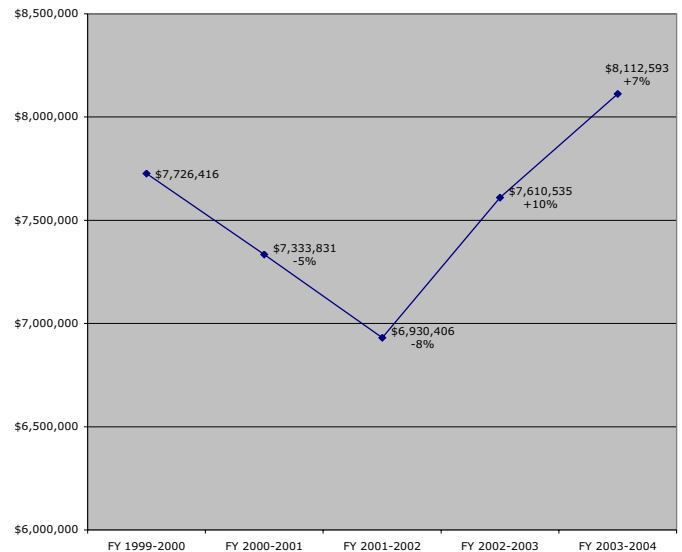


IPI Anamosa provided 367,783 hours of inmate contact in FY2004.

5-Year Sales Trend, By Division



5-Year Sales Trend, Overall



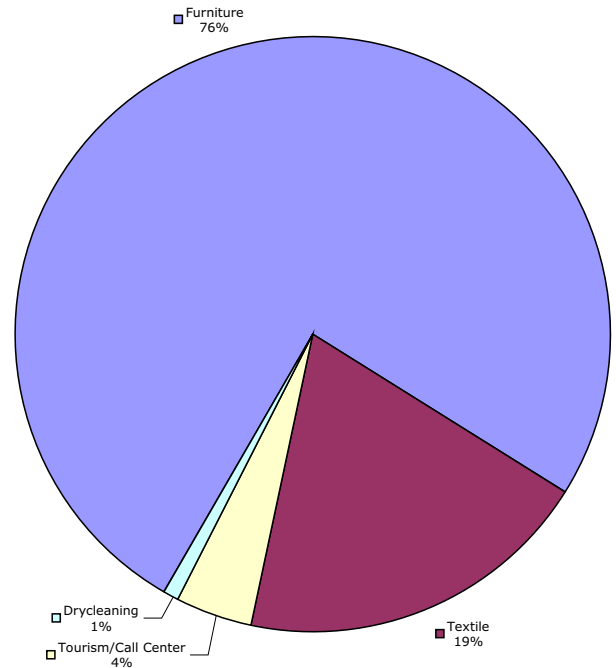
***FY 2004 Unaudited**



Fort Madison

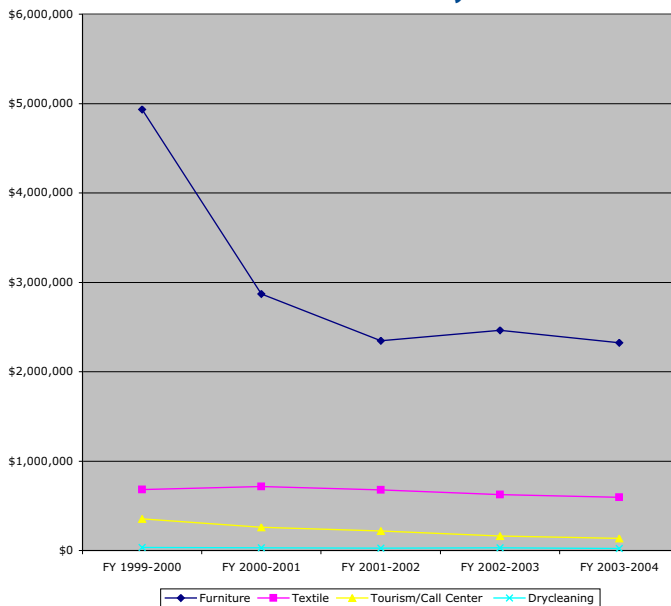
- Fort Madison accounted for 18.7% of IPI sales and 35.1% of IPI inmate contact hours in FY2004.
- Fort Madison currently operates four separate shops.
- A Custom Wood division was added to the Furniture Shop in 2004.
- Expansion of the Textiles Shop in 2004 nearly doubled the number of inmates employed in the shop.

Fort Madison Sales By Shop

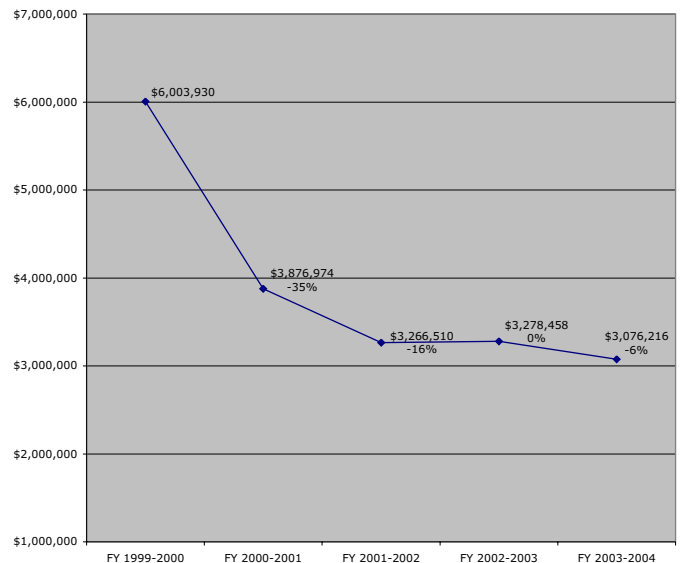


IPI Fort Madison provided 281,632 hours of inmate contact in FY2004.

5-Year Sales Trend, By Division



5-Year Sales Trend, Overall



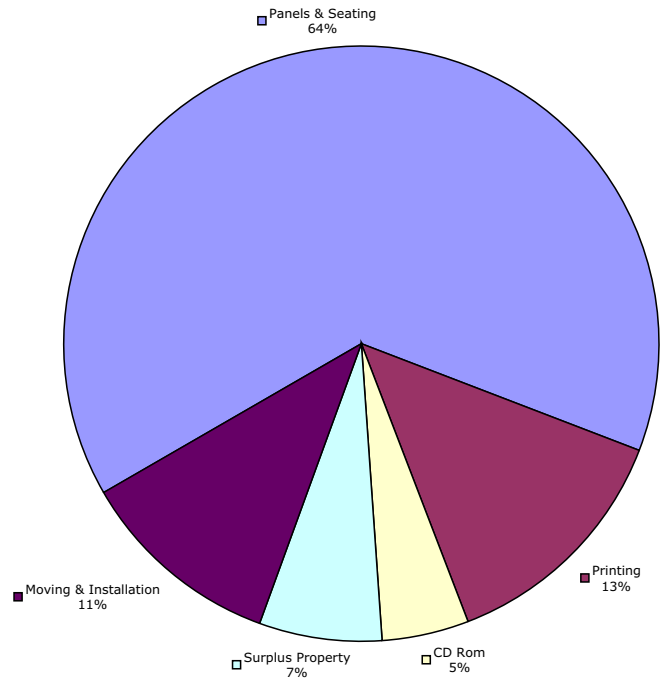
***FY 2004 Unaudited**

Mitchellville



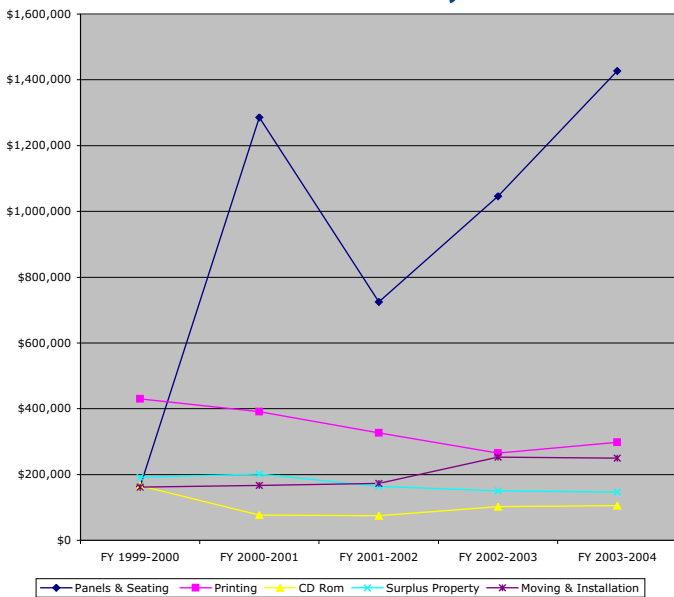
- Mitchellville accounted for 13.5% of IPI sales and 10.5% of IPI inmate contact hours in FY2004.
- Mitchellville currently operates three separate shops inside the plant plus oversees two external operations (Surplus and Moving & Installation).
- Mitchellville added custom picture framing and US flags to their operation in FY2004.

Mitchellville Sales By Shop

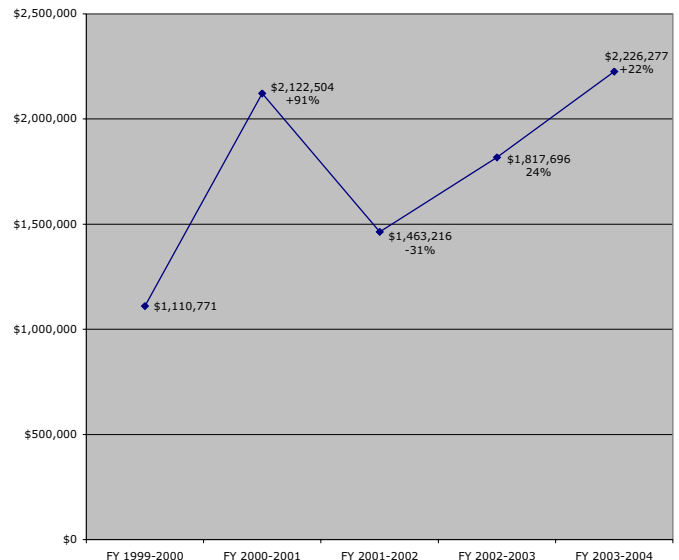


IPI Mitchellville provided 84,122 hours of inmate contact in FY2004.

5-Year Sales Trend, By Division



5-Year Sales Trend, Overall



***FY 2004 Unaudited**

Financial Statement Summary

FY 2004

IPI Supports The Local Economy: IPI Purchased Over \$8 Million in Local Raw Materials, Supplies & Services In FY2004

	SALES		CHANGE	
	FY 2003-2004	FY 2002-2003	\$	%
ANAMOSA				
Metal Stamping	\$1,165,162	\$1,061,368	\$103,795	10%
Sign	2,346,897	2,323,014	23,883	1%
Graphic Arts	826,984	741,341	85,643	12%
Housekeeping/Laundry	1,225,978	1,276,739	(50,761)	-4%
Metal Furniture	1,962,629	1,577,711	384,918	24%
Custom Wood	405,008	362,572	42,437	12%
Braille	92,682	80,411	12,271	15%
Auto Body	87,253	187,379	(100,127)	-53%
ANAMOSA TOTAL	8,112,593	7,610,535	502,058	7%
FT MADISON				
Furniture	2,324,291	2,462,194	(137,903)	-6%
Textile	595,175	625,381	(30,206)	-5%
Tourism/Call Center	133,915	162,169	(28,254)	-17%
Drycleaning	22,834	28,713	(5,879)	-20%
FT MADISON TOTAL	3,076,216	3,278,458	(202,242)	-6%
MITCHELLVILLE				
MV Panels & Seating	1,426,761	1,046,306	380,455	36%
Mitchellville Printing	298,016	265,216	32,800	12%
CD Rom	105,596	102,355	3,241	3%
Surplus Property	145,968	150,573	(4,604)	-3%
Moving & Installation	249,937	253,247	(3,310)	-1%
MITCHELLVILLE TOTAL	2,226,277	1,817,696	408,581	22%
PLASTICS	37,307	0	37,307	
CANTEEN	3,030,798	2,584,498	446,300	17%
TOTAL	\$16,483,191	\$15,291,186	\$1,192,004	8%

**FY 2004 Unaudited*

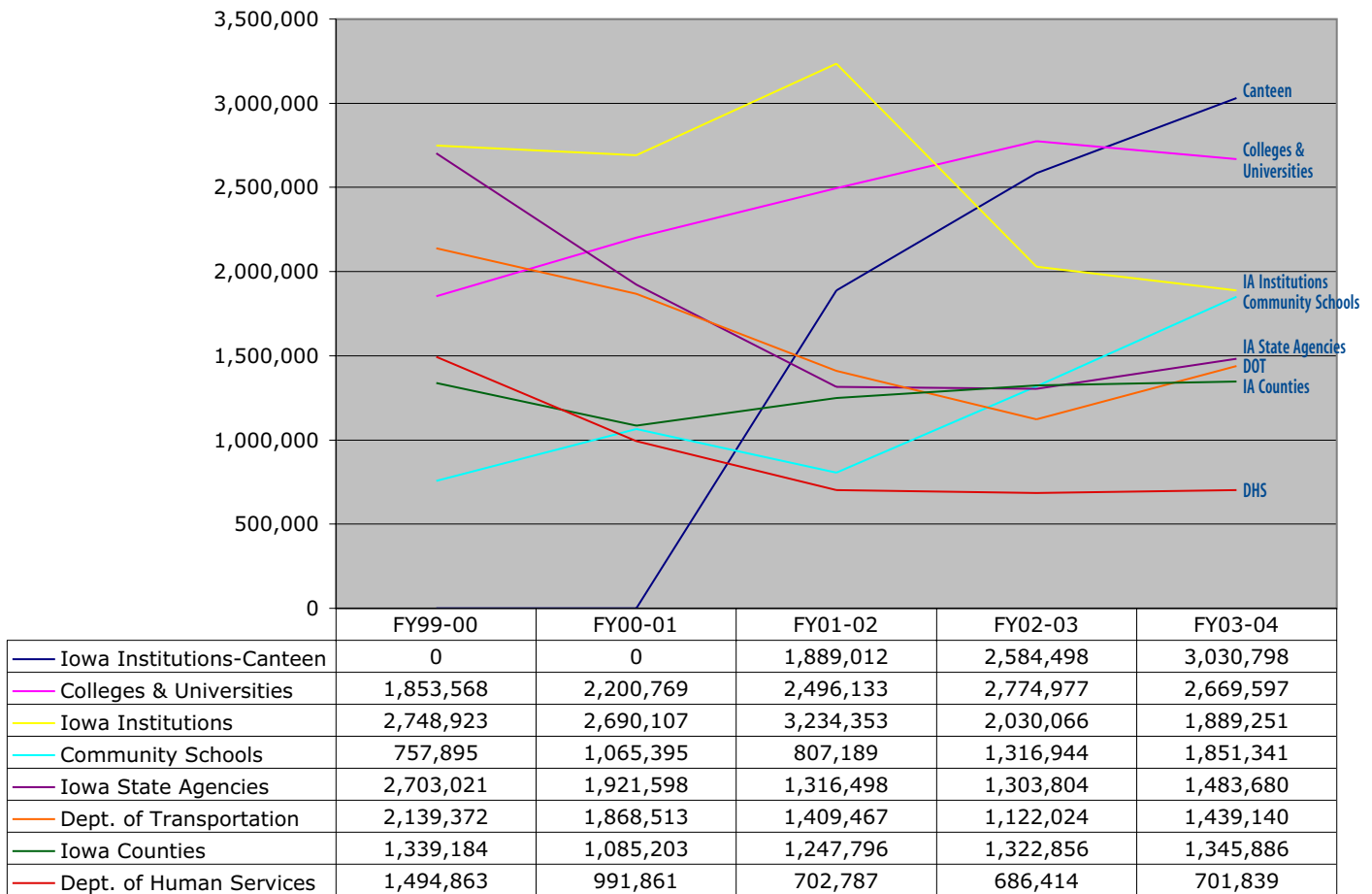
Sales By Customer Category

July 1, 2003 - June 30, 2004



CUSTOMER CATEGORY	TOTAL DOLLARS	CUSTOMER CATEGORY	TOTAL DOLLARS
Iowa Institutions	\$1,889,251	Minnesota Miscellaneous	\$313
Iowa Institutions - Canteen	\$3,030,798	Colleges & Universities	\$2,669,597
Iowa State Agencies	\$1,483,680	Community Schools	\$1,851,341
Dept. of Human Services	\$701,839	Private Schools	\$103,965
Veterans Affairs	\$173,030	Hospitals	\$10,916
Dept. of Transportation	\$1,439,140	Health Care Facilities	\$36,569
Non-Iowa State Agencies	\$331,251	Churches	\$82,031
Iowa Counties	\$1,345,886	Camps	\$1,676
Counties Miscellaneous	\$97,229	Child Care Facilities	\$46,399
Minnesota Counties	\$60,258	IPI Employees	\$30,908
Iowa City Clerks	\$585,180	State/County/City Employees	\$189,611
Cities Miscellaneous	\$50,086	Miscellaneous	\$198,744
Minnesota City Clerks	\$7,801	TOTAL	\$16,417,499

5-Year Trend Of Top Customer Categories



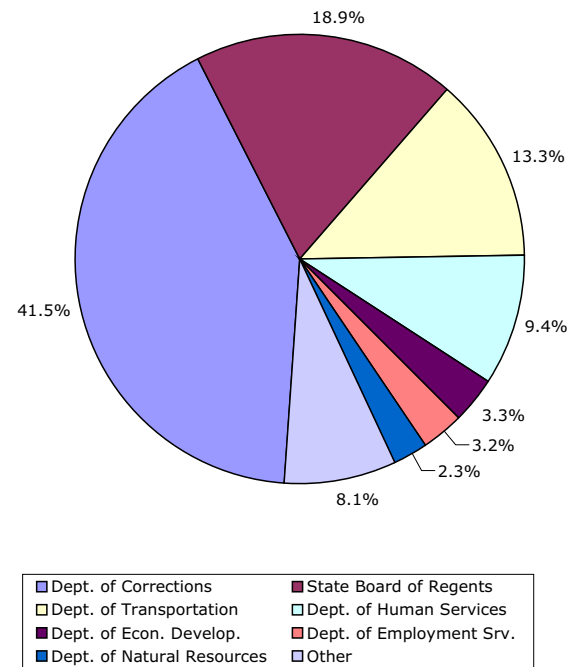
*FY 2004 Unaudited

State Agency Sales By Division

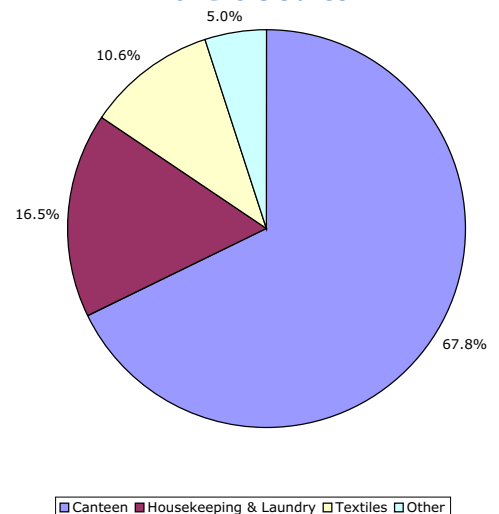
FY 2004

State Agency	FY03-04	FY02-03
Dept. of Agr. & Land Stdship.	13,059	237
Civil Rights Commission	832	360
College Aid Commision	24,111	29,716
Dept. for the Blind	97,139	68,070
Dept. of Commerce	17,439	4,312
Dept. of Corrections	4,470,516	4,343,015
Dept. of Cultural Affairs	7,378	19,835
Dept. of Economic Development	354,234	407,707
Dept. of Education	43,818	73,674
Dept. of Elder Affairs	11,927	1,695
Dept. of Employment Srv.	348,367	26,983
The Executive Branch	10,820	1,481
The Executive Council	0	0
Dept. of General Services	162,088	257,951
Dept. of Human Rights	2,356	1,579
Dept. of Human Services	1,009,418	992,918
Veterans Affairs	173,030	
Dept. of Inspections & Appeals	26,941	39,132
IA Communication Network	13,012	2,330
Information Technology Services	0	0
IA Ethics and Campaign Disclosure	0	30
Iowa State Fair	124	111
Dept. of Justice	13,173	10,027
CBC Districts	20,281	92,431
Law Enforcement Academy	3,985	4,768
The Legislative Branch	1,484	5,687
Dept. of Management	521	1,760
Miscellaneous Boards	36	3,424
Dept. of Natural Resources	252,173	291,853
Dept. of Personnel	9,370	23,326
Dept. of Public Defense	82,341	85,901
Public Employee Relations Board	2,356	920
Dept. of Public Health	72,640	59,954
Dept. of Public Safety	27,575	16,768
Dept. of Revenue & Finance	23,951	12,950
Secretary of State	2,443	2,072
State Auditor	3,334	5,125
State Board of Regents	2,035,963	2,393,192
State Employees Credit Union	0	0
Dept. of Transportation	1,439,108	1,122,024
State Treasurer	3,457	150
TOTAL	\$10,780,800	\$10,403,468

Agency Sales As Percent of Total State Agency Sales

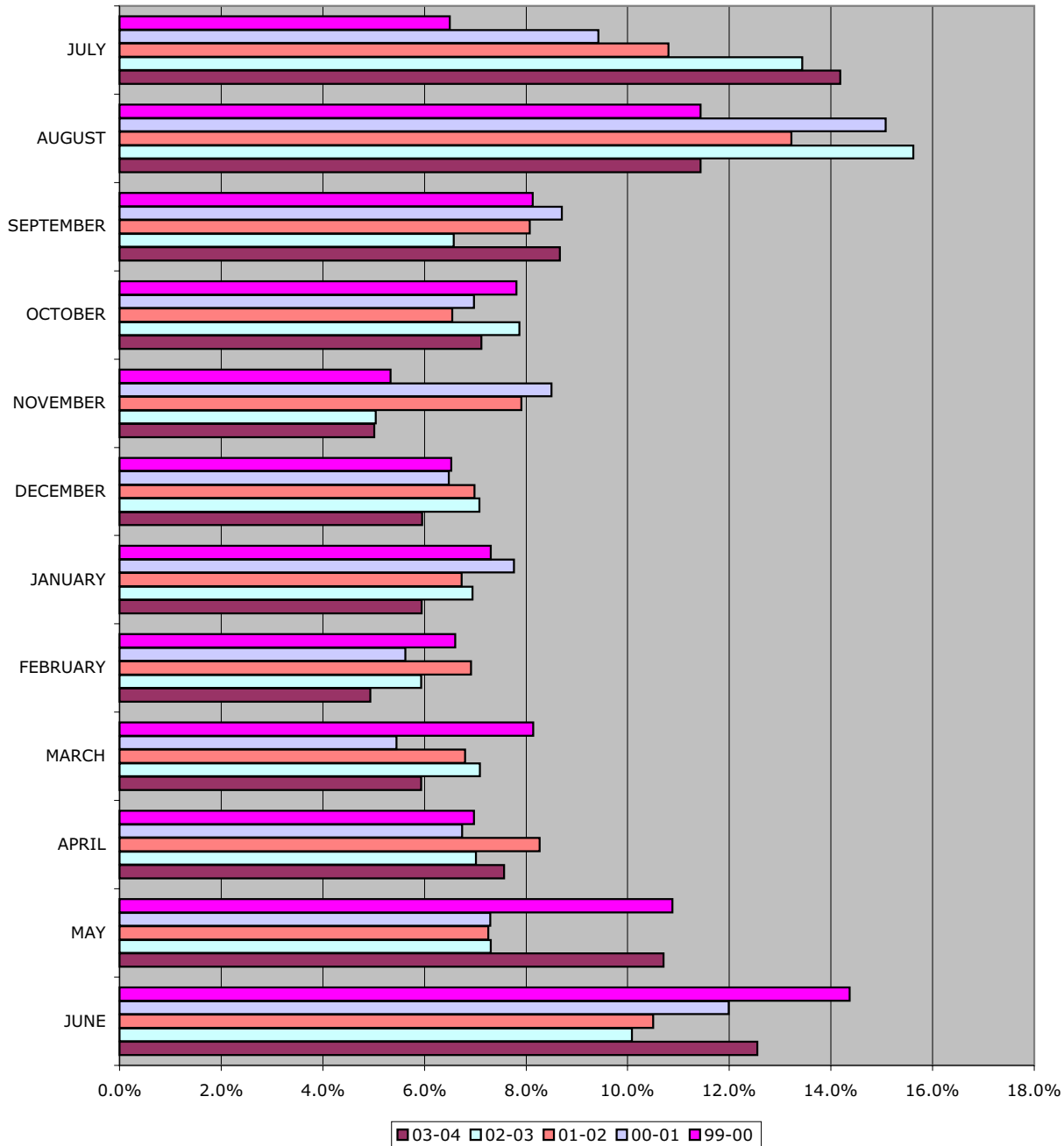


DOC Sales As Percent of DOC Sales



*FY 2004 Unaudited

Sales Analysis By Month As % Of Yearly Sales



Quick Facts:

- 49% of IPI sales occurred in May, June, July & August.
- The Auditor's Report recommends agencies be allowed to encumber funds for IPI purchases at year end.

IPI supports this recommendation and requests legislative action.



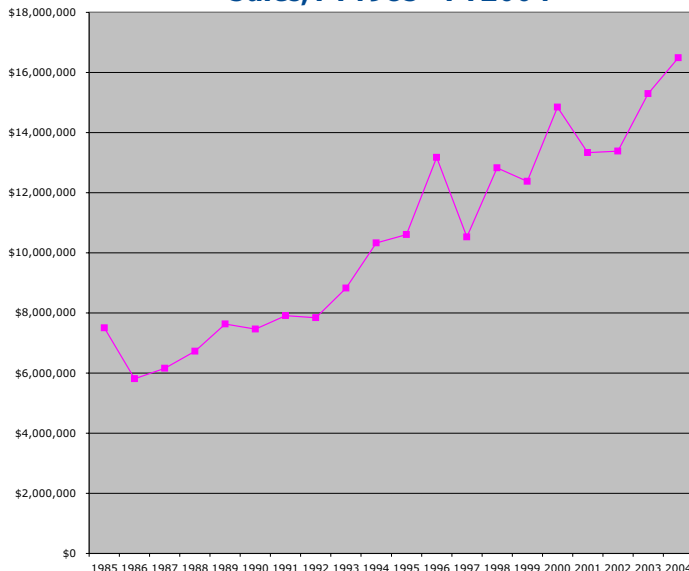
Historical Statistics

FY	Total Sales	Sustainable Income	Average Inmate Employment	Inmate Contact Hours - Work Training, Security	Annual Productivity Per Inmate Employee	Average IPI Staff
1985	\$7,502,078	(\$39,715)	387	696,213	\$19,385	76
1986	\$5,811,996	\$170,190	267	480,333	\$21,768	68
1987	\$6,160,054	\$43,628	273	491,127	\$22,564	63
1988	\$6,728,285	\$256,235	292	525,308	\$23,042	63
1989	\$7,635,756	\$633,037	264	474,936	\$28,923	65
1990	\$7,463,546	\$120,996	279	501,921	\$26,751	66
1991	\$7,910,415	\$264,349	258	464,142	\$30,660	66
1992	\$7,838,082	\$431,357	246	473,058	\$32,156	64
1993	\$8,821,510	\$215,660	258	496,134	\$34,192	60
1994	\$10,330,073	\$787,859	281	505,800	\$36,762	64
1995	\$10,602,302	\$910,825	299	538,200	\$35,459	68
1996	\$13,176,709	\$2,908,614	347	624,600	\$34,973	70
1997	\$10,531,420	\$211,165	310	564,774	\$33,856	74
1998	\$12,823,937	\$1,177,554	323	607,113	\$39,703	75
1999	\$12,373,677	\$166,956	334	626,131	\$37,047	76
2000	\$14,841,110	\$1,376,615	328	658,269	\$45,247	80
2001	\$13,330,300	\$10,247	333	647,598	\$40,040	89
2002	\$13,386,781	(\$1,063,259)	316	648,749	\$42,363	84
2003	\$15,291,186	(\$71,199)	328	658,168	\$46,619	76
2004	\$16,483,191	\$332,976	365	774,622	\$45,159	78

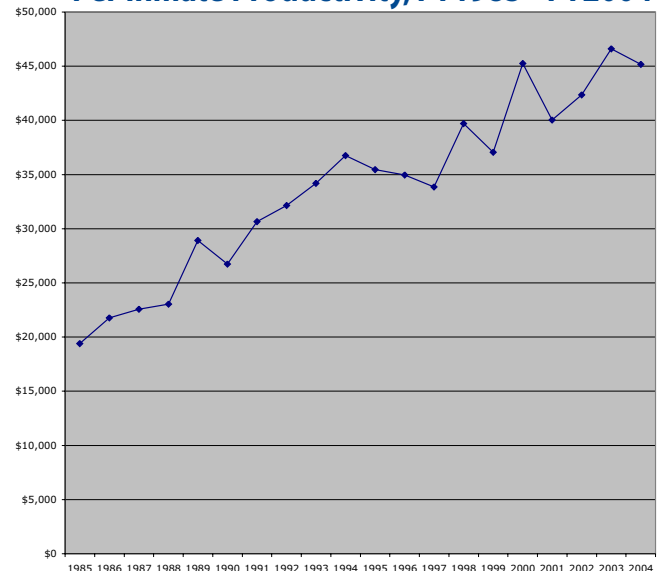
Sales have doubled over the last 20 years with a staff increase of only two.

Inmate productivity has more than doubled over the last 20 years.

Sales, FY1985 - FY2004



Per Inmate Productivity, FY1985 - FY2004



Financial Facts

FY 2004



	JULY 03	AUG 03	SEPT 03	OCT 03	YTD THRU OCT 04	NOV 03	DEC 03	YTD THRU DEC 03
CASH ON HAND	3,109,566	3,529,876	3,930,010	4,696,248		4,742,072	4,658,681	
ACCTS REC	2,047,743	2,396,561	1,896,623	992,230		741,203	775,467	
ACCTS PAYABLE	243,703	335,443	357,188	275,212		195,844	537,258	
OPEN PURCH ORDERS	367,134	343,242	413,186	329,395		690,036	442,585	
GRAND TOTAL IPI								
Sales	2,337,286	1,884,641	1,427,878	1,173,919	6,823,724	826,730	980,979	8,631,433
Net Profit/(Loss)					1,084,331	(297,645)	(165,498)	621,188
As a % Sales					15.89%	-36.00%	-16.87%	7.20%
Raw Mat Cost of Goods Sold	1,066,929	891,425	685,156	581,121	3,224,631	465,672	484,283	4,174,585
RM CGS as % Sales	45.65%	47.30%	47.98%	49.50%	47.26%	56.33%	49.37%	48.36%
Sales and Marketing Expense					238,239	75,904	74,721	388,863
ANAMOSA								
Sales	1,034,123	982,161	876,947	649,023	3,542,254	412,878	554,785	4,509,917
Net Profit/(Loss)					687,312	(140,403)	2,793	549,702
As a % Sales					19.40%	-34.01%	0.50%	12.19%
Raw Mat Cost of Goods Sold	438,185	467,507	427,487	278,247	1,611,426	215,533	256,255	2,083,213
RM CGS as % Sales	42.37%	47.60%	48.75%	42.87%	45.49%	52.20%	46.19%	46.19%
Factory Labor - Staff	105,663	111,976	87,894	82,855	388,388	135,985	92,232	616,605
Factory Labor - Inmates	20,038	22,982	17,272	22,434	82,725	17,136	16,627	116,488
Shop Supplies	22,894	17,410	11,206	23,208	74,717	11,511	15,184	101,412
Loc Admin Salaries					36,240	7,036	5,000	48,275
Whse & Distribution Exp	17,595	22,113	19,253	19,592	78,554	32,177	24,618	135,348
FT MADISON								
Sales	786,212	398,397	232,423	159,382	1,576,413	74,650	88,731	1,739,794
Net Profit/(Loss)					243,198	(140,387)	(143,624)	(40,813)
As a % Sales					15.43%	-188.06%	-161.87%	-2.35%
Raw Mat Cost of Goods Sold	337,735	164,174	85,849	74,364	662,123	37,220	53,586	752,930
RM CGS as % Sales	42.96%	41.21%	36.94%	46.66%	42.00%	49.86%	60.39%	43.28%
Factory Labor - Staff	61,583	63,521	55,304	48,906	229,315	80,565	61,814	371,694
Factory Labor - Inmates	11,405	12,138	8,766	9,248	41,557	9,145	9,233	59,935
Shop Supplies	9,851	6,258	5,597	12,985	34,692	19,700	25,643	80,035
Loc Admin Salaries					44,403	15,322	11,715	71,441
Whse & Distribution Exp	14,833	16,260	12,875	11,368	55,337	25,440	858	81,634
MITCHELLVILLE								
Sales	292,093	311,965	111,133	164,609	879,801	143,491	127,841	1,151,133
Net Profit/(Loss)					151,670	(22,790)	(11,403)	117,477
As a % Sales					17.24%	-15.88%	-8.92%	10.21%
Raw Mat Cost of Goods Sold	130,366	139,871	27,990	72,971	371,199	72,839	56,919	500,957
RM CGS as % Sales	44.63%	44.84%	25.19%	44.33%	42.19%	50.76%	44.52%	43.52%
Factory Labor - Staff	33,361	34,025	27,525	16,083	110,993	36,006	25,887	172,885
Factory Labor - Inmates	3,553	13,553	11,268	7,468	35,842	4,041	5,689	45,573
Shop Supplies	5,425	831	629	1,577	8,461	3,493	5,770	17,724
Loc Admin Salaries					33,043	11,241	8,630	52,914
Whse & Distribution Exp	2,144	1,535	1,014	1,954	6,648	1,142	1,048	8,838
CANTEEN								
Sales	224,858	192,117	207,375	200,906	825,256	195,711	209,399	1,230,366
Net Profit/(Loss)	26,137	20,665	(46,802)	4,946	4,946	8,397	(13,343)	0
As a % Sales	11.62%	10.76%	-22.57%	2.46%	0.60%	4.29%	-6.37%	0.00%
Cost of Merchandise	160,643	119,873	143,830	155,538	579,883	140,080	117,402	837,365
CGS as % of Sales	71.44%	62.40%	69.36%	77.42%	70.27%	71.57%	56.07%	68.06%
PLASTICS								
Sales	0	0	0	0	0	0	223	223
Raw Mat Cost of Goods Sold					0	0	120	120
RM CGS as % Sales							53.91%	53.91%
Net Profit/(Loss)	0	0	(1,397)	(1,397)	(2,794)	(2,462)	79	(5,177)

***FY 2004 Unaudited**



Financial Facts

FY 2004

	JAN 04	FEB 04	MAR 04	YTD THRU MAR 04	APR 04	MAY 04	JUNE 04	YTD THRU JUN 04
CASH ON HAND	4,052,692	3,922,683	3,198,753		2,357,913	2,097,552	2,045,072	
ACCTS REC	765,466	738,008	556,055		735,776	1,259,887	1,674,738	
ACCTS PAYABLE	223,316	675,831	788,330		329,376	405,729	184,578	
OPEN PURCH ORDERS	766,182	931,006	771,953		774,694	662,989	259,912	
GRAND TOTAL IPI								
Sales	979,738	812,798	978,276	11,402,245	1,247,377	1,764,326	2,069,242	16,483,190
Net Profit/(Loss)	(152,036)	(178,926)	(145,483)	144,743	(42,373)	366,641	(136,040)	332,976
As a % Sales	-15.52%	-22.01%	-14.87%	1.27%	-3.40%	20.78%	-6.57%	2.02%
Raw Mat Cost of Goods Sold	530,814	410,142	510,972	5,626,514	683,855	770,088	1,129,323	8,209,779
RM CGS as % Sales	54.18%	50.46%	52.23%	49.35%	54.82%	43.65%	54.58%	49.81%
Sales and Marketing Expense	52,145	53,272	95,047	589,328	50,504	62,868	121,331	824,031
ANAMOSA								
Sales	513,463	379,524	561,156	5,964,060	639,047	625,471	884,016	8,112,593
Net Profit/(Loss)	(28,056)	(80,223)	4,337	445,702	69,702	83,361	38,443	637,208
As a % Sales	-5.46%	-21.14%	0.77%	7.47%	10.91%	13.33%	4.35%	7.85%
Raw Mat Cost of Goods Sold	242,531	188,721	266,470	2,780,935	296,673	260,878	435,626	3,774,112
RM CGS as % Sales	47.23%	49.73%	47.49%	46.63%	46.42%	41.71%	49.28%	46.52%
Factory Labor - Staff	106,062	86,326	72,476	881,469	83,469	93,285	144,002	1,202,224
Factory Labor - Inmates	20,297	15,057	19,366	171,208	16,509	20,130	31,648	239,494
Shop Supplies	16,981	16,826	16,984	152,204	23,459	17,810	11,520	204,992
Loc Admin Salaries	4,430	4,481	4,692	61,879	4,708	5,163	7,686	79,436
Whse & Distribution Exp	21,887	21,519	23,535	202,289	19,647	29,651	43,577	295,164
FT MADISON								
Sales	148,069	84,058	79,862	2,051,783	66,085	661,317	297,031	3,076,216
Net Profit/(Loss)	(81,523)	(102,035)	(115,243)	(339,614)	(164,890)	251,153	(90,861)	(344,212)
As a % Sales	-55.06%	-121.39%	-144.30%	-16.55%	-249.51%	37.98%	-30.59%	-11.19%
Raw Mat Cost of Goods Sold	56,660	24,157	25,705	859,451	41,186	210,091	166,670	1,277,399
RM CGS as % Sales	38.27%	28.74%	32.19%	41.89%	62.32%	31.77%	56.11%	41.53%
Factory Labor - Staff	56,311	58,417	57,689	544,110	51,158	57,945	94,026	747,239
Factory Labor - Inmates	12,136	12,311	14,514	98,896	16,331	15,822	38,429	169,478
Shop Supplies	17,102	2,294	34,729	134,160	20,544	29,298	13,879	197,880
Loc Admin Salaries	10,584	10,701	10,915	103,640	10,583	11,650	18,645	144,518
Whse & Distribution Exp	11,992	12,480	12,816	118,923	11,380	14,325	21,076	165,704
MITCHELLVILLE								
Sales	103,156	88,040	94,620	1,436,949	149,405	142,540	497,382	2,226,277
Net Profit/(Loss)	(19,645)	(37,127)	(18,313)	42,455	(17,318)	(19,182)	40,005	45,960
As a % Sales	-19.04%	-42.17%	-19.35%	2.95%	-11.59%	-13.46%	8.04%	2.06%
Raw Mat Cost of Goods Sold	37,412	27,672	30,063	596,104	86,630	69,574	274,291	1,026,599
RM CGS as % Sales	36.27%	31.43%	31.77%	41.48%	57.98%	48.81%	55.15%	46.11%
Factory Labor - Staff	26,512	31,410	24,302	255,109	22,515	32,950	66,003	376,576
Factory Labor - Inmates	3,615	4,097	4,211	57,496	4,136	7,796	6,729	76,156
Shop Supplies	2,247	3,819	7,824	31,614	6,484	8,516	2,458	49,073
Loc Admin Salaries	7,874	7,955	8,021	76,763	7,382	8,246	13,704	106,095
Whse & Distribution Exp	1,529	3,570	1,884	15,821	1,261	3,782	(1,012)	19,853
CANTEEN								
Sales	207,085	259,734	237,383	1,934,568	385,849	330,511	379,870	3,030,798
Net Profit/(Loss)	(25,190)	40,819	(16,175)	(546)	70,182	52,308	(121,944)	0
As a % Sales	-12.16%	15.72%	-6.81%	-0.03%	18.19%	15.83%	-32.10%	0.00%
Cost of Merchandise	190,587	168,899	185,413	1,382,265	255,732	227,287	244,590	2,109,874
CGS as % of Sales	92.03%	65.03%	78.11%	71.45%	66.28%	68.77%	64.39%	69.61%
PLASTICS								
Sales	7,965	1,442	5,255	14,886	6,991	4,487	10,943	37,307
Raw Mat Cost of Goods Sold	3,624	693	3,321	7,759	3,634	2,258	8,145	21,795
RM CGS as % Sales	45.50%	48.08%	63.19%	52.12%	51.99%	50.32%	74.43%	58.42%
Net Profit/(Loss)	2,378	(360)	(89)	(3,248)	(49)	(999)	(1,683)	(5,979)

***FY 2004 Unaudited**

Customer Testimonials



"GOOD: MAKE ME AN INSTRUMENT OF YOUR GRACE WHERE THERE IS HATEFUL, LET AN ANGEL, WHERE THERE IS ANGRY, PARSON, WHERE THERE IS SORRY,


**SAINT FRANCIS OF ASSISI
CATHOLIC CHURCH**
7075 Ashworth Road
West Des Moines, Iowa 50266-2416
515-223-4577, Fax: 515-223-4768
www.saintfrancischurch.org

September 24, 2004

Mr. Bob Fairfax
Iowa Prison Industries
420 Watson Powell Jr. Way
Des Moines, IA 50309

Dear Bob:

I am writing this letter on behalf of St. Francis of Assisi School and thanking Iowa Prison Industries for the great job that they did in providing library shelving, student desks, tables, and various custom pieces of furniture for our new school addition. We have used you in our first addition and again in the second addition. We are extremely pleased with the quality of the workmanship in your materials as well as your flexibility in helping us design for custom uses. We are delighted with the results and I wanted you to know how pleased we were with your service.

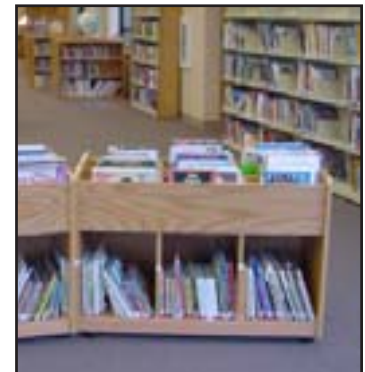
Thank you again for being so cooperative. We very much appreciate your work. We will certainly consider you in the future for other projects.

Sincerely,


Rev. Edward J. Hurley

EJH:kr

"FAITH: WHERE THERE IS DESPAIR, HOPE; WHERE THERE IS DARKNESS, LIGHT; AND WHERE THERE IS SADNESS, JOY."



St. Francis of Assisi Catholic Church: Library, School & Church Furnishings

"... We are extremely pleased with the quality of the workmanship in your materials as well as your flexibility in helping us design for custom uses. We are delighted with the results and I wanted you to know how pleased we were with your service. ... We will certainly consider you in the future for other projects."

— Rev. Edward J. Hurley
September 2004



Customer Testimonials

West Point Public Library: Library Furniture

“Our small community (population approx. 1,000) saved an estimated \$20,000 in furnishings as a result of shopping with IPI. I need to thank you for your help here. Our new center is indeed a showpiece.”

– Vern Meierotto,
President, West Point Public Library Foundation
September 2004



Traer Public Library: Library Furniture

“The Traer Public Library purchased shelving and children’s tables and chairs for their renovation and addition that was just completed in June of 2004 from Iowa Prison Industries. We are very pleased with the look and usability of our new shelves. We are glad we chose Iowa Prison Industries to make our shelves and invite anyone to stop into the Traer Public Library to look at them.”

– Linda McDermott
Librarian
September 2004

University of Iowa: Custom Wood Products

“Thank you very much for the fine job you and your workers did on the renovations in N323. It exceeded my expectations. The quality and craftsmanship were excellent and the detail that was added to the wall cabinets that matched the chair rail and baseboard was a nice touch.”

– Peter C. Damiano, DDS, MPH
Director Health Policy Research Program
November 2003



St. Theresa Church: Church Furnishings/Refinishing

“St Theresa Church would like to thank Iowa Prison Industries for a job well done. We are in the process of completing a major renovation to our church. IPI assisted us from start to finish with refinishing our pews and building new furniture. We are very pleased with the end result as well as the process to get the job done. Thank you again.”

– Ron Schiller,
Parish Manager
August 2004

Customer Satisfaction Cards

August 2003 - August 2004

	Anamosa Cards Returned: 60			Mitchellville Cards Returned: 61		
	Excellent	Good	Below Average	Excellent	Good	Below Average
Sales Representative Knowledge	84.0%	16.0%	0.0%	78.9%	18.4%	2.6%
Timeliness of Delivery	66.0%	28.3%	5.7%	66.7%	27.1%	6.3%
Delivery Service	86.8%	13.2%	0.0%	80.9%	17.0%	2.1%
Quality of Goods	86.5%	13.5%	0.0%	71.4%	24.5%	4.1%
Value for Money	90.0%	10.0%	0.0%	65.9%	31.7%	2.4%
Questions/Problems Handled Promptly	74.4%	23.3%	2.3%	74.4%	20.5%	5.1%
<i>Average</i>	<i>81.3%</i>	<i>17.4%</i>	<i>1.3%</i>	<i>73.0%</i>	<i>23.2%</i>	<i>3.8%</i>
	Yes	No	Maybe	Yes	No	Maybe
Would you recommend us to others?	100%	0.0%	0%	97.9%	0.0%	2.1%

	Fort Madison Cards Returned: 4			IPI Overall Cards Returned: 125		
	Excellent	Good	Below Average	Excellent	Good	Below Average
Sales Representative Knowledge	50.0%	50.0%	0.0%	80.4%	18.5%	1.1%
Timeliness of Delivery	40.0%	0.0%	60.0%	65.1%	26.4%	8.5%
Delivery Service	75.0%	25.0%	0.0%	83.7%	15.4%	1.0%
Quality of Goods	75.0%	25.0%	0.0%	79.0%	19.0%	1.9%
Value for Money	100%	0.0%	0.0%	79.8%	19.1%	1.1%
Questions/Problems Handled Promptly	100%	0.0%	0.0%	75.0%	21.4%	3.6%
<i>Average</i>	<i>73.3%</i>	<i>16.7%</i>	<i>10.0%</i>	<i>77.2%</i>	<i>20.0%</i>	<i>2.8%</i>
	Yes	No	Maybe	Yes	No	Maybe
Would you recommend us to others?	100%	0.0%	0.0%	99.0%	0.0%	1.0%



Code Sections

904.801-STATEMENT OF INTENT

It is the intent of this division that there be made available to inmates of the state correctional institutions opportunities for work in meaningful jobs with the following objectives:

1. **To develop within those inmates willing to accept and persevere in such work:**
 - a. Positive attitudes which will enable them to eventually function as law-abiding, self-supporting members of the community;
 - b. Good work habits that will assist them in eventually securing and holding gainful employment outside the correctional system; and
 - c. To the extent feasible, marketable skills that can lead directly to gainful employment upon release from a correctional institution.
2. **To enable those inmates willing to accept and persevere in such work to:**
 - a. Provide or assist in providing for their dependents, thus tending to strengthen the inmates' family ties while reducing the likelihood that inmates' families will have to rely upon public assistance for subsistence;
 - b. Make restitution, as the opportunity to do so becomes available, to the victims of the offenses for which the inmates were incarcerated, so as to assist the inmates in accepting responsibility for the consequences of their acts;
 - c. Make it feasible to require that such inmates pay some portion of the cost of board and maintenance in a correctional institution, in a manner similar to what would be necessary if they were employed in the community; and
 - d. Accumulate savings so that such inmates will have funds for necessities upon their eventual return to the community.

904.803-PRISON INDUSTRY ADVISORY BOARD

1. **There is established a state prison industries advisory board, consisting of seven members selected as prescribed by this subsection.**
 - a. Five members shall be appointed by the governor for terms of four years beginning July 1 of the year of appointment. They shall be chosen as follows:
 - (1) One member shall represent agriculture and one member shall represent manufacturing, with particular reference to the roles of their constituencies as potential employers of former inmates of the state's correctional institutions.
 - (2) One member shall represent labor organizations, membership in which may be helpful to former inmates of the state's correctional institutions who seek to train for and obtain gainful employment.
 - (3) One member shall represent agencies, groups and individuals in this state which plan and maintain programs of vocational and technical education oriented to development of marketable skills.
 - (4) One member shall represent the financial industry and be familiar with accounting practices in private industry.
 - b. One member each shall be designated by and shall serve at the pleasure of the state director and the state board of parole, respectively.
 - c. Upon the resignation, death or removal of any member appointed under paragraph "a" of this subsection, the vacancy shall be filled by the governor for the balance of the unexpired term. In making the initial appointments under that paragraph, the governor shall designate two appointees to serve terms of two years and three to serve terms of four years from July 1, 1977.
2. **Biennially, the industries board shall organize by election of a chairperson and a vice chairperson, as soon as reasonably possible after the new appointees have been named.** Other meetings shall be held at the call of the chairperson or of any three members, as necessary to enable the industries board to discharge its duties. Board members shall be reimbursed for expenses actually and necessarily incurred in the discharge of their duties, and those members not state employees shall also be entitled to a per diem as specified in section 7E.6 for each day they are so engaged.
3. **The state director shall provide such administrative and technical assistance as is necessary to enable the industries board to discharge its duties.** The industries board shall be provided necessary office and meeting space at the seat of government.

Code Sections



904.804-DUTIES OF THE BOARD

The industries board's principal duties shall be to promulgate and adopt rules and to advise the state director regarding the management of Iowa State Industries so as to further the intent stated by section 904.801.

904.805-DUTIES OF THE DIRECTOR

The state director, with the advice of the industries board, shall:

1. **Conduct market studies** and consult with public bodies and officers who are listed in section 904.807, and with other potential purchasers, for the purpose of determining items or services needed and design features desired or required by potential purchasers of Iowa State Industries products or services.
2. **Receive, investigate and take appropriate action upon any complaints** from potential purchasers of Iowa State Industries products or services regarding lack of cooperation by Iowa State Industries with public bodies and officers who are listed in section 904.807, and with other potential purchasers.
3. **Establish, transfer and close industrial operations as deemed advisable** to maximize opportunities for gainful work for inmates and to adjust to actual or potential market demand for particular products or services.
4. **Establish and from time to time adjust, as necessary, levels of allowances** paid to inmates working in Iowa State Industries.
5. **Coordinate Iowa State Industries, and other opportunities for gainful work available to inmates of adult correctional institutions, with vocational and technical training opportunities and apprenticeship programs, to the greatest extent feasible.**
6. **Promote, plan, and when deemed advisable, assist in the location of privately owned and operated industrial enterprises** on the grounds of adult correctional institutions, pursuant to section 904.809.

904.808-STATE PURCHASING REQUIREMENTS (Poorly Enforced)

1. **A product possessing the performance characteristics of a product listed in the price lists prepared pursuant to section 904.807 shall not be purchased by any department or agency of state government from a source other than Iowa state industries, except:**
 - a. When the purchase is made under emergency circumstances, which shall be explained in writing by the public body or officer who made or authorized the purchase if the state director so requests; or
 - b. When the state director releases, in writing, the obligation of the department or agency to purchase the product from Iowa State Industries, after determining that Iowa State Industries is unable to meet the performance characteristics of the purchase request for the product, and a copy of the release is attached to the request to the Director of Revenue and Finance for payment for a similar product, or when Iowa State Industries is unable to furnish needed products, comparable in both quality and price to those available from alternative sources, within a reasonable length of time. Any disputes arising between a purchasing department or agency and Iowa State Industries regarding similarity of products, or comparability of quality or price, or the availability of the product, shall be referred to the Director of the Department of General Services, whose decision shall be subject to appeal as provided in section 18.7. However, if the purchasing department is the Department of General Services, any matter which would be referred to the director under this paragraph shall be referred to the executive council in the same manner as if the matter were to be heard by the Director of the Department of General Services. The decision of the executive council is final.
2. **The state director shall adopt and update as necessary rules setting specific delivery schedules for each of the products manufactured by Iowa State Industries.** These delivery schedules shall not apply where a different delivery schedule is specifically negotiated by Iowa state industries and a particular purchaser.
3. **A department or agency of the state shall cooperate and enter into agreements, if possible, for the provision of products and services under an inmate work program** established by the state director under section 904.703.



IPI Private Sector

**Partners In
Progress**

- 216 inmates work in private sector, or about 2.5% of DOC offenders.
- Private Employers may employ inmates in Iowa.
- Private Employers must pay prevailing wages. Inmates earn \$5.80 to \$11.00 per hour.
- Private Employers are obligated to offer inmates a job upon release from prison.
- Iowa inmates may keep no more than 20% of their wages. Refer to page 26 for wage distribution.
- Private Employers must provide all supervision. NO state assistance is available.
- IPI/DOC has local responsibility for program administration, under the guidance of the Federal Bureau of Justice.
- Private Sector inmates have paid over \$3 million in TAXES since 1997.
- Private Sector inmates have paid over \$1.4 million in restitution since 1997.
- Private Sector inmates have paid over \$700,000 in Victims Comp since 1997.
- Private Sector inmates have paid back to the General Fund over \$5.2 million since 1997.

Private Sector provided 219,097 hours of inmate contact in 2003. (+25.3%)

Quick Facts:

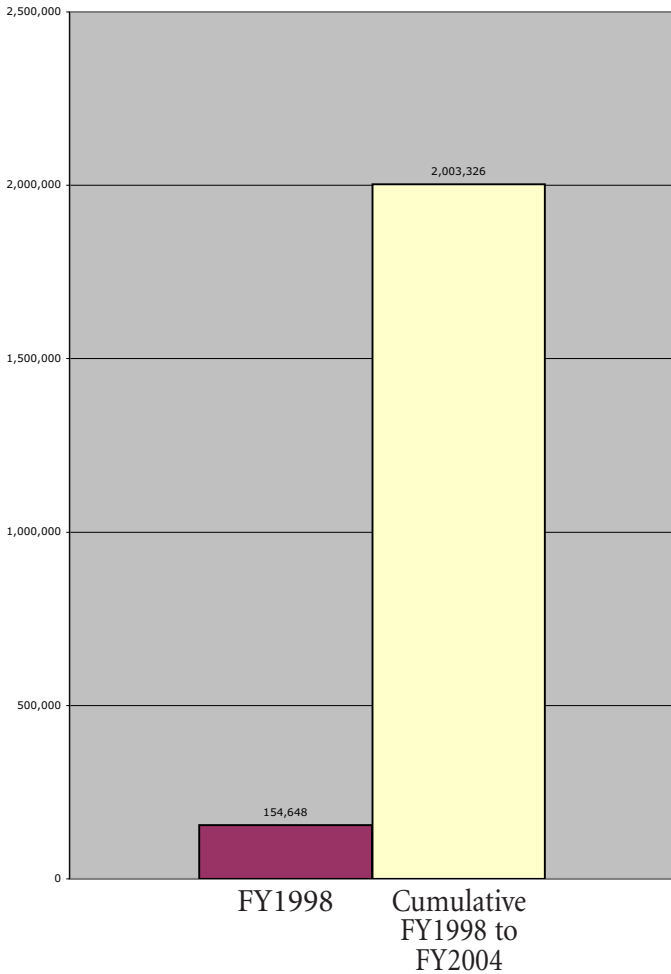
- Private Sector jobs are the fastest growing jobs nationally.
- Private Sector jobs are almost always service/manufacturing.
- Private Sector jobs are the most cost efficient jobs the state can offer.
- Private Sector jobs are the most volatile, highly dependent upon a strong economy.

Little known fact: IPI inmates paid more in child support in 2003 than all of the Iowa inmates combined earned in 1997!

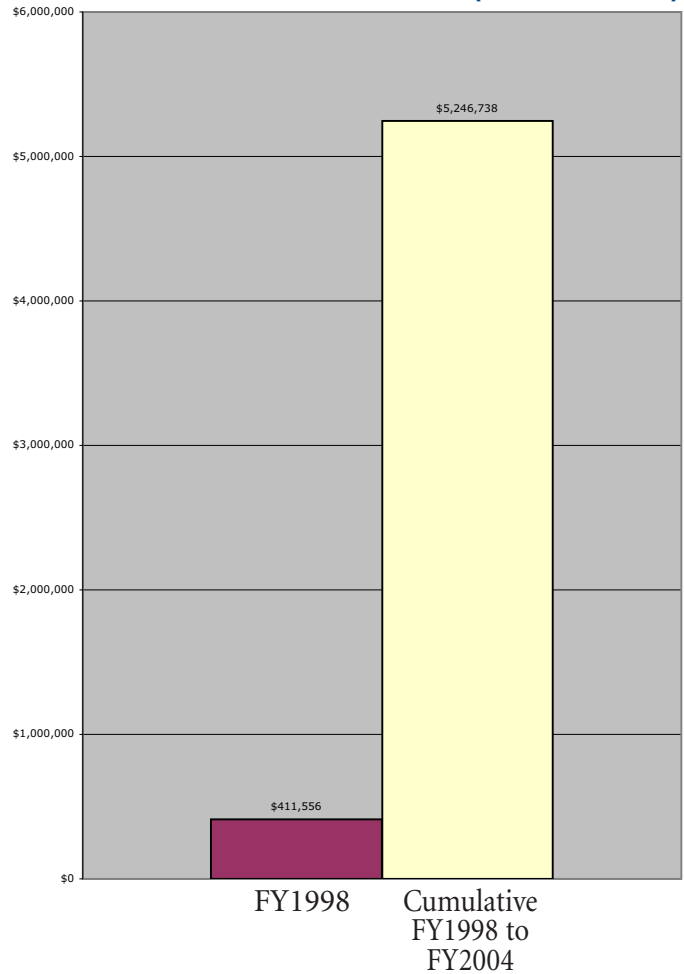
Private Sector Statistics



Inmate Hours



Room & Board Distribution (General Fund)



Private Sector Deductions

	FY1998	Cumulative FY1998 - FY2004
General Fund Offset	\$411,556	\$5,246,738
Taxes	\$267,428	\$3,091,969
Inmate Account	\$244,051	\$2,869,390
Restitution	\$139,896	\$1,440,059
Fam/Child Support	\$72,436	\$1,235,407
Victim Comp	\$60,853	\$728,820
Savings	\$27,137	\$100,047
Other	\$2,134	\$49,728
DOC Sanctions/Court Fees*	\$0	\$2,306
Total Deductions	\$1,225,491	\$14,764,464

*New In FY00



Code Section

904.809-PRIVATE SECTOR EMPLOYMENT

1. **The following conditions shall apply to all agreements to provide private industry employment for inmates of correctional institutions:**
 - a. The state director and the industries board shall comply with the intent of section 904.801.
 - b. An inmate shall not be compelled to take private industry employment.
 - c. Inmates shall receive allowances commensurate with those wages paid persons in similar jobs outside the correctional institutions. This may include piece rating in which the inmate is paid only for what is produced.
 - d. Employment of inmates in private industry shall not displace employed workers, apply to skills, crafts, or trades in which there is a local surplus of labor, or impair existing contracts for employment or services.
 - e. Inmates employed in private industry shall be eligible for workers' compensation in accordance with section 85.59.
 - f. Inmates employed in private industry shall not be eligible for unemployment compensation while incarcerated.
 - g. The state director shall implement a system for screening and security of inmates to protect the safety of the public.
2.
 - a. **Any other provision of the Code to the contrary notwithstanding, the state director may, after obtaining the advice of the industries board, lease one or more buildings or portions thereof on the grounds of any state adult correctional institution, together with the real estate needed for reasonable access to and egress from the leased buildings, for a term not to exceed twenty years, to a private corporation for the purpose of establishing and operating a factory for the manufacture and processing of products, or any other commercial enterprise deemed by the state director to be consistent with the intent stated in section 904.801.**
 - b. Each lease negotiated and concluded under this subsection shall include, and shall be valid only so long as the lessee adheres to, the following provisions:
 - (1) Persons working in the factory or other commercial enterprise operated in the leased property, except the lessee's supervisory employees and necessary support personnel approved by the industries board, shall be inmates of the institution where the leased property is located who are approved for such work by the state director and the lessee.
 - (2) The factory or other commercial enterprise operated in the leased property shall observe at all times such practices and procedures regarding security as the lease may specify, or as the state director may temporarily stipulate during periods of emergency.
3. **The state director, with the advice of the prison industries advisory board, may provide an inmate work force to private industry. Under the program inmates will be employees of a private business.**

Code Section



904.809-PRIVATE SECTOR EMPLOYMENT (Continued)

4. **Private or nonprofit organizations may subcontract with Iowa State Industries to perform work in Iowa State Industries shops located on the grounds of a state institution.** The execution of the subcontract is subject to the following conditions:
 - a. The private employer shall pay to Iowa State Industries a per unit price sufficient to fund allowances for inmate workers commensurate with similar jobs outside corrections institutions.
 - b. Iowa State Industries shall negotiate a per unit price which takes into account staff supervision and equipment provided by Iowa State Industries.
5. **a. An inmate of a correctional institution employed pursuant to this section shall surrender to the Department of Corrections the inmate's total earnings less deductions for federal, state, and local taxes, and any other payroll deductions required by law.**
 - b. From the inmate's gross payroll earnings, the following amounts shall be deducted:
 - (1) Twenty percent, to be deposited in the inmate's general account.
 - (2) All required tax deductions, to be collected by the inmate's employer.
 - (3) Five percent, to be deducted for the victim compensation fund created in section 915.94.
 - c. From the balance remaining after deduction of the amounts under paragraph "b", the following amounts shall be deducted in the following order of priority:
 - (1) An amount which the inmate may be legally obligated to pay for the support of the inmate's dependents, which shall be paid through the Department of Human Services Collection Services Center, and which shall include an amount for delinquent child support not to exceed fifty percent of net earnings.
 - (2) Restitution as ordered by the court under chapter 910.
 - (3) Any balance remaining after the deductions made under subparagraphs (1) and (2) shall represent the costs of the inmate's incarceration and shall be deposited, effective July 1, 2000, in the General Fund of the state.
 - d. Of the amount credited to the inmate's general account, the department shall deduct an amount representing any other legal or administrative financial obligations of the inmate.

The inmate's employer shall provide each employed inmate with the withholding statement required under section 422.16, and any other employment information necessary for the receipt of the remainder of an inmate's payroll earnings.



IPI Prison Farms

**IPI... Farming
For The Future**

- IPI operates under a farm/business model.
- IPI inmates earn \$.50 - \$1.75 per hour.
- IPI row crops and livestock are sold on the open market.
- IPI receives NO funding from the legislature.
- IPI receives NO federal funding support except LDP's on our crops.
- IPI will begin paying property taxes in 2006 on leased ground.
- IPI pays union scale wages to staff.
- IPI has maintained a sustainable income continuously since 1996.
- IPI maintains a balance of inmate-farmed locations and rented properties.

**IPI Farms operate
on a calendar year.**

**IPI Farms provided 277,681 hours
of inmate contact in 2003. (+7%)**

Quick Facts:

Legislative mandate: Explore and report feasibility of organic farms.

- IPI opened our first purely Organic Farm located at Fort Madison. IPI has 34 acres in the program and will add 10 more acres in 2005. The first year in the program, a non-GMO bean was planted.
- Organic Farms are labor intensive and more costly to operate than traditional farms. Organic Farms require certification and crop sales are highly dependent upon maintaining chemical free from any foreign contamination.
- This venture is not anticipated to be a profit-generating farm until at least 2007, when we will be eligible to sell our first organic crop.
- Organic Farm #3 could add as many as 25 new jobs, generating several thousand work hours per year.
- IPI wants to work closely with ISU and the knowledge they have in regards to organics. We may want to try some test plots for a variety of vegetables/crops so that research can be gathered to help individuals interested in organic farms.
- **No funding will be required from the legislature.**

Overview



Iowa Prison Farms are self-funding and operate without General Fund support. Additionally, as a state-owned operation, we do not qualify for federal offset funds that are available to main street farmers except for LDP's.

Surrounding states have failed to manage their farm operations as effectively as Iowa. Missouri, Minnesota and South Dakota have closed their operations because of continual cash infusions by the legislature. **Since 1996, IPI/Farms has operated on a Business Model.** The Business Model challenged our staff to embrace "for profit farming". This required a major change in how prison farms were operated. As staff retired, we replaced them sparingly. This directional change has allowed IPI/Farms to excel and to expand our inmate worked farms while other states have failed.

Since 1999, IPI/Farms has realized over a \$690,000 gain in new assets. We believe this is a remarkable accomplishment for any farm operation, especially a cash program.

At IPI/Farms, if we cannot pay cash for something, we don't purchase it. This approach has instilled discipline and, on the down side, has slowed our goal expansion somewhat. We purchase our equipment, construct our buildings, barns, grain bins, and maintain approximately 3 miles of river dike as well as over 100 miles of fence line. We do this with a staff of 5 people and between 150 and 180 inmates working a full forty-hour week.

IPI/Farms maintain farm staff and inmate workers year round:

Fort Madison actually has two farms (Farm #1 and Farm #3, there is no Farm #2) they are located approximately 12 miles apart. Each has an inmate housing unit on site from which we draw our inmate workers. At Farm #3, we work cooperatively with the Department of Natural Resources where 40-60 inmates are employed, planting and maintaining a tree farm. Additionally, inmates herd cattle, maintain row crops, cultivate 100 acres of garden space and work in the Greenhouse Operations. Farm #3 converted 34 acres to organic in 2004. An additional 10 acres will be added to organic in 2005.

Anamosa has six locations of farm ground, all within five miles of each other. We employ inmates to maintain row crops of corn, beans, oats and hay as well as herd cattle. The cattle used to be butchered and sold to the prison for inmate consumption, but due to budget reasons the institution no longer buys from IPI Farms.

Newton Farms is our single largest continuous farm operation. It was reopened in 2002 and will become fully operational this year. Newton was closed in 1994 prior to initiating construction on the new prison. Closing a farm before construction is common practice for safety reasons. However, it is costly to open and close farms.

Mitchellville will be reopened in 2005. Our plans call for the 100 plus acres to be used for row crops, which will be planted and harvested by staff from the Newton Farm.

IPI/Farms maintains 7,343 acres of land of which 2,585 acres is rented. This rented ground will decrease with the expansion of Newton and the anticipated opening of Mitchellville.

Statistics



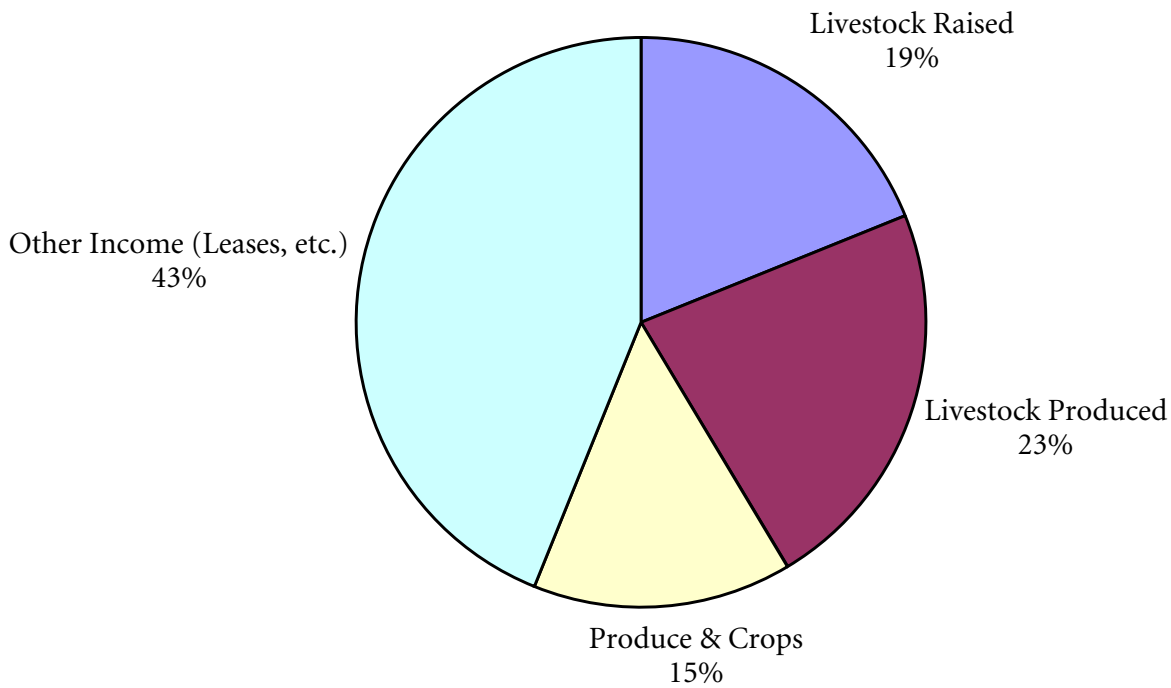
- IPI/Farms has increased inmate jobs from 15 in 1996 to 138 in 2003.
- IPI/Farms work hours on farms were 277,681 in 2004.
- IPI/Farms projects 230,000 inmate work hours in 2005.
- IPI/Farms date back to 1870, with the opening of Fort Madison.
- In 1990, prison farms were transferred from DHS and Corrections to IPI for management.
- In 1997, ISU Extension Office partnered with IPI to develop a 5-year business plan.
- In 1997, IPI/Farms presented a Restructured Vision of Farms to the legislature that included expanded gardens, and aggressive expansion of row crop operations to the extent that they could be cash funded. Also, opening a livestock program that encouraged prison purchase for inmate consumption and a vocational program to address butchering.
- 2002, the Newton Farm was reopened.
- 2002, as a result of the newly introduced “Harkin Farm Bill”, IPI has worked closely with county and federal officials to ensure IPI/Farms is positioned for growth.
- 2002, all IPI/Farms have been reclassified on county rolls as “IPI/FARMS, a State-owned operation.
- Crop prices have not kept pace with farm operating costs, (see farm prices received on page 33).
- 2004, IPI opened an organic farm.



Financial Data



	1997	1998	1999	2000	2001	2002	2003	2004*
Farm Sales								
Sale of Livestock Raised	\$326,747	\$231,029	\$120,799	\$127,556	\$106,135	\$76,797	\$176,662	\$6,073
Sale of Livestock Produced	\$39,882	\$22,612	\$200,596	\$195,575	\$209,629	\$273,268	\$211,877	\$28,740
Sale of Produce & Crops	\$255,991	\$190,524	\$127,191	\$96,305	\$155,669	\$157,797	\$138,973	\$115,267
Other Income (Leases, etc.)	\$249,417	\$257,240	\$323,458	\$370,470	\$392,95	\$366,029	\$412,311	\$176,720
Total All Farms	\$872,037	\$701,405	\$772,405	\$789,906	\$864,385	\$873,891	\$939,823	\$326,800
Profit/Loss	\$(3,337)	\$(103,160)	\$162,624	\$211,400	\$134,750	\$161,075	\$(4,337)	\$(68,294)
Inmate Hours	15,636	23,686	14,025	8,695	11,278	16,781	19,643	15,766



*2004 Sales Through June 2004; Inmate Hours Through August 2004



Iowa Crop Prices

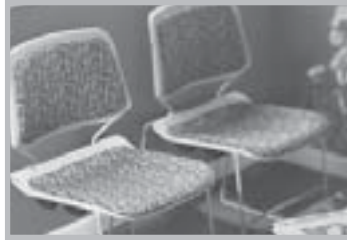
Year	-----Dollars Per Bushel-----				-----Dollars Per Ton-----		
	Corn	Oats	Soybeans	Wheat	All Hay	Alfalfa	Other Hay
1983	3.12	1.80	7.78	3.40	\$72.00	*	*
1984	2.51	1.78	5.67	3.26	\$61.50	*	*
1985	2.02	1.27	4.99	2.95	\$46.50	*	*
1986	1.41	1.17	4.73	2.30	\$40.50	*	*
1987	1.89	1.68	5.97	2.75	\$43.00	*	*
1988	2.45	2.85	7.33	3.82	\$75.00	*	*
1989	2.29	1.51	5.62	3.80	\$80.50	\$84.00	\$63.00
1990	2.21	1.14	5.63	2.74	\$63.50	\$66.00	\$49.50
1991	2.30	1.23	5.51	2.40	\$62.00	\$63.50	\$47.00
1992	2.00	1.38	5.54	3.05	\$78.00	\$81.00	\$57.00
1993	2.44	1.45	6.34	2.00	\$90.50	\$94.50	\$65.50
1994	2.22	1.30	5.43	3.15	\$79.00	\$82.00	\$56.50
1995	3.20	1.76	6.65	4.05	\$81.00	\$84.50	\$58.50
1996	2.60	2.16	7.36	4.10	\$106.00	\$108.00	\$72.50
1997	2.33	1.63	6.33	3.16	\$109.00	\$112.00	\$74.00
1998	1.86	1.24	4.79	2.73	\$83.50	\$85.00	\$60.50
1999	1.72	1.12	4.53	2.38	\$74.50	\$75.50	\$55.00
2000	1.75	1.19	4.49	2.15	\$82.00	\$83.50	\$59.00
2001	1.90	1.54	4.35	2.50	\$89.50	\$91.00	\$63.00
2002	2.22	1.78	5.54	2.85	\$82.00	\$85.00	\$58.50
2003	2.40	1.50	7.30	2.85	\$74.00	\$75.00	\$57.50

- Corn prices decreased 72¢ per bushel between 1983 and 2003.
- DOC Farms, for the first time, may be eligible under the new farm bill, thanks to the Department of Management and the Governor’s Office.

*Prices from Iowa Ag Statistics



Code Section



904.706-REVOLVING FARM FUND

A revolving farm fund is created in the state treasury in which the department shall deposit receipts from agricultural products, nursery stock, agricultural land rentals, and the sale of livestock. However, before any agricultural operation is phased out, the department which proposes to discontinue this operation shall notify the Governor, chairpersons and ranking members of the House and Senate Appropriations Committees, and co-chairpersons and ranking members of the subcommittee in the Senate and House of Representatives which has handled the appropriation for this department in the past session of the General Assembly. Before the department sells farmland under the control of the department, the director shall notify the Governor, chairpersons and ranking members of the House and Senate Appropriations Committees, and co-chairpersons and ranking members of the Joint Appropriations Subcommittee that handled the appropriation for the department during the past session of the General Assembly. The department may pay from the fund for the operation, maintenance, and improvement of farms and agricultural or nursery property under the control of the department. A purchase order for five thousand dollars or less payable from the fund is exempt from the general purchasing requirements of chapter 18. Notwithstanding section 8.33, unencumbered or unobligated receipts in the Revolving Farm Fund at the end of a fiscal year shall not revert to the General Fund of the state.

Notwithstanding section 8.36, the department shall annually prepare a financial statement covering the previous calendar year to provide for an accounting of the funds in the Revolving Farm Fund. The financial statement shall be filed with the Legislative Fiscal Bureau on or before February 1 each year.

As used in this section, “department” means the Iowa Department of Corrections and the Iowa Department of Human Services.

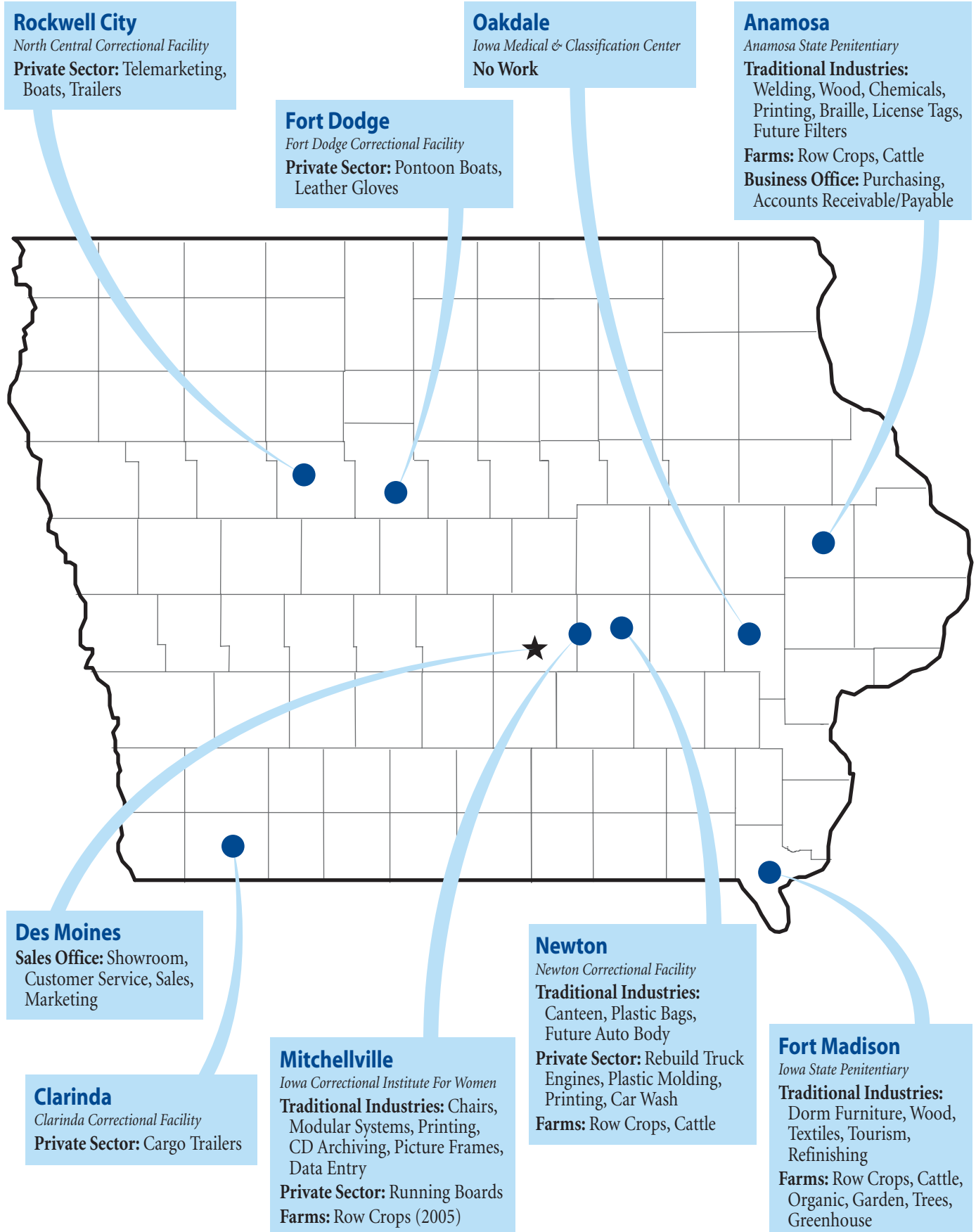
The farm operations administrator appointed under section 904.302 shall perform the functions described under section 904.302 for agricultural operations on property of the Iowa Department of Human Services.

The Iowa Department of Human Services shall enter into an agreement under chapter 28D with the Iowa Department of Corrections to implement this section.

In 2006, IPI begins paying taxes on rented ground.



Iowa Prison Industries Locations



MISSION STATEMENT



To employ staff and inmates
who are dedicated to providing:

Exceptional Service

Reasonable Prices

Quality Products

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

Vision

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



Iowa Prison Industries

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