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# Report on the Prison Industry Authority

Senate Advisory Commission on Cost Control in State Government

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**REPORT ON THE  
PRISON INDUSTRY AUTHORITY**



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**Senate Advisory Commission on  
Cost Control in State Government**

**Milton G. Gordon, Chair  
January 1993**

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# California State Senate

## ADVISORY COMMISSION ON COST CONTROL IN STATE GOVERNMENT

MILTON G. GORDON  
CHAIRMAN

January 20, 1993

Honorable David Roberti  
Chairman  
Senate Rules Committee  
State Capitol, Room 400

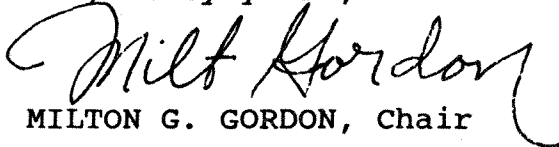
Dear Senator Roberti:

The Senate Advisory Commission on Cost Control in State Government hereby submits to the Senate Rules Committee its report concerning the Prison Industry Authority.

This study was undertaken by a Commission Subcommittee chaired by Beth Kennedy. Members of the Subcommittee were Jacqueline Bacharach, Joseph Breall, Leo Mayer, and Manning Post. The work of the Subcommittee was reviewed and approved by the Commission.

The Commission would like to acknowledge the help of all those connected with the Prison Industry Authority who contributed to the research and preparation of this report. The Commission also is grateful to Dan Flynn, former executive director of the Commission, who began this report in 1990.

Very truly yours,

  
MILTON G. GORDON, Chair

MGG:gd

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# **REPORT ON THE PRISON INDUSTRY AUTHORITY**

by

**The Senate Advisory Commission on Cost Control  
in State Government**

## Subcommittee on the Prison Industry Authority

Beth Kennedy, Chair  
Jacqueline M. Bacharach  
Joseph M. Breall  
Leo E. Mayer  
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## **EXECUTIVE SUMMARY**

The Cost Control Commission undertook a review of the Prison Industry Authority in early 1992. A lengthy process of interviews and on site inspections of PIA facilities has produced a strategic, rather than a micro, evaluation.

The commission finds that the PIA operates with a number of unique constraints. As a hybrid public sector organization, an objective of becoming financially self-supporting is unrealistic. The commission found that the PIA is not cost-effective if evaluated solely on this criterion. Many PIA products do not compete with the private sector based simply on pricing, and working conditions do not encourage productivity and innovation necessary for free marketplace survival.

However, the long-term benefits of the PIA programs are an overriding factor. Cost effectiveness must be balanced with the uncalculated cost of lowering prison recidivism via PIA's education and training opportunities. Unfortunately, little data is available that can effectively make this case.

The key policy question that the Department of Corrections must answer is whether the PIA is a "business" that must operate on a "for profit" basis, or whether there is a "non-economic" benefit that justifies a subsidy.

In any event, the commission finds that the PIA needs to develop a more business-oriented workforce. To achieve this goal two basic reforms are recommended: 1) Exempt certain positions from civil service to encourage the timely contraction or expansion of the work force to meet economic conditions, and 2) establish a realistic incentive system that rewards employee productivity.

The commission finds that the PIA must do a better job in accounting for the subsidies that the state provides. To accomplish this goal, the commission recommends an improved accounting system that accurately assesses the state subsidies and calculates the real net-operating expenses.

The PIA operates under a statutory mandate to provide inmates with training and experience that will assist ex-offenders when they seek to join the outside working population. The PIA is directed to accomplish this goal by replicating as closely as possible the outside work environment, in conjunction with relevant education, training, and post-release placement.

The commission finds that an inmate's parole date is not a factor in determining PIA employment. To meet the statutory requirements, a higher priority should be given to inmates who have less than five years remaining in their terms.

Additionally, the PIA should make its industries more compatible with outside work products.

The commission concludes that a business-like environment is the underlying foundation of an effective PIA. An educated work force is as vital to success in a prison work program as it is in the free workplace. The state should require eighth-grade education skills for admission to the PIA program. In addition, the PIA should provide enhanced job-search skills, including application and job interview preparation, for participants.

On the whole the PIA operates within the scope and purpose of the law. However, the commission believes that the PIA should be further geared to the dual goals of cost-effectiveness and post-prison employment potential.

## **I. OVERVIEW OF THE PRISON INDUSTRY AUTHORITY**

**Purposes of the PIA.** The Prison Industry Authority (PIA) employs 8,105 inmates in the California prison system, or approximately 8% of the prison population. Established by state law in 1983, the PIA replaced the Correctional Industries Commission (CIC). The Legislature declared that the CIC had “failed to provide productive jobs to prisoners, to meaningfully offset the cost of running the prison system, or to reduce the idleness and underemployment which are rampant in California’s prisons.” The law states that PIA’s purposes are to:

- Develop and operate industrial, agricultural and service enterprises,
- Create and maintain working conditions within the enterprises much like those that prevail in private industry,
- Generate sufficient funds from the sales of products and services to pay all the expenses of the program, and
- Serve the goal of reintegrating ex-offenders in the outside working population.<sup>1</sup>

The PIA operates 71 enterprises at 19 facilities. It has a non-inmate staff of 745. The enterprises involve a number of areas such as furniture manufacturing, hog raising, coffee roasting, laundering, and printing. Inmates in PIA earn from 25 to 90 cents per hour, about twice the rate paid by conventional inmate jobs.<sup>2</sup> Prisoners not in the PIA program do work in other prison-related jobs. The PIA is distinct from these conventional prison jobs.

The PIA is overseen by a board of directors. The Prison Industry Board (PIB) has responsibilities similar to a corporate board of directors: the PIB enters into contracts, hires a general manager, reviews an annual budget, borrows money, and approves new enterprises. The board consists of four public members appointed by the Legislature, two representatives of organized labor appointed by the governor, two representatives of industry appointed by the governor, and the directors of the Departments of Commerce, Corrections, and General Services. The director of the Department of General Services serves as chair of the board.<sup>3</sup>



**PIA administered by central and institution staff.** The PIA is administered by a Central Office located in Folsom. The Central Office handles duties such as procurement of materials, planning and constructing new factories, customer service, and sales and marketing for all facilities and programs. In addition, each institution has an on-site production manager who oversees PIA operations at that institution. The production manager's staff may consist of other production managers, a factory superintendent, factory supervisors, account clerks, and clerical support at that prison site.<sup>4</sup>

**PIA criticized as being mismanaged.** Like the agency it replaced, the PIA has been criticized for not fulfilling its legal duty to be financially self-sufficient. Financial statements indicate that the authority lost \$3.4 million in fiscal year 1987-88 and \$0.3 million in 1988-89. During this same period a series of articles in the Sacramento Bee charged that a number of the PIA's enterprises were mismanaged. One of these stories described, for example, a bakery at Vacaville's prison that was poorly designed, used 1935 technology, and was supervised by people who did not know how to operate the equipment. Other criticisms have raised questions about the actual businesses PIA involves itself in, the prisoner selection process, and other points not necessarily related to the efficiency or effectiveness of the program. Despite these problems, the PIA showed a net profit of \$3.4 million for fiscal year 1989-90, with about two-thirds of the PIA enterprises indicating a net profit. The 1991-92 net profit jumped dramatically due to prison expansion on \$147.1 million sales, the PIA earned a net profit of \$10.2 million. This represents a 333% increase. Nearly 60 percent of net profit resulted from PIA work on the new prison construction.

**The PIA operates under unique constraints.** The PIA's history of financial and management difficulties is due in part to the significant constraints under which the authority operates. The state expects the PIA to run profitable enterprises while at the same time employing as many inmates as possible. The PIA also must try to be profitable when its production is interrupted occasionally by prison "lock downs." For example, the Deukmejian administration wanted the PIA to increase inmate employment during rapid prison population growth in the 1980s. The PIA hurriedly established enterprises, sometimes without careful evaluation of potential profitability, and incurred significant start-up costs. Finally, another major factor that disrupts the effectiveness of PIA-related work is the necessity to move prisoners within the prison system without regard to their PIA employment.

**Recent reforms in the PIA.** The Prison Industry Board and Central Office have taken major steps recently to improve the PIA's financial and management performance. These steps include:

- **Management study.** The PIB commissioned a study of the PIA's management and organization. Released in May 1990, the study found that the PIA lacked a clear mission, accountability for program performance, and a consistent philosophy regarding the importance of quality products and services. The study issued a number of recommendations to correct these deficiencies, which the PIA is in the process of implementing.<sup>5</sup>
- **Manufacturing/Accounting study.** The PIB commissioned a study of PIA's manufacturing/accounting systems. Released in December 1989, the study found that the PIA lacked adequate product-cost information, product-efficiency data, inventory accounting, an automated system to prioritize accounts-payable disbursements, timely exchange of information between accounting systems, and adequate management-performance reporting. The study recommended that the PIA establish an automated management/accounting system that would address these deficiencies. The PIB approved funding for such a system, which is now being implemented by the accounting firm Deloitte and Touche.<sup>6</sup>
- **Enterprise reviews.** The Central Office has implemented systematic reviews of the PIA's most unprofitable enterprises to determine whether the enterprises can be made profitable. As of early 1991 the PIA had conducted three reviews, all of which were approved by the PIB. One review recommended that an enterprise with little potential to show a profit be shut down quickly. Other reviews recommended that enterprises be closed only if corrective measures are not effective after one year.<sup>7</sup>

The Cost Control Commission endorses the above actions to improve the PIA's operation. In this study, the Cost Control Commission will examine issues not addressed adequately by previous studies.

## **II. THE NEED TO DEVELOP A BUSINESS-ORIENTED WORKFORCE**

***FINDING #1: The state civil service system constrains the PIA's ability to hire and terminate managerial and supervisory personnel in a manner that meets the needs of a profit-making business.***

All PIA non-prisoner employees, except for the general manager and chief assistant general manager, come under the protections of state civil service law, which was designed to prevent arbitrary or politically motivated hiring and firing.

However, the safeguards that the civil service system provides to state employees are not conducive to efficiency in the operation of a business enterprise. In particular, the state civil service system constrains the ability of the PIA to hire and terminate key employees in a timely manner, as well as to recruit employees who are better adapted to meet the special entrepreneurial characteristics and related needs of PIA management.

- **Examination process can be slow.** State agencies generally fill a vacancy by selecting a person either from an employment list of those who have passed a civil service examination, or by hiring an eligible civil servant. The lists are valid for a specified period of time, after which another examination must be held and another list established. The examination process takes a minimum of three to four months to complete because it entails establishing an examination date for a vacant position, advertising the vacancy statewide, holding a competitive examination, establishing an employment list of eligible applicants, and filling the vacancy. Private businesses differ from the PIA in that they are able to hire much more quickly when demand increases and can reduce their work forces more rapidly when a downturn occurs. Without this flexibility PIA cannot easily fill vacancies to increase personnel in times of increased demand, and reduce personnel when demand falls.<sup>8</sup>
- **Examination process may not produce candidates tailored to PIA's needs.** Civil service examinations tend to assess a person's general qualifications to perform the duties of a job classification. The examinations do not explore such factors as whether an applicant would work well with others, share the PIA management's philosophy, or how the person would generally fit into the PIA work environment. These are critical factors that are used in making hiring decisions in the private sector. They do not test management skills, basic business or en-

trepreneurial skills. The specific requirements of a particular prison industry can be totally ignored.

- **Little flexibility to recruit from outside civil service.** Vacancies for upper-level managerial and production positions are open only to those on an established list or who have eligible civil service status. However, these persons are not always the best-suited to the PIA's needs. The PIA does not have the ability to recruit from outside civil service requirements.
- **Termination process is cumbersome.** Under state civil service, the PIA can terminate an employee only in those cases where the PIA has documented incidents of poor employee performance and has taken progressive disciplinary actions. While the progressive discipline process is also followed in the private sector, the timing considerations for action and discipline and dismissal from the program are more lengthy in the PIA. This cumbersome process prevents the PIA management from recruiting and transferring employees who are best-suited to the needs of the organization.

Additionally, civil service rules do not address the private sector methods in dealing with the business cycle, which would mean layoffs or hiring temporary help to meet increases or decreases in production.

In short, the state civil service system prevents the PIA from recruiting and hiring key employees who would allow management to carry out a particular management philosophy. Private businesses do not operate under such constraints. For this reason, the commission believes that upper-level managerial and supervisory positions should be exempt from the requirements of state civil service.

**RECOMMENDATION #1: The governor should exempt from state civil service the following PIA positions: assistant general managers, activation managers, chief production manager (at each institution), sales order supervisor, sales manager, chief of planning and evaluation, chief of quality assurance, chief of human resources, and chief of operations.**

These are the upper-level positions in the PIA. These positions provide guidance to the entire organization. The positions either have broad responsibility for policy

development and implementation or have primary responsibility for managerial functions in the authority. Exempting these positions from state civil service requirements would allow the PIA to recruit more aggressively in the private sector as well as assist the PIA in carrying out a consistent management philosophy at all institutions. This recommendation would affect about 35 positions in the PIA.

***FINDING #2: The PIA does not provide employee incentives typically found in the private sector.***

The private sector commonly uses incentives such as additional vacation time, salary raises, and bonuses to encourage greater employee productivity. State law, recognizing the “unique personnel needs of the authority,” allows the PIA to establish these incentives as well. However, the authority has not established an incentive program, saying that it lacks an accurate data base to support such a program. The PIA anticipates that the accounting and manufacturing system that the authority is in the process of implementing would provide this data base.<sup>9</sup>

**RECOMMENDATION #2: The PIA should establish incentives that would reward PIA nonprisoner employee excellence.**

The new management/accounting system that the PIA is implementing should allow the PIA to finally establish accountability for nonprisoner employee incentives. The questions regarding incentives that must be answered by the new system must be the same that the private sector faces — actual performance, sales, increases in sales, profitability, production and distribution schedules met. However, there must be some allowance for the special constraints of operating in a prison environment, such as: down time due to lockdowns and high turnover rates due to prisoner movement. Normal free market measurements would be difficult to meet in a prison environment. The PIA system would have to be modified to that extent. Setting up these standards is not dependent on the new PIA system. The question of incentives requires further investigation and a follow-up report by the PIA on the effectiveness of its new system.

### III. THE NEED TO ACCOUNT FOR STATE SUBSIDIES

***FINDING #3: PIA financial statements omit a number of state subsidies, presenting an inaccurate picture of the authority's financial condition.***

State law requires the Prison Industry Board to arrange for an independent annual audit. The audit determines the financial condition of the PIA by reviewing the financial statements provided by PIA management. Auditors have found that the PIA's financial statements have presented fairly the financial position of the PIA.<sup>10</sup>

However, in our review of PIA's financial statements, we have found that key state subsidies are not reflected in the auditor's report of PIA operations:

- **Rent is below market rate.** Each enterprise operated by PIA pays \$0.03 per square foot per month for office and factory space and \$0.01 per square foot per month for warehouse space. The PIA makes rental payments to the institutions that host the enterprises; however, a market rate may not be comparable with space rates in a prison. Most of the space utilized was built for other purposes, not to accommodate the PIA, which makes the suitability for its enterprises marginal at best. The Department of Corrections credits the rent receipts to PIA operating expenses, and retains them as part of the Department's operating budget. These rental credits are far below typical rental costs paid by private enterprises. For example, the cost for industrial space in the Sacramento metropolitan area ranges from \$0.18 to \$0.85 per square foot.<sup>11</sup> However, when suitability is factored in, leasing prison space might actually be considerably lower when compared to prices on the open market.
- **Insurance is fully subsidized.** Unlike private enterprises, PIA enterprises do not pay insurance because the state of California is self-insured.<sup>12</sup>
- **Sales tax exemption.** The state does not place a sales tax on PIA products, which is a special treatment that private vendors do not receive.

Exclusion of these subsidies from the PIA's financial statements leads to misleading optimistic reports on the PIA's financial condition. For example, the latest PIA auditor's report states that the authority showed a profit of \$3.4 million for 1990. However, if the above state subsidies had been included in the financial information used by the auditors, the PIA might have operated at a substantial loss for 1990.

**RECOMMENDATION #3: The state should require the PIA to provide a financial report for each enterprise that documents state subsidies to the PIA for rent, insurance, product sales, and other costs comparable to the private sector.**

The commission believes that state subsidies should be reflected in the PIA's financial statements to provide a more accurate assessment of the authority's financial situation. This information would allow the Prison Industry Board to make a fairer comparison of PIA enterprises with private sector enterprises, as well as let the board know more about the true costs and benefits of the PIA. The Department of Corrections must eventually assess whether the PIA is strictly an economic enterprise that needs to operate at a profit, or whether noneconomic benefits of the PIA justify subsidies.

#### **IV. THE NEED TO PREPARE INMATES FOR WORK AFTER PAROLE**

In the 1982 legislation that established the PIA, the Legislature declared:

*The prison industries programs should serve the goal of reintegrating ex-offenders into the outside working population by replicating as closely as possible free-world production and service operations, in conjunction with relevant education, training, and post-release job placement.<sup>13</sup>*

Successfully reintegrating ex-offenders in the free world has enormous cost-savings potential. It costs about \$21,000 per year to provide for the needs of each inmate in the state prison system. There are additional public costs to apprehend, investigate, try and convict each inmate. Finally, there are financial, mental and physical costs for victims of crime.

The rate for parole violation, prisoner returned to custody (PV-RTC), has dropped from 67 percent in mid-1989 to 46 percent currently. The CDC anticipates that the number of PV-RTCs will increase at an average annual rate of about 4 percent between 1991-92 and 1996-97. (Even at lower parole violation rates, the absolute number of violators will increase as the base population base increases even if the percentage decreases.)<sup>14</sup>

The commission found in its review that PIA has not placed a high priority on preparing inmates for reintegration into the free world, perhaps because the authority has been responding to its more immediate goals of increasing inmate employment and enterprise profits. To date, no study has been conducted that correlates prison employment to the incidence of parole violation.

The commission recognizes that requiring the PIA to place a greater emphasis on preparing inmates for life after prison would make the PIA's already challenging mission even more difficult. The commission also recognizes that some inmates, for a variety of reasons, are not good candidates for reintegration. However, due to the high cost-savings potential of reintegration, the commission believes that the PIA should place a higher priority on preparing inmates for post-prison employment.

***FINDING #4: An inmate's parole date is not a factor in determining PIA employment.***

An inmate serving a short term has a greater need to prepare for post-prison employment than an inmate serving a life term. However, the PIA



does not appear to make any additional effort to put the short-term prisoner to work in a position that would prepare the inmate for employment after parole. As a result, there are life prisoners working in PIA jobs that could be filled by those with a greater need to prepare for employment after parole. In addition, there are short-term prisoners who may be engaged in jobs that are so specialized (license plate manufacturing, for example) that the jobs offer few meaningful skills for private employment.

**RECOMMENDATION #4: The state should require the PIA to place a high priority on providing employment in positions that provide marketable skills in the outside employment world to inmates who have less than five years remaining in their terms.**

This requirement would help fulfill the state's intent that the PIA help reintegrate ex-offenders into the outside working population.

**FINDING #5: Minimum education level is not a major factor in determining employment.**

One of the basic requirements for obtaining a job in the free world is meeting specific educational requirements. However, the PIA has not consistently placed a high priority on requiring inmates to achieve a minimum literacy level as a condition of employment. The minimum literacy law requires that an inmate be assessed upon intake to determine a literacy level. The individual inmate is then encouraged, but not required, to attend a vocational or academic program to assist further development. The educational curricula is standardized throughout the system.

Each institution in the state prison system establishes its own minimum literacy requirements for inmates to be eligible for PIA work assignments. These requirements can range from none to tenth grade, depending upon the institution and the enterprise. However, the institution may waive this requirement when the need for inmate labor exceeds the number of inmates that meet the minimum literacy requirement.<sup>15</sup>

Of the 8,105 inmates employed by the PIA as of May 1991, 46 percent had at least sixth-grade literacy, 20 percent had below sixth-grade literacy, and about 33 percent had unknown literacy levels due to a lack of record-keeping by the institution. These figures suggest that minimum literacy requirements have not been a major factor in determining whether an inmate can qualify for a work position in the PIA.<sup>16</sup>

The commission believes that the PIA needs to place a higher priority on requiring a minimum literacy requirement to increase the potential of reintegrating inmates in the free world. The commission found that where literacy requirements were a factor, inmates tended to pursue education to qualify for PIA jobs. These jobs became sought after, in part, because they commanded high wages. There is high demand for PIA positions among inmates, which suggests that inmates would be willing to achieve a basic literacy level in exchange for the right to work.

**RECOMMENDATION #5: The state should require that all inmates attain an eighth-grade literacy level to obtain or continue employment with the Prison Industry Authority.**

This recommendation would help make inmates better prepared to reintegrate into free society upon parole. PIA positions are in demand among inmates because the positions pay more than other prison jobs. The commission believes that inmates would be willing to attain an eighth-grade literacy level as a condition for employment with the PIA. The PIA should require currently employed inmates to make a good-faith effort to attain an eighth-grade literacy level while employed by the PIA. In implementing this recommendation, the PIA must be sensitive to learning disabilities that inmates may have and make exceptions to the requirement where appropriate.

**FINDING #6: An application and interview process does not exist at some institutions.**

Another basic element in gaining free-world employment is filling out an application and going through a job interview. Employers look for applicants who perform competently in each of these areas.

Most PIA enterprises do not have an application and interview process. Of the 19 institutions in the state prison system that host PIA enterprises, only 11 percent require the inmate to fill out a standard job application and participate in an interview prior to employment. Fifty-three percent do not require either an application or an interview, 16 percent require an application but no interview, 5 percent require an interview but no application, and 16 percent have some other process.<sup>17</sup>

The commission believes that all state prisons should have an application and interview process that is comparable to the job-seeking process outside of prison. One model that all institutions could follow is the process used by the California Men's Colony (CMC), an institution that operates some of the PIA's most profitable enterprises. At CMC, the inmates complete a job application that is forwarded to the Education Department for validation of the inmate's grade level. This validation also could serve as a reference check. The application is then returned to the PIA and the inmate's name is placed on the PIA's waiting list. When a position opens, the inmate is interviewed by the factory superintendent before assignment to a position.<sup>18</sup>

**RECOMMENDATION #6: The state should require the Department of Corrections to establish a PIA job application and interview process at all institutions that is comparable to the process commonly used in the private sector.**

Some institutions already require that inmates go through an application and hiring process that is comparable to the process used in the private sector. The commission sees no reason why the Department of Corrections cannot establish such a process at all institutions.

**FINDING #7: Transitional services for inmates are not required before prison release.**

There is obviously a large difference between life in prison and life in the free world. In prison, individual freedom is restricted and basic needs (food, clothing, shelter) are provided by the state. The opposite is true in life outside prison. Many of those released from prison do not make the transition successfully, and taxpayers once again must provide for the inmate's care.

Although the PIA does not offer its own program to help inmates make the transition to free society, the California Department of Corrections offers the Pre-Release Education Program (PREP). PREP provides 90 hours of instruction in employment skills, communication skills, money management, community resources, and parole resources. Inmates may apply for the program within 30 to 60 days of their paroles.<sup>19</sup>

Although the department requires all state prisons to offer PREP, it is optional for inmates to attend. Only about 7% of the eligible prison population is served by the program. The department has found, however, that PREP is popular with inmates, and some institutions even have waiting lists for the program.<sup>20</sup>

The CDC has not evaluated the effectiveness of PREP in reintegrating ex-offenders into the outside world. The commission believes that it would be worthwhile for the department to conduct such an analysis. Based on rough estimates of the costs of the program provided by the department, PREP could pay for itself if the program diverts about 2% of its participants from returning to prison.

**RECOMMENDATION #7: The Department of Corrections should evaluate the effectiveness of its Pre-Release Education Program (PREP) to determine whether the program should be mandatory for all inmates before parole.**

The department may find in its evaluation that it is cost-effective for the state to require all inmates to enroll in PREP.

**FINDING #8: PIA employment skills may not be marketable in the private sector.**

As mentioned earlier, the PIA offers inmates a range of work experiences. The commission is concerned, however, that the PIA does not place enough emphasis on selecting enterprises that offer a high degree of employment potential for an inmate once the inmate has returned to society.

For example, the PIA does not include "post-prison employment potential" among its criteria when selecting new enterprises to establish. The PIA's criteria includes only "market potential," "economic viability," "inmate employment potential" (within the prison), and "impact on California industry and labor."<sup>21</sup> This criteria should also include the service-based industries.

The pressure to employ as many inmates as possible within the prison may also encourage the PIA to use outdated technology that is more labor-intensive, but less sophisticated, than technology commonly used in private enterprise. Thus, inmates using this technology may not be prepared to work in a similar industry in the private sector.

**RECOMMENDATION #8: The Prison Industry Board should require the PIA to consider post-prison employment potential for inmates when evaluating whether to establish a new enterprise, or to expand an existing enterprise.**

The commission believes that the PIA needs to place a higher priority on developing jobs that will help inmates support themselves in the outside world. Additionally, the Department of Corrections should follow up, for a reasonable length of time, former PIA inmates to insure that the selected industries do result in related, outside employment.

**V. NOTES**

1. The Legislature's dissatisfaction with the Correctional Industries Commission is stated in Penal Code, Section 2800, Historical and Statutory Notes. Purposes of the PIA stated in Penal Code, Section 2801 and in the Findings and Declarations of Penal Code, Section 2800.
2. Information on PIA enterprises from Deloitte and Touche, Prison Industry Authority, Financial Statements for the Years Ended June 30, 1990 and 1989, Supplemental Schedule for the Year Ended June 30, 1990 and Independent Auditor's Report, November 16, 1990. Information on inmate pay scales from California Department of Corrections, Operations Manual, Chapter 50000, Subchapter 51000, Section 51120, p. 6.
3. Description of PIB duties in Penal Code, Sections 2808 and 2810. Membership of PIB described in Penal Code, Section 2802.
4. MGT Consultants, Prison Industries Authority, Management Study, Final Report, pp. 3-4, May 1, 1990.
5. Management study by MGT Consultants, Op. Cit., p. 1. Status of PIA's implementation described by PIA Central Office staff, meeting with the commission, February 13, 1991.
6. Manufacturing and accounting deficiencies from Deloitte, Haskins and Sells, Report to the Prison Industry Authority, Accounting and Manufacturing Systems Study, December 1, 1989, p. 2.
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