

# FINAL BILL REPORT

## ESHB 2268

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*Synopsis as Enacted*

*C 123 L 92*

**Brief Description:** Affecting inmate work programs.

By House Committee on Human Services (originally sponsored by Representatives Hargrove, Winsley, Prentice, Leonard, Hochstatter, H. Myers, Riley, Roland, May, Bowman, Van Luven, Chandler and Inslee; by request of Department of Corrections).

House Committee on Human Services  
House Committee on Revenue  
Senate Committee on Law & Justice

**Background:** The Division of Correctional Industries is required to develop and implement programs designed to offer inmates employment, work experience and training, and to reduce the tax burden of corrections. Products and services provided by Correctional Industries' programs are offered to the public, governmental agencies, non-profit organizations, and the correctional system itself using sound fundamental business principles. Under authority of the Corrections Reform Act of 1981, the Division of Correctional Industries operates five classes of work programs: Class I - Free Venture Industries that allows private sector companies to set up factories within the corrections institutions; Class II - Tax Reduction Industries managed directly by the Department of Corrections to reduce the costs of goods and services for tax supported agencies and for non-profit organizations; Class III - Institutional Support Services designed to provide jobs that are vital to the day to day operation of the prison; Class IV - Community Work Industries that allows public agencies, the poor or infirm, and non-profit agencies to hire a Class IV inmate to provide services in the community at a reduced cost; and Class V - Community Service Program that allows offenders to perform work, without compensation, for the benefit of the community. Inmates who work in Class I Free Venture Industries are required to be paid not less than 60 percent of the approximate prevailing wage within the state for the occupation.

Under the Class I program, goods or services are produced for sale to both the public and private sector. The sale of Class II industries program goods and services is restricted. These products and services may only be sold to

public agencies, non-profit organizations, and private contractors when the goods purchased will be ultimately used by a public agency or a non-profit organization. In addition, state agencies must purchase all articles or products required which are produced or provided in whole or in part from Class II inmate programs. Criteria are established that insure fair competition with the private sector. Every new Class II industry developed by the Department of Corrections is required first to consider the effect the new industry will have on business and labor in the state.

A recent study conducted by the Department of Corrections indicated that the Division of Correctional Industries has less than 1 percent of the state's business and labor markets. In addition, these programs contribute more to Washington's economy than the private sector would by manufacturing the same product with the same profit motive and the same labor to capital mix. This is due to the benefits taxpayers receive in the form of reduced cost of corrections and reduced recidivism. The Division of Correctional Industries programs are not allowed to contract with Washington businesses to provide specific goods and services otherwise provided by foreign or out-of-state suppliers. Leasehold tax exemptions are not part of the Correctional Industries Program.

**Summary:** The Department of Corrections is allowed to contract with Washington businesses to provide specific goods and services otherwise provided by foreign or out-of-state suppliers. The department is required to review all proposed industries before a contract for services or products is made to analyze the impact of the proposed services and products on the business community and the labor market.

Wages for Class I industries are required to be comparable to the wage paid for work of a similar nature in the area where the industry is located.

All private correctional industries businesses operating at department facilities are exempted from the leasehold interest tax.

***Votes on Final Passage:***

House	92	1
Senate	43	3

***Effective:*** June 11, 1992