

SUBJECT: Expanding authorization for sales from inmate manufacturing program

COMMITTEE: Corrections — committee substitute recommended

VOTE: 5 ayes — Murphy, Allen, Keough, Krause, Schubert

1 nay — J. White

1 absent — Tinderholt

WITNESSES: For — None

Against — None

On — Joe Hamill, AFSCME; Rick Levy, Texas AFL-CIO; (*Registered, but did not testify*: Joseph Halbert, Legislative Budget Board; Bobby Lumpkin, Texas Department of Criminal Justice)

BACKGROUND: Under Government Code, ch. 497 the Texas Department of Criminal Justice operates the Texas Correctional Industries (TCI) program, which gives inmates job training through manufacturing goods and providing services. Generally, TCI can sell its goods only to government entities, including city, county, state and federal agencies, and certain educational institutions.

DIGEST: CSHB 1810 would allow the Texas Correctional Industries (TCI) program to sell articles or goods to private vendors operating correctional facilities under contract with the Texas Department of Criminal Justice (TDCJ) and to state agency employees and retired state agency employees.

The Texas Board of Criminal Justice would have to adopt rules and best practices governing the purchase of articles and products by private vendors. The rules would have to provide that articles and products:

- could be shipped or used only in Texas and could not be resold or transferred to another facility in the state that was not operating

- under a contract with TDCJ; and
- could not be sold to a private vendor if the vendor currently purchased the items from a private business with a primary place of business in Texas.

The board would have to require vendors to report on their purchasing before switching to TCI purchases and to report to the Legislature savings realized by the private vendor after making purchases under the bill.

The board would have to adopt rules governing the purchase of articles and products by state employees and retired state agency employees. The rules would have to provide that the items be shipped and used only in Texas and could not be resold. The rules would have to cover the articles and products available for purchase, the minimum quantity and price of orders, a delivery and production schedule, and other factors to ensure TCI was not impeded in administering the program.

The bill would take effect September 1, 2015.

**SUPPORTERS
SAY:**

CSHB 1810 would expand the potential market for Texas Correctional Industries (TCI) so the program could increase its ability to help inmates gain marketable skills and to reduce costs for the Texas Department of Criminal Justice (TDCJ). The bill would implement a recommendation in the January 2015 Legislative Budget Board report on government effectiveness and efficiency.

About 5,000 inmates work in the TCI program making numerous products, including garments, janitorial supplies, laundry supplies, stainless steel security fixtures, food service equipment, cardboard boxes, file boxes, dump truck beds and accessories, Texas state flags, and office furniture. Currently, TCI generally has authority to sell these products only to government agencies, with sales on the open market prohibited. This prohibition means TCI cannot sell goods to the 14 private vendors operating correctional facilities that may have demand for these products. These vendors may be buying goods on the private market for prices higher than those available from TCI. In addition, there could be a market

for TCI goods for state agency employees and retirees, which also would support the program.

The bill would address this situation by allowing TCI to sell products to these vendors and to state employees and retired state employees. This small, reasonable expansion of TCI's market could help offenders and the state by allowing the TCI program to grow. The TCI program could earn about \$2.9 million annually, beginning in fiscal 2017, from sales authorized under the bill, according to the fiscal note. These funds could be used to expand the program, allowing more offenders to gain valuable work skills. TDCJ reports that the longer offenders work in the TCI program before being released, the less likely they are to return. Lower recidivism improves public safety and saves the state money.

The bill would be an option for selling TCI goods that would be in line with policies in several states that allow sales to state employees, retired employees, and private prison vendors.

CSHB 1810 would be a narrow expansion of TCI's sales authorization containing safeguards to ensure that it did not hurt Texas' private businesses. Sales would be prohibited to private vendors if they were already buying the items from a Texas business, and private vendors could not resell or transfer articles to facilities not under contract with TDCJ. The bill would ensure accountability and transparency in the transactions by establishing a reporting mechanism to track purchases with private vendors. The reporting mechanism set up in the bill would allow the state to monitor profits realized by from TCI purchases, which could factor into future contracts with the vendor.

**OPPONENTS
SAY:**

The state should be wary of providing goods that could be priced below-market to vendors running private correctional facilities for profit. The vendors could realize savings from purchasing goods from TCI and see an increase in their profits, without the state seeing any benefit.