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The Prison Industry Authority

Abstract: The California Prison Industry Authority (PIA) has not fulfilled its three statutory purposes: to be self-supporting, to employ inmates, and to give inmates work skills. PIA's management deserves most of the blame. PIA management failures include keeping excessive inventory, supporting failing businesses, and incompetence in sales. To better take advantage of the PIA's potential, the PIA should bring in new managers who have significant business experience. The PIA needs to shed the civil service rules that shackle its ability to pay managers for performance. It needs reward performance—where performance includes how much the PIA profits *and* how well the PIA rehabilitates inmates. This will encourage PIA managers to tighten their inventory, close unprofitable enterprises, increase sales, and rehabilitate prisoners.

History of the Prison Industry Authority

The California Prison Industry Authority (PIA) was created in 1983 to run California's prison industries.[1] The PIA was a successor to the California Correctional Industries Commission (CIC).[2] The Legislature found that the CIC had failed to provide productive jobs, reduce Corrections' costs, and reduce inmate idleness.[3] It was believed that the "constraints of state government" were contributing to these failures.[4] So the PIA was created with the intention that it would be less burdened by these constraints and would be run "more like a business."[5]

To help make this happen, lawmakers created a board for the PIA and allowed the PIA to receive its money from a "continuous appropriation fund" so that it would not need to seek funds from the Legislature each year.[6] The Legislature thought these changes would help the PIA succeed where the CIC had failed.[7] In particular, the Legislature hoped the PIA would reduce the operating costs of the California's prisons, employ inmates, and improve inmate's work habits.[8] Section 2801 of the Penal Code set out the three purposes of the PIA in more detail:

> "To operate a work program for prisoners which will ultimately be self-supporting by generating sufficient funds from the sale of products and services to pay all the expenses of the program, and one which will provide goods and services which are used by the Department of Corrections thereby reducing the cost of its operation" (be self-sufficient and help reduce costs of CDC);
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> "To develop and operate industrial, agricultural, and service enterprises employing prisoners" (employ inmates);
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> "To create and maintain working conditions within the enterprises as much like those which prevail in private industry as possible, to assure prisoners employed therein the opportunity to work productively, to earn funds, and to acquire or

> improve effective work habits and occupational skills" (develop inmates' work skills).[9]

It is worth noting that some see these statutes as being "contradictory."[10] For example, the PIA could have a farming operation that employed many inmates, but did not give them any significant work skills. Or they could have a manufacturing facility that was profitable and reduced CDC's costs, but did not employ any inmates because production had been automated. Finally, the PIA could have an auto repair shop that gave inmates excellent training, but was not profitable.[11] The governing statutes did not indicate how these potential conflicts were to be resolved. Perhaps then it is not surprising that:

> PIA managers have constantly redefined the internal operating mission statement to meet changing PIA legislative and economic operating environment. At different times, the mission has been stated to improve profitable enterprises, provide a maximum number of inmates with training and work experience, and meet and surpass the expectations of PIA customers. The result is a lack of a clear and consistent long term mission and direction.[12]

As of 2004, the PIA operated "25 manufacturing, service, and agricultural enterprises within 60 factories and farms located at 22 of the State's 32 correctional institutions."[13] These enterprises produced goods and services ranging from flags to eggs to eyeglass lenses.[14] They generated $144 million in revenue in 2003–04.[15] To achieve this, the PIA employed approximately 5,600 male and female inmates (around 3.6 percent of the inmate population) and around 660 "full-time equivalent state employees."[16] Annual sales for financial year 2004-05 were approximately $167 million and PIA sales are expected to grow: "Because of the increasing CDC inmate population, the PIA has a built-in and growing future market."[17]

Nearly all of the PIA's goods and services are sold to state agencies or other state customers (around 97%).[18] "State law generally requires state agencies to maximize the purchase and use of PIA-made goods or services at prices set by the Prison Industry Board."[19] Major PIA customers include: The California Department of Corrections (47%), Department of Motor Vehicles (14%), Department of Health Services (12%), State Hospitals (8%), California State University/University of California (4%), All other state customers (12%), Nonstate customers (3%).[20] Other potential PIA customers include local, federal, and even foreign governments (but only California state agencies are required to buy from the PIA.)[21] The PIA is not, however, permitted to sell to private individuals.[22]

As noted above, state agencies are required to make "maximum use of PIA products and to work with PIA to develop additional products to meet their needs."[23] The Department of General Services usually has the authority to purchase goods and services for state government.[24] General Services may buy goods from the private sector when it feels PIA goods are too expensive.[25] When General Services delegates its purchasing authority to state agencies, the agencies can submit waivers if they do not want to buy from the PIA.[26] Despite the seeming flexibility for state purchasers, the situation is understood to be one of mandatory use, where unless there are special circumstances, the state agencies are required to buy from the PIA.[27]

The PIA is unusual for a state organization because of its independence.[28] As an authority, the PIA has its own 11-member Prison Industry Board (the Board), chaired by the director of the CDC and consisting of "representatives of industry, labor, state agencies, and the general public."[29] It also has its own Prison Industries Revolving Fund, which it uses to finance its operations.[30] Other correctional programs are in the Corrections' budget, and so are scrutinized like other items in the state budget.[31] The PIA, by contrast, only submits its annual budget to its own board.[32] This makes the PIA a "highly autonomous and relatively low profile state government organization."[33]

While the PIA's financial independence makes it unusual for a government organization, in other important ways, the PIA has been stymied in its efforts to operate more like a private business:

> The legislation creating the PIA expressed the intent that the authority operate much like a private business and contained specific statutory provisions to free the authority from the existing procedural requirements of the civil service system. However, before the PIA commenced operations, the State Personnel Board asserted that the PIA statute was superseded by civil service requirements provided in the California Constitution. So the PIA agreed to submit its personnel decisions to the Department of Personnel Administration and to the board, and has continued to do so today.[34]

So today the "PIA finds itself today bound by civil service rules and with significant limits upon its ability to act as an entrepreneur. The constraints imposed by civil service conflict with the PIA's efforts to become more like a private business, limiting its ability to hire, fire, and reassign staff with the skills it needs in a rapidly changing business environment. It is also frustrating efforts to implement a pay-for-performance salary structure."[35] It seems that the PIA cannot change how it hires, fires, and pays people "without a change to that State's constitution regarding the civil service system."[36] Currently, the only PIA employees who are not civil service staff are the General Manager and the Board Executive Officer.[37]

Being under civil service rules is problematic because "[t]he State's civil service system for hiring and terminating employees is inordinately complex and lengthy and the State has no incentive compensation structure."[38] While the PIA does not have an incentive compensation structure, their non-inmate employees are expensive: "PIA free staff salaries (not including fringe benefits) may be more than 30 percent higher than comparable positions in the private sector."[39] The inmate labor force, however, is extremely cheap: "Inmates working for the PIA are paid from $0.30 to $0.95 per hour (depending on the labor classification and step level)….Additionally, the PIA does not pay benefits such as health insurance or social security taxes. The PIA has a very inexpensive labor force."[40] While this labor force may be cheap, it is less than ideal:

> The inmate work force is relatively unskilled and uneducated. Also, the labor force is far less stable than found in the private sector. The turnover rate can range from 25 percent to over 200 percent a year due to inmate transfers, releases, and changes in work assignments. This causes the PIA to spend considerable time training an ever-changing work force. Also, because the PIA uses an inmate work force in a secured CDC environment, the work day can be reduced by as much as two hours in an eight hour work day. Examples of unproductive time are the need to constantly account for inmate location, to perform standing counts, and to make inmate searches at various points of ingress and egress. Finally, work is disrupted because of lockdowns and other legal or institutional requirements. The PIA estimates lost production hours due to lockdowns and other institutional reasons to equal 17 percent of their total labor hours. Production interruptions may cause the PIA to stockpile more inventory, thereby increasing product inventory costs. The PIA has an inefficient labor source.[41]

It is also worth briefly describing another California prison industry program, the Joint Venture Program:

> The Joint Venture Program (JVP) of the California Department of Corrections is responsible for implementing the Prison Inmate Work Incentive, Proposition 139, passed by the voters in 1990. Under its provisions, the Director of Corrections is mandated to recruit private businesses that can set up operations inside California State Prisons and hire inmates. Inmates are paid a prevailing wage, which is then subject to deductions for room and board, crime victim compensation, prisoner family support, and forced inmate savings for release.[42]

By participating, employers get state tax breaks, cheap rent, a captive labor pool, and do not have to provide workers with benefits.[43] Possible JVP enterprises include manufacturing, assembly work, support services (e.g. clerical, packaging), and recycling.[44] The JVP is expected to generate around 1,000 jobs for California inmates.[45]

Present Situation

Reducing CDC's costs

A. Pricing Issues

The PIA is not "statutorily required to establish prices as near as possible to the prices of equivalent items that are commercially available."[46] The Board, however, expects the PIA to offer competitive prices.[47] But because of PIA's other statutory purposes (employing inmates, giving inmates work skills), the PIA "cannot focus exclusively on competitive pricing."[48] Rather, the Board expects the PIA to offer competitive pricing "as long as its profitability is ensured."[49] That means the Board "generally expects PIA to price each item at a level sufficient to recover the cost of producing the item."[50]

In spite of the PIA's seeming ability to unilaterally raise prices, state agencies are required to make "maximum use of PIA products."[51] As one audit described it: "With few exceptions, the PIA establishes prices in monopoly environment with a captive customer base."[52] In 1996 it was estimated that more than one-half of the PIA's products were too expensive to be competitive in standard state procurements.[53] When state agencies are required to buy these more expensive products, it can cost them significant amounts: during fiscal year 1994-95, for example, state agencies paid an extra $12 million for PIA products.[54]

In a 2004 report, the California Procurement Team gave some examples of significant price disparities:

- A state law enforcement agency paid $24,000 for safety decals produced by PIA. The agency said the same product would have cost $2,200 from a private vendor.
- A state agency had a PIA shelving system installed for $19,566. A private business could have done it for $9,538.
- One of California's college systems estimates it could save more than $400,000 annually if not required to buy PIA products.[55]

Despite these dramatic examples of price disparities, a survey of PIA prices in 2002-03 indicated that most PIA products are priced below average.[56 #] The survey looked at prices of 19 PIA products and services that generated 24 percent of the PIA's revenue.[57] It showed that the prices for 14 of the products fell below the average price of the vendors.[58] Two items were no more than 15 percent greater than the average comparable price, and three items were 31 percent or greater than the average price.[59]

Being below average does not mean the PIA is the offering the lowest price, and when it is not (as in the examples above from the California Procurement Team), state agencies may not want to buy from the PIA. This inevitably puts pressure on the mandatory use provision. As far back as1997, the PIA said it expected mandatory use to end.[60] In its 2005 Strategic Business Plan, the PIA again spoke as if it was anticipating

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[#] Total of 19 items. Percentage Above (Below) Other Vendors' Average Price:
31% and above, 3;
16 to 30%, 0;
0 to 15%, 2;
(0 to 15%), 7;
(16 to 30%), 5;
(31%) and below, 2.

the end of mandatory use.[61] Indeed, it hinted it would welcome the move because it would make it operate more like a private business.[62]

B. Unprofitable Enterprises.

The PIA has consistently subsidized unprofitable enterprises.[63] In fiscal year 2003–04, for example, eight profitable enterprises offset losses from 20 other enterprises.[64] (PIA has since closed three unprofitable enterprises.[65] PIA closed a textile mill and a paper products enterprise during fiscal year 2002-03 because the benefits to inmates did not outweigh the losses sustained by these enterprises.[66] In 2003, PIA closed a refuse company because the city Folsom was its only customer.[67]) The PIA argues that its statute only mandates that it be self-supporting as whole, not that each product or industry be self-supporting.[68] The State Auditor writing in 2004 seems to agree: "State law stipulates only that PIA is to remain ultimately self-supporting over time rather than annually or by enterprise, so PIA has significant discretion in the manner by which it fulfills this requirement."[69] This means the PIA can decide whether to continue operating enterprises that are losing money. It may want to do this because the enterprise is employing many inmates or giving inmates excellent training, two of PIA's statutory purposes. The manager simply must make sure that the losses from these enterprises will not threaten PIA's ability to be self-supporting.[70] The PIA claims that over time, as a whole, it has been self-supporting.[71*]

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[*] Not including significant interest and rent subsidies PIA receives, which will be discussed in more detail below.

This permissive view of PIA operations is troubling to some. The argument against it is that when it runs unprofitable factories, the PIA is forced to charge more than full costs for the profitable factories in order to remain self-supporting.[72] Without the unprofitable factories, the PIA could just price items at its costs to make them, giving the customers a better deal while remaining self-sufficient.[73] When the PIA keeps its unprofitable factories, state agencies are "unknowingly subsidizing the inefficiencies of many PIA factories and the true cost of inmate employment programs [are] hidden in the expenditures of other state agencies."[74] So this group interprets "self-supporting as a required element of all portions of PIA operations; every product, factory, and industry."[75] They suggest that if the PIA believes an unprofitable industry provides valuable training or employment, then the PIA should request an appropriation from the Legislature sufficient to make the industry break even, rather than "funding the program through the budgets of its customers."[76]

C. Too Many Enterprises

A related problem of having unprofitable enterprises is simply having too many enterprises and too many products. The PIA has "a diversity of products and services that exceeds many conglomerates."[77] Because the PIA produces a large number of products, central management and people running the factories often do not have an "in-depth" knowledge of the products the factories are producing.[78] This may partly explain why the PIA sometimes produces inferior or overpriced products. It is unlikely that a private corporation would make a product that no one in the company had an "in-depth" knowledge about.

PIA points out that it is mandated "to provide as much employment for inmates as is feasible, and to provide diversified work activities to minimize the impact on existing private industry in the state."[79] In addition, the PIA cannot start a new enterprise or grow an existing enterprise if it would have a "have a comprehensive and substantial adverse impact on California industry which cannot be mitigated."[80] So the PIA believes, "diversity into other enterprises is the only alternative."[81]

Secondly, the PIA believes it has to diversify because its main customers—state agencies and to a much lesser extent local governments—can only generate "very limited demand for any one product."[82] In short, the "market base is too small to limit production to only a handful of products."[83] So in order increase sales and provide employment to as many inmates as possible, the PIA believes it must have a diversified product line.[84]

This is a serious concern, and partly explains why the PIA has so many enterprises. But they PIA may be overstating the combined impact of the two legal provisions above. First, "a comprehensive" and "substantial" impact that "cannot be mitigated" is a significant test to meet. The PIA should not assume that if they start producing a product, this impact will necessarily result, or that it cannot be mitigated. This is especially true as California moves from a manufacturing to a service economy; if the PIA is focusing on manufacturing it is becoming less likely that they will impact an existing California business. But even if a California business is impacted, the PIA should assume that in most cases they will be able to produce the product, and they will mitigate the impact if necessary. The language in the statute would seem to dictate a presumption in favor of allowing PIA expansion.

Second, it is surprising to hear the PIA speak of a "very limited demand" for any particular product. The PIA has a huge guaranteed customer in California state agencies. And while the PIA may not be able to significantly increase sales to these agencies, it could still increase its sales to local governments in California, the federal government, and foreign governments. It will not be as easy selling to these customers (because they are not required to buy from the PIA), but a potential market is there.

D. Inventory Issues

One egregious example of PIA's business failure lies in its inventory management. Good inventory management seems to be a trait of some of the most successful companies. Wal-Mart, for example, is well known for its cutting-edge technology to manage inventory. In general terms, Wal-Mart has a system where when a person buys a pair of pants, a message is automatically transmitted to the manufacturing facility and the facility knows to make an extra pair of pants of that size and color. The best companies are known to have a system perfected where they get items on the shelf "just in time." The inventory spends little time sitting in warehouses or even on store shelves. This saves them money because it reduces their excess inventory, which is expensive:

> Excess inventory is the difference between inventory on hand versus what is required to meet customer demand…Excess inventory carrying cost is composed of the costs of depreciation, obsolescence, storage, and interest. For example, as inventory sits idle it becomes less valuable because of depreciation and the risk of the product becoming obsolete and unsellable. Additionally, the entity incurs a cost to warehouse the extra goods. Finally, the entity must consider the dollars

> invested in stagnant inventory that cannot be used for other purposes, measured by lost interest earnings. These four factors are added together to calculate the money an entity wastes carrying excess capacity.[85]

While many companies take their excess inventory cost very seriously, the PIA management does not seem overly concerned with its excess inventory. It must first, of course, be pointed out that PIA has some disadvantages. Prisons are liable to have shutdown days for a host of reasons, ranging from riots to too much fog at the prison. Private businesses have those shutdowns much more rarely, usually owing to broken equipment. So to prevent delays in getting goods to their customers, the PIA may have keep some excess inventory in preparation for shutdowns.

Having said that, the PIA's excess inventory goes far beyond what can be attributed to some extra inventory for shutdowns: "The PIA maintains inventory levels that are, in some industries, several times higher than comparable levels maintained by the private sector."[86] Over a three-year period ending in 1997, the California State Auditor estimated the PIA "wasted over $12.2 million carrying inventory it [did] not need to meet demand."[87]

In spite of having excess inventory, a frequent complaint levied against the PIA has been that it takes too long to deliver products to its customers.[88] Indeed, this seemed to be one of the significant reasons why customers no longer wanted to be required to buy from the PIA.[89] The PIA hoped to improve on this problem by starting what it called the Prompt Delivery Program (PDP).[90]

Historically, the PIA made products for its customers after receiving a particular order from them.[91] The PDP changed that by having the PIA make products before a customer had ordered them.[92] The products would then be sent to a warehouse, and then could be immediately shipped when a customer eventually did order them.[93] The PDP succeeded in speeding up delivery times, and customers were happier with the PIA.[94]

While the PDP may seem like a sensible solution to a problem, it may be more accurate to say the PDP sheds light on PIA's management failures. It sheds light in two ways. First, it shows how the PIA may be inclined to solve problems. The PIA did not examine "the underlying reasons for needing to use the PDP, namely its inability to produce and deliver products on a timely basis."[95] Doing this examination may have alerted the PIA of the need to improve its "forecasting and production planning techniques."[96] Instead, the PIA started the PDP, which was a "narrow operation solution."[97] And in this narrow operation solution, the "impact of increasing inventory levels and carrying costs does not appear to be considered."[98]

Second, it sheds light on how the PIA evaluates itself: "Despite the recognized dramatic increase in excess inventory and the large number of dormant stock items on warehouse shelves, the PIA considers its current PDP a success and may make more products available through [it]."[99] It seems as if the PIA is only paying attention to the benefits (in this case, improved delivery times), without balancing the costs of the program. Being able to seriously think through and understand costs and benefits is essential for a business. The PIA does not seem like it has yet mastered this game.

E. Buyout Issues

A related problem to that of inventory is the issue of buyouts. "If the PIA cannot produce enough products or render services to meet demand, it purchases comparable finished goods and services from the private sector. The PIA calls this activity a 'buyout'."[100] The State Auditor gave a concise history of the PIA's buyout activities over one three-year period:

> From July 1994 through December 1997, the Prison Industry Authority (PIA) spent over $9.6 million on 656 buyouts for finished goods and services from the private sector. Although about 46 percent of these buyouts generated profits, 54 percent were sold at a loss of roughly $208,000 during the period reviewed. These losses were likely subsidized by the PIA's customers for other goods and services.[101]

The example of buyouts for milk and bread is illustrative: "[A]gencies must buy milk and bread from the PIA because it offers them for sale. Agencies may order milk annually, semi-annually, or quarterly; therefore, the PIA can reasonably anticipate its milk demand at least 12 weeks in advance."[102] And yet, despite having this advance knowledge, "Sixty-four percent of all buyouts for the fiscal years reviewed were for milk and bread."[103] The consequences are clear: "[w]hen the PIA cannot produce enough milk or bread to meet demand, it randomly seeks a supplier. Because its need is immediate, and it has not planned ahead for suppliers, the PIA may pay more for milk or bread than necessary."[104]

It is true that the PIA is more susceptible to shutdowns than private business, but "historical buyout amounts, known demand, and planned interruptions in production afford the PIA the opportunity to plan ahead to meet its customers' needs."[105] PIA management believes, however, that "[b]uyouts allow PIA to satisfy customer needs, provide timely delivery, keep lower inventories, and avoid excessive production capacity, all important areas."[106]

This is another troubling example of how the PIA solves problems. To meet customer demand and reduce inventory (both important goals), the PIA came up with the solution of buyouts. Instead of making serious effort to predict customer demand and make the changes necessary to do this, the PIA took another "narrow operation solution." The inventory problems and the buyout problem could both be solved to a large extent by good planning and a better understanding of customer demand. Instead, the PIA decided to stock its shelves with excess inventory and buys goods from the private sector to meet customer demand. There could be real benefits if the PIA attempted to manage a lean inventory and accurately predict customer demand. One benefit could be inmate training: if the PIA involved the inmates in this effort, the inmates could learn some important business skills.

Whether the PIA sells the item for a profit or a loss to state customers, buyouts seem like a losing proposition. If the PIA sells an item at a profit, it is troubling because the purchasing agency could likely get the item through state procurement more cheaply. It is doubtful the Legislature wanted to require state agencies to pay a premium so the PIA could function as a middleman. If the PIA sells an item at a loss, then they end up losing money, and the purchasing agency likely saves nothing. The winner in both cases is the private company selling the PIA "emergency" items at a premium price. In addition to costing the state money, buyouts employ few if any inmates and do not give inmates any important work skills. Therefore, none of the PIA's statutory purposes are being fulfilled when the PIA engages in buyouts.

F. Subsidy Issues

The PIA "overstates its true financial performance" in its income statements because it ignores the rent and capital subsidies it receives.[107] The PIA does not "pay rent to the CDC that sufficiently recovers the CDC's construction and maintenance costs of the rented facilities."[108] In addition, the PIA often does not pay interest on the machines and equipment the State (or the CDC) buys for its facilities.[109] For example, the PIA has not paid interest on "$109 million of capital contributed [between 1983 and 1995] by the General Fund to build PIA factories and buy equipment.[110] This equates to a subsidy of approximately $54 million."[111] PIA's retained earnings over these same 12 years were approximately $21 million; "[t]his is a net loss of $33 million."[112]

This is troubling because it contradicts with the PIA's statutory purpose being self-supporting and reducing CDC costs, and makes it more difficult for the Legislature to gauge the success of the PIA.[113] The Legislative Analyst's Office put it this way:

> The PIA's improved net income statement overstates its true financial performance because it does not reflect significant state subsidies for capital outlay, below-market rents, or the premium paid by some other state agencies required to purchase PIA goods. Thus, the original legislative goal of PIA self-sufficiency has not yet been fully achieved and the state does not appear to have received any significant direct financial return on its major investment in correctional industries.[114]

Further evidence of the PIA's lack of financial return to the state can be seen in the fact that "State law provides for the transfer of surplus PIA funds to the state General Fund, but the PIA reported that it has never executed such a transfer of funds since its creation."[115]

The PIA's basic response to the subsidy charge has been to point to legislative intent. They argue that the California Legislature did not intend the PIA to include these subsidies on its income statement and therefore it is perfectly appropriate for the PIA to not include them.[116] If the Legislature wants to give the PIA subsidies with no strings attached, then, according to the PIA, they should be allowed to do so.[117] The State Auditor's response to this was pointed:

> We examined the PIA from the perspective of determining how the PIA's activities affect the taxpayer. The question of whether the PIA or some other component of state government paid to support the PIA's activities is not important. In the final analysis, all of the money comes out of the taxpayers' pockets. Therefore, we believe that any analysis of the issues of PIA's self-sufficiency must include all funds provided by the taxpayers to support the PIA, not just those included on the PIA's financial statements.[118]

<u>Employing Inmates</u>

One statutory purpose of the PIA is to employ inmates, which reduces idleness and prison violence.[119] Even reports critical of the PIA recognize its important contribution in keeping inmates busy.[120] Additionally, PIA jobs are among the most popular positions in prison, and when inmates have a goal of working for the PIA, they are likely to have improved behavior.[121]

However, PIA participation as a percentage of inmate population has been dropping over time.[122] For example, PIA participation "declined from 6,295 in fiscal year 1992–93 to 5,669 in fiscal year 2003–04. During the same time period, Corrections' institution population has increased from about 106,000 inmates to approximately 156,000."[123] This means that in 1992-93 PIA employed about 6% of the inmate population, while in 2002-03 it employed about 3.6% of the inmate population. This trend shows no signs of abating. For example, these are the Correctional Program Assignments as of June 30, 2004:

> Inmates assigned to a program:
> PIA 5600, 3.6%; Vocational Education 7,900, 5.1%; Academic education 10,500, 6.8%; Bridging education 17,500, 11.2%; All other assignments 10,200, 6.5%; Institutional support and work programs 43,100, 27.7%; Total inmates assigned to a program 94,800, 60.9%.
>
> Inmates not assigned to a program:
> Unwilling to work 900, .6%; Ineligible for programming 10,600, 6.7%; New inmates and not yet assigned 13,700, 8.8%; On waiting list for program 35,600, 22.9%; Total inmates not assigned to a program 60,800, 39.1%;
>
> Total Corrections' institution population as of June 30, 2004 155,600, 100%.[124]

It was not always clear that this would be the trend. In the 1980s, the PIA set a goal to provide 42 percent of all inmate assignments at newly built prisons.[125] This goal was eventually abandoned and since then, the PIA has not set ambitious employment targets.[126] Indeed, until very recently, the PIA did not set any targets at all.[127] And while for the 3.6% of the inmates working it may reduce idleness, there are surely less expensive ways to do this: If the goal was simply to reduce idleness, California could have the prisoners spend their days "break[ing] rocks into little pieces."[128]

<u>Preparing Inmates</u>

A major study published by the Urban Institute in 2002 concluded that "correctional programs can increase post-release employment and decrease returns to prison, provided the programs are well-designed and implemented."[129] A 2001 California Corrections study also found a "modest association between inmate participation in some correctional programs and higher post-release employment in addition to reduced returns to prison."[130] The Urban Institute study, however, pointed to the extreme difficulty of drawing a direct causal link between a program and an inmate's success.[131] The study "identified a range of methodological limitations that preclude any assessment of direct and unequivocal beneficial effects resulting from inmate participation in correctional programs. For instance, inmates who participate in correctional programs may have a preexisting motivation that those who do not participate in correctional programs lack."[132]

In spite of this difficulty, there is a general consensus that correctional programs can work.[133] In the PIA's case, however, there is "little evidence that …[its] program has any measurable impact on inmate employment after release and a corresponding reduction in recidivism."[134] This is perhaps due to the fact that PIA has not "established performance measures to track participants' post-release success and evaluate its own performance."[135] As one state senator put it, "We have no recidivism figures. [The PIA] may be of no value."[136] The PIA advertises success stories, but these are anecdotal proof, and not a sound basis for believing that the PIA reduces recidivism.

Plans for the Future

PIA's Optical Lab

To open the discussion of the PIA's future, it will be helpful to look at the PIA's optical lab, one very successful PIA industry.

The PIA's optical lab is a widely cited example of how the PIA can be an asset to California.[137] The optical lab seems to meet all three of PIA's statutory requirements: it is self-sufficient *and* saves California money, it employs over 300 inmates, and it provides excellent work skills.[138]

In 2003-04, the optical enterprise made a profit of over $6 million.[139] In addition, "[a]ccording to the Department of Health Services, the taxpayers save approximately $360,000 annually because the rates charged by the PIA are lower than those that would have otherwise been paid by the DHS to optometrists."[140] So the PIA is able produce the cheapest optical products and still make a healthy profit.

PIA optical labs, in conjunction with vocational programs, also provide thorough training in the field:

> The majority of these inmates have had vocational training before being assigned to PIA optical labs. This training is enhanced through on-the-job training and job rotation until those inmates who demonstrate their ability have been trained in virtually all phases of the lab. According to the PIA, numerous inmates have gone on to become success in the optical field after their release from prison.[141]

The optical program seems like an excellent PIA program, and it should be expanded to the extent that it can (for example, to local governments and the federal government). But given that the program only employs about 300 inmates, or .2% of the California inmate population, the lessons to take from it are more important than the program itself.

Two things about the optical lab seem significant, and should be replicated in other PIA programs. One is the comprehensive training the inmates receive. They not only get work training in nearly all phases of the optical lab, but they also get vocational training in the same area. This approach gives inmates a broad understanding of the optical field, rather than a narrow one where they can only do a specific task. Designing PIA programs to be comprehensive and also combining them with vocational and education programs will help give inmates a broader understanding of the fields they are working in.

The second thing to take away from the optical program is that it gives the inmates a skill set that they can use when they get out of prison. The skill set is semi-technical: it is not general knowledge so it is somewhat valuable, and it is not overly technical so as to make in-prison training too expensive or just unrealistic. For example, training in computer programming or accounting may be too technical; by contrast, training in janitorial work or food service may not be technical enough. So the PIA programs should focus on those semi-technical areas: e.g. plumbing, electric work, auto repair, basic computer repair, cooking and baking, and so on. While certain manufacturing jobs would fall in this semi-technical category, the concern with them is they may not exist outside of prison. As California and the United States move away from a manufacturing economy, manufacturing jobs will become more rare. It is therefore important for the PIA to be shifting emphasis from the manufacturing jobs to these semi-technical jobs.

PIA's Own Plans for the Future

First, it is worth describing PIA's own plans for improvement. PIA hopes to grow its annual business to $200 million and grow its work force by 25 percent, all within five years.[142] The PIA plans to do more to demonstrate the quantitative value of its programs.[143] Specifically, it will pay for a study to measure the impact of its program on inmate's post-release success.[144] PIA will also produce the table (described below) recommended by the State Auditor and include it in its Annual Report.[145] PIA will work with the California Department of Corrections to "compare its impact on post-release employment and recidivism with other correctional programs and non-participants."[146]

The PIA is currently expanding its Inmate Employability Plan. "Among other things, this plan will establish industry-accredited training and certification programs, link PIA-trained and certified parolees with related private sector jobs, and work with Corrections to establish PIA classification and participation criteria for PIA work programs."[147] The PIA has already increased "the number of certifications issued…for specific jobs at PIA enterprises, such as forklift operator and certified optician."[148] Over a three-year period ending in June 2004, PIA issued 2,400 such certifications."[149] PIA is also expanding its tracking activities to "better assess the impact of discrete elements of the Inmate Employability Program upon post-release employment and recidivism."[150]

The PIA has taken other steps "to increase the employability of its inmates after their release."[151] For example, PIA started offering services such as "[o]rientation and exit interviews, offering inmates résumé-writing and interview preparation material."[152] Between "December 2002 through June 2004, nearly 620 inmates who were released on parole directly from the PIA had résumé assistance."[153]

The PIA also seems to be preparing for the ending of the requirement that state agencies buy from the PIA (although it seems unlikely this will requirement will be changed in the near-term).[154] In the PIA's own words, "For too long, PIA has relied on the mandatory use provision whereby state agencies must purchase from PIA."[155] Instead of relying on the mandatory use provision, the PIA wants to become the "vendor of choice."[156] Striving to become the vendor of choice will make the PIA "operate more like a self-sufficient business where prices are competitive, where costs are controlled, and where only enterprises that balance profitability and employment are maintained."[157] In spite of the potential benefits of ending mandatory use, the California Legislature has not followed the lead of New York, which in 1995 amended its laws to no longer require state agencies to purchase prison industry products.[158] After the change, sales of New York prison industry products did not drop significantly.[159]

Suggestions from the California State Auditor and the Legislative Analyst's Office

Reducing CDC's costs

A. Business Recommendations.

Privatize the PIA as an independent nonprofit organization.[160] This organization would have "two primary and complementary goals of (1) financial self-sufficiency and (2) achievement of a reduction in recidivism by improvement in inmate employability."[161] This would mean employing as many inmates as possible would no longer be a mission of the PIA.[162] As part of this privatization, the PIA would lose its monopoly on state government business but would be able to sell to the private sector.[163]

Even if the PIA is not privatized, some suggest freeing the PIA of its existing civil service constraints so that it can be more entrepreneurial and hire and fire people more easily.[164] It should also pay non-inmate PIA employees more like workers in the private sector.[165] For example, compensation for salespeople and managers should be based on performance, and employees should be able to participate in a profit-sharing plan.[166]

B. Unprofitable Enterprises, Pricing Issues, and Mandatory Sourcing.

As noted above, for certain products, PIA's customers are forced to pay more than they would have paid on the open market. There are two general ways to improve this situation. One way would be to reform the mandatory use provision.[167] One such reform would amend state law to "allow state agencies to purchase goods and services from a commercial supplier if the value and price are superior to those offered by PIA."[168] Another pricing reform would require the PIA to "(1) reduce costs, (2) discontinue operations, or (3) seek an appropriation from the Legislature to allow that industry continue employing inmates" when "the PIA industry cannot compete with the market pricing."[169] Finally, the Legislature could remove the mandatory use provision entirely, allowing state agencies to purchase products from any vendor they wanted.[170] This would mean the PIA would lose its protected market, and state agencies would be free to buy the lowest priced products.

A second way to make sure PIA's customers are not overcharged is to reform PIA's practice of subsidizing unprofitable enterprises. Right now, certain industries lose money, so the PIA charges more for certain other products to support these industries.[171] The reform would have the PIA review all of its industries to determine which were not self-supporting.[172] Those industries would then be scaled back or eliminated.[173] This would mean the PIA would no longer have to subsidize unprofitable factories, and so their remaining products would be cheaper to their state customers. Unprofitable, but worthwhile enterprises, could be combined with other CDC programs, in which case the CDC—and not other state agencies—would bear the cost.[174]

The California State Auditor suggests the PIA evaluate each enterprise based on how many inmates that enterprise employs:

> PIA could also analyze each enterprise based on a per-inmate figure that combines an enterprise's profitability and the degree to which it employs inmates. For example, although the furniture enterprise in fiscal year 2003–04 operated at a net loss of about $7.4 million, it employed 739 inmates, resulting in a per-inmate loss of approximately $10,000. This per-inmate figure compares more favorably against other enterprises that have a smaller net loss but employ fewer inmates. For instance, the cleaning products enterprise operated at a net loss of about $449,500—lower than the net loss of the furniture enterprise—yet its per-inmate loss in fiscal year 2003–04 was about $18,700, the second-largest among the active enterprises. Thus, when we evaluate the contribution of each enterprise—not only to PIA's statutory purpose to be self-supporting, but also to PIA's statutory purpose to employ inmates—the benefit of the furniture enterprise increases.[175]

It should be noted that the PIA has already started using profitability per inmate "as an indicator of performance."[176]

Employing Inmates

One recommendation is that the PIA establish "long-range annual employment targets overall, for each enterprise, and as a percentage of Corrections' institution population."[177] The PIA would then include these targets in its report to the Legislature, and provide explanations when they are not met.[178]

PIA has begun using a new priority model for assigning inmates to the PIA.[179] "The model gives priority to inmates serving sentences between two and five years."[180] This will mean more inmates with PIA experience will be released into society in the short-term.[181] The PIA expects to reduce the number of long-term inmates in the program through attrition.[182] Others have suggested selecting those inmates with "two strikes" to attempt to reduce the number of "third strikers" entering the system.[183]

Some do not believe the PIA should employ as many inmates as possible.[184] Rather, they suggest the PIA use modern technology instead of labor-intensive technology.[185] This would allow the PIA to produce goods more inexpensively and would also give those trained in the technology excellent preparation for work outside prison.[186] They believe maximizing inmate employment would best be addressed through other CDC programs such as institutional support or community work crews.[187]

Measuring Program Success

Generally, the PIA must do more to measure the success of its programs:

> Although PIA has begun to measure its participants' ability to obtain post-release employment and to avoid returning to prison, it has not established targets or performance measures to track participants' post-release success and evaluate its own performance. For instance, PIA does not compare its participants' post-release success to that of participants in other correctional programs, to nonparticipants, or to its own expectations. In addition, PIA lacks the necessary data to determine whether the specific training or experience it provides inmates affects the types of jobs they obtain after release. Despite the challenges of establishing a direct link between PIA's activities and inmates' level of success after release from prison, without measuring and reporting on how inmates who have participated in its enterprises fare after release, PIA cannot provide an adequate perspective on the effectiveness of its pursuit of its statutory purpose to offer inmates the opportunity to develop effective work habits and occupational skills.[188]

The PIA should evaluate how successful each enterprise is at helping inmates gain work skills.[189] Success in this case will be measured in large part by looking at "inmates' ability to obtain post-release employment and avoid returning to prison." [190] One proposed evaluation tool would include the following measurements:

> 1. Entered Employment Rate: The number of inmates who worked at least six months in Prison Industry Authority (PIA) and who have entered employment by the end of the first quarter after release divided by the number of inmates who worked at least six months in PIA and who were released during the quarter.
>
> 2. Employment Retention Rate at Six Months: Of those who are employed during the first quarter after release, the number who are employed in the third quarter after release divided by the number who were employed in the first quarter.
>
> 3. Earnings Change in Six Months: Of those who are employed during the first quarter after release, the earnings during the third quarter minus the earnings during the first quarter divided by the earnings during the first quarter.
>
> 4. Employment in Related Industry: Of those who are employed during the first quarter after release, the number who are employed in an industry related to the enterprise in which they obtained PIA work experience divided by the number who are employed who obtained work experience in each enterprise.
>
> 5. Recidivism Rate: Of those inmates with at least six months' participation in PIA, the number who are returned to prison for any reason during a specific follow-up period (one, two, or three years) divided by the number who are released during a particular period (one year)."[191]

In addition to looking at employment and recidivism figures, PIA should assess whether certain enterprises lead to higher-paying jobs or jobs in a related field.[192]

PIA should establish employment and recidivism targets for each enterprise.[193] It should also "establish a wage success rate for each enterprise."[194] In making its targets for the post-release success of its participants, the PIA should use as a guide participants in other correctional programs, nonparticipants, and its own expectations.[195] Currently, the PIA "cannot determine whether inmates who earn occupational certifications or work in particular enterprises actually obtain employment related to the area in which they were trained."[196] The PIA "should track the individuals participating in unique components of the inmate employability program, such as additional résumé assistance or specific occupational certifications, to determine whether there is a link between the components and inmates' post-release employment, earnings, and returns to prison."[197]

The Author's Ideas

A. Bring in Better Management

The first priority of the PIA should be to bring in better management. PIA management has failed in many areas: sales, inventory management, supporting failing businesses, and those are just the most egregious examples. The sales failure is striking: more than 85% of PIA's sales currently go to state agencies—the one customer that has to buy from them. That less than 15% of their sales go to customers who do not have to buy from them gives an indication of how ineffective PIA's sales efforts have been. Of course, they are not able to sell to private customers, which takes away a huge potential market. But local, the federal, and foreign governments are also a huge potential market that the PIA seems to have ignored. In the PIA's own words: "Over the last several years PIA has lost market share in city and county business due to local vendors' more thorough understanding of customer requirements."[198]

Increasing sales would be a boon to the PIA. It would allow them to increase inmate employment without having to diversify and expand their product line. It would also allow them to produce certain products in greater quantities, reducing the costs of those products. It would make it possible for the PIA to develop a real expertise in certain areas. For example, selling optical products to the foreign governments could mean giving many more inmates excellent training in the optical program, and allow the PIA to further reduce the costs of its optical products.

Bad inventory management is also striking because the PIA is essentially throwing away money when it lets items sit idly on warehouse shelves. If one hears the argument that the PIA cannot afford to bring in good management, it would be an appropriate response to point to all the hidden costs of bad management.

The PIA Board, therefore, needs to recruit good management and salespeople, and be willing to pay them extremely well for their work. The salaries should be competitive with the private sector. The salespeople should be paid on commission; the managers should be paid a percentage of PIA profits. The PIA should put ads in *Barron's*, *The Wall Street Journal*, and other major financial publications. The ads should stress that the PIA is seeking experienced, successful, and aggressive businesspeople. People who want to want to make a lot of money, and as a bonus, will be helping solve one of California's most pressing problems.

B. Get The PIA Exempted from California's Civil Service Rules

The Legislature created the PIA so it could operate "more like a business." One of the key advantages a business has is leverage over its personnel: it can pay employees for performance and it can quickly hire and fire people. But right now, the PIA does not have that leverage because it has to abide by California civil service rules. The State Personnel Board made that decision in 1983.

It is exceedingly important for the PIA to shed its civil service rules so it can attract the best people from the business world. First, the Legislature should put enormous pressure on the Personnel Board to change its decision. It is almost inconceivable that the Legislature intended for the PIA to be bound by these rules, and the Personnel Board's decision is therefore thwarting the will of the people. This would be the most straightforward route.

Alternatively, the PIA could look for creative ways to pay people for performance but still follow the letter of the law. For example, the General Manager and the Board Executive Officer are not subject to civil service rules. Perhaps the PIA could bring in more people under the exception these two employees came in under. Perhaps they could define work duties in such a way as to enable employees to come in under the exception. Or the PIA could award annual bonuses to employees that would not technically be performance bonus, but would function as them.

Finally, the Legislature could take the Personnel Board's advice and change the California Constitution to exempt the PIA from civil service rules. There will, of course, be many opposed to this, especially labor groups worried about losing labor protections. The Legislature should make clear that the PIA is a special case and will not be the first step in changing civil service rules for all government agencies. And the Legislature should emphasize that it never intended the PIA to be under civil service rule, and this change is just a formality to get over the technical hurdle put up by the State Personnel Board.

If it is simply not possible to change the civil service rules—which would be an unfortunate result—the PIA should instead offer to pay the highest salaries allowed under civil service rules and hire the best management and salespeople they can find under the circumstances.

C. Possible Dangers of Bringing In New Management

It is entirely possible to imagine the PIA making a strong turnaround if new management were brought in. If the new managers were people hungry to make money and were paid a percentage of the profits, PIA would likely run a tighter ship. The unprofitable enterprises would be shut down. Excess inventory would be slashed. Sales and profits could jump dramatically. Could there be any objections to this turn of events?

Perhaps. It is possible to imagine in this turn of events some troubling outcomes. Suppose the new managers refused to build factories in anything but minimum-security prisons. Suppose the new managers had strict employment tests and only hired the inmates with no disciplinary problems and with related experience. In addition, suppose the managers only taught the inmates a narrow set of tasks, and had them do those tasks repetitively. Suppose further they never gave inmates opportunities to work in other parts of the business. Suppose they refused to let inmates take time off for vocational or educational training to supplement their work experience.

In short, you could have a situation where the focus was on profits and not on prisoners. PIA managers would only select the best inmates at the best prisons and so the inmates getting the work experience would be the people least in need of rehabilitation. In addition, the PIA would give the inmates as little training as possible.

D. How the PIA can be Concerned about Profits and Inmates

While this turn of events may be a boon to the PIA' s bottom line, it would do little to prepare prisoners for life after prison. This is problematic because "The taxpayer and society in general may benefit when inmates…acquire a work ethic and job skills they can utilize once they are released back into society… [They] may be less likely to commit another crime and return to prison."[199] So the key question is whether it possible for PIA managers to aggressively seek profits *and* to aggressively rehabilitate inmates—and see these as complementary goals. The writer of this paper believes it is.

To make this happen, the CDC needs to put a value on keeping inmates busy; a value on giving inmates work skills; a value on inmates finding good jobs when they leave prison; a value on inmates not returning crime. The CDC needs to put a value, in sum, on rehabilitating prisoners. And after valuing this, the CDC needs to be willing to pay the PIA for it. They can either pay for it now or pay for it later in the form of higher operating costs of stuffed prisons and construction costs of building new prisons.

The PIA will be selling two broad "products". One is the eggs, milk, chairs, license plates, and other things the PIA is used to selling. The other is the rehabilitation of the prisoners, which will to make it less expensive for the CDC to operate California's prisons. The 1st one will be easy to value; valuing the 2nd one will be a complex (and evolving) calculation. It will incorporate into a sophisticated computer program what is currently known about rehabilitation. The PIA will then get paid based on the results of the computer program. The program will give the PIA credit for keeping inmates busy, for giving inmates useful work skills, for offering educational and vocational training, and generally, for preparing inmates for life outside prison. PIA managers will still be aggressively looking to make money, but because they will be paid based on how well their employees rehabilitate, they will put a strong focus on the inmates.

One clear way the PIA saves the CDC money is when the PIA keeps inmates busy, thus reducing idleness and saving the CDC from having to provide programming. A longer-term (and more significant) way the PIA saves the CDC money is when prisoners gain work skills in the PIA and so when they leave they are able to find jobs and do not recommit offenses and do not return to prison. The payoff from this is potentially huge—especially considering those prisoners with two strikes who would have stayed for twenty-five years to life had they come back. The CDC needs to have the foresight to value and pay for these savings.

Under this scenario, PIA managers will have their pay based on PIA 'profitability', where 'profitability' has an expanded meaning to include profits from selling goods and profits from rehabilitating prisoners. The PIA will also have a new way of determining if an enterprise is worth operating. If the price they can sell an item for *plus* the rehabilitation bonus they make for that item exceeds the cost of producing the item, then they should produce it. Otherwise, they should not.

E. Specifics of The New Program

Basically, the computer program will measure the change in the chance a certain prisoner will recommit times the cost of that prisoner recommitting. Suppose, for example, a prisoner had a 50% chance of recommitting before entering the PIA program. Suppose further that the cost of this prisoner recidivating would be $1,000,000 to the CDC, because the inmate already had two strikes, and with one more, would spend twenty-five years in prison. Now suppose that after entering the PIA, the inmate became skilled in milk production and began to enjoy the work. Suppose that the inmate planned on getting a job in the milk business after leaving prison. Assume that this reduced the chance this inmate would recommit from 50% to 25%. The rehabilitation of this inmate will save the CDC, on average, $250,000 ($500,000 - $250,000).

So the two factors to examine are the likelihood that one will recommit and the cost of recommitting. There are ways to predict whether someone is likely to recommit. For example, someone who has a job is less likely to recidivate. And someone who likes work, has specific work skills, a resume, or a letter of recommendation is more likely to have a job.

It is perhaps easier to predict the cost of recommitting. Older people will be costlier than younger people because it costs more to care for them (although younger people will be more likely to recommit). Violent people will be costlier than non-violent people because they have to be housed in higher-security prisons. People with two strikes are costlier than those with one: "The enactment of Three Strikes makes recidivism of certain inmates potentially much more costly to the state prison system. Specifically, any second-strike offender who is paroled and then commits a new crime would be at significant risk of being reincarcerated as a third-strike offender with a sentence of 25 years to life."[200]

The PIA should bring in actuaries, statisticians, social scientists, and computer scientists to write a computer program that will compute the rehabilitation bonus. Perhaps it would be an appropriate for the PIA to hire the Rand Corporation to write it. The program should not be static. It should evolve as the understanding of rehabilitation evolves. The program will determine, for each inmate, what their likelihood of recommitting is (both before and after participation in a PIA program) and the cost of their recommitting. The PIA will then be paid the reduced likelihood they will commit multiplied by the cost of that inmate recommitting.

The results of this program could be extremely positive. The Legislative Analyst's Office once wrote that the PIA should provide, "as its finances permitted, vocational education, job assignments, pre-release job counseling, and post-release job placement services aimed especially at second-strike offenders who are at the most risk of coming back to prison with 25-years-to-life third-strike sentences under the Three Strikes law."[201] As noted above, the PIA is starting to provide some of these services. But it is unlikely that the current PIA will have the financial ability or incentive to expand and improve these programs to be effective and reach many PIA inmates. But with the pay structure proposed here, the PIA will find it lucrative to offer these services effectively and to as many PIA inmates as possible.

The PIA may also find it cost-effective to go to maximum-security prisons because they will not only have the opportunity to change the chance of recommitting significantly, but the cost of each prisoner recommitting will be higher because these will be the worst offenders with the longest records. Because in this prison both factors will be high for many inmates, a factory there could be lucrative for the PIA. So the PIA managers, aggressively seeking profits, may decide to set up operations in places where industry normally would not even have considered going.

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[6] *Id.*
[7] *PIA Strategic Business Plan*, *supra* note 1, at 2.
[8] California State Auditor - Bureau of State Audits, *Prison Industry Authority: Although It Has Broad Discretion in Pursuing Its Statutory Purposes, It Could Improve Certain Pricing Practices and Develop Performance Measures* (Dec. 2004) [hereinafter *Performance Measures*], at 5, *available at* http://www.bsa.ca.gov/pdfs/reports/2004-101.pdf.
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[11] *Id.* at § V, 3.
[12] *Id.* at § V, 1.
[13] *Performance Measures*, *supra* note 8, at 1.
[14] *PIA Strategic Business Plan*, *supra* note 1, at 2.
[15] *Performance Measures*, *supra* note 8, at 1.
[16] *Id.* at 5.
[17] *Statutory Problems*, *supra* note 2, at 10; *PIA Strategic Business Plan*, *supra* note 1, at 2.
[18] *Performance Measures*, *supra* note 8, at 7.

[19] California Legislative Analyst's Office, *Reforming the Prison Industry Authority* (Apr. 1996) [hereinafter *Reforming*], at 3-4, *available at* http://www.lao.ca.gov/1996/043096_pia/pb042996.pdf.
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[21] *PIA Strategic Business Plan*, *supra* note 1, at 3.
[22] *Id.*
[23] *Performance Measures*, *supra* note 8, at 7.
[24] *Id.*
[25] *Id.*
[26] *Id.*
[27] California State Auditor - Bureau of State Audits, *Prison Industry Authority: Statutory and Cost Control Problems Adversely Affect the State* (Apr. 1996) [hereinafter *Statutory Problems*], at 10, *available at* http://www.bsa.ca.gov/pdfs/reports/95106.pdf.
[28] *Id.* at 2.
[29] *Performance Measures*, *supra* note 8, at 5.
[30] *Id.* at 7.
[31] *Statutory Problems*, *supra* note 27, at 2.
[32] *Performance Measures*, *supra* note 8, at 7.
[33] *Statutory Problems*, *supra* note 27, at 2.
[34] California Legislative Analyst's Office, *Reforming the Prison Industry Authority* (Apr. 1996) [hereinafter *Reforming*], at 12, *available at* http://www.lao.ca.gov/1996/043096_pia/pb042996.pdf.
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[36] *Statutory Problems*, *supra* note 27, at § V, 9.
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[48] *Id.*
[49] *Id.*
[50] *Id.* at 22.
[51] *Id.* at 21.
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[58] *Id.*
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[60] *Corrective Action*, *supra* note 53, at 19.
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[63] *Corrective Action*, *supra* note 53, at 2.
[64] *Performance Measures*, *supra* note 46, at 1.
[65] *PIA Strategic Business Plan*, *supra* note 61, at 3.
[66] *Performance Measures*, *supra* note 46, at 16.
[67] *Id.*
[68] California State Auditor - Bureau of State Audits, *Prison Industry Authority: Statutory and Cost Control Problems Adversely Affect the State* (Apr. 1996) [hereinafter *Statutory Problems*], at § I, 8, *available at* http://www.bsa.ca.gov/pdfs/reports/95106.pdf.
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[70] *Id.*
[71] *Id.* at 13.
[72] *Statutory Problems*, *supra* note 68, at § I, 8.
[73] *Id.*
[74] *Corrective Action*, *supra* note 53, at 5.
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[76] *Id.*
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