

HOUSE BILL REPORT

HB 2268

*As Reported By House Committee on:
Human Services
Revenue*

Title: An act relating to inmate work programs.

Brief Description: Affecting inmate work programs.

Sponsor(s): 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).

Brief History:

Reported by House Committee on:
Human Services, January 22, 1992, DPS.
Revenue, February 4, 1992, DPS(HS-A REV).

**HOUSE COMMITTEE ON
HUMAN SERVICES**

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 11 members: Representatives Leonard, Chair; Riley, Vice Chair; Winsley, Ranking Minority Member; Tate, Assistant Ranking Minority Member; Anderson; Beck; Brekke; Hargrove; Hochstatter; R. King; and H. Myers.

Staff: Antonio Sanchez (786-7383).

Background: The Division of Correctional Industries is mandated 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 to 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 by current law. These products and services may only be sold to public agencies, to non-profit organizations, and to private contractors when the goods purchased will be ultimately used by a public agency or a non-profit organization. In addition, state agencies are mandated to 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. Currently, 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. Business and occupation tax incentives and leasehold tax exemptions are not part of the Correctional Industries Program.

Summary of Substitute Bill: 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, together with business and labor input, is required to review all proposed

industries before a contract for services or products is made.

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.

Private sector businesses operating at Department of Corrections facilities are allowed to deduct amounts paid for inmate wages from revenue used to determine the business and occupation tax. In addition, all private businesses operating at department facilities are allowed to be exempted from the leasehold interest tax.

Substitute Bill Compared to Original Bill: The substitute bill allows for greater participation of business and labor in the Division of Correctional Industries programs.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill would allow the Department of Corrections to increase its market base, pay inmates more wages, and allow more input from business and labor in the development of Corrections Industries programs.

Testimony Against: None.

Witnesses: John Cusick, Department of Corrections.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *The substitute bill by Committee on Human Services be substituted therefor and the substitute bill as amended by Committee on Revenue do pass.* Signed by 14 members: Representatives Wang, Chair; Fraser, Vice Chair; Brumsickle, Ranking Minority Member; Appelwick; Belcher; Carlson; Day; J. Kohl; Leonard; Morris; Morton; Rust; Silver; and Van Luven.

Minority Report: *Do not pass.* Signed by 1 member: Representative Wynne, Assistant Ranking Minority Member.

Staff: Robin Appleford (786-7093).

Summary of Recommendation of Committee on Revenue Compared to Recommendation of Committee on Human Services: The

business and occupation tax deduction for inmate wages is deleted.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Tax incentives are needed to encourage businesses to participate in inmate work programs. A portion of the inmates' wages is returned to the general fund, thus, the state should encourage these ventures.

Testimony Against: None.

Witnesses: David Burt and John Cusick, Department of Corrections; and Robert Ben Herder and Naomi Lieurance, EXMARK (all in favor).