

## **Department of Planning and Budget 2012 Fiscal Impact Statement**

**1. Bill Number: HB 90**

House of Origin	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

**2. Patron: Bell, Richard P.**

**3. Committee: Militia, Police and Public Safety**

**4. Title: Virginia Correctional Enterprises**

**5. Summary:**

Under current law, state agencies are required to purchase goods and services produced by inmates in state correctional facilities. The director of the Division of Purchases and Supply of the Department of General Services may grant an exemption from the requirement if the item produced by Virginia Correctional Enterprises (VCE), a division of the Department of Corrections, does not meet the requirements of the agency or if VCE cannot comply with the order of the agency due to a lack of materials or for any other reason. In many cases, VCE itself will tell an agency it cannot provide the good or service desired or within the timeframe needed by the agency. In such cases, the agency is then free to procure the good or service elsewhere.

The proposed legislation would allow state agencies and institutions to use competitive sealed bidding to purchase furniture without first seeking the required exemption from the Division of Purchases and Supply

**6. Budget Amendment Necessary: None.**

**7. Fiscal Impact Estimates: Indeterminate. See Item 8.**

**8. Fiscal Implications:**

The furniture manufacturing operations of VCE comprise the largest single enterprise of the division. The revenue generated by VCE from furniture and office systems sales totals approximately \$31.6 million annually, about 58 percent of its total revenue in FY 2011.

VCE's furniture operations provide about 700 inmate jobs, approximately 44 percent of all inmate jobs in VCE. Counting turnover, at least 1,000 inmates annually work in the furniture operations. The revenues from the furniture operations also support 70 staff positions.

In addition to providing goods and services for state agencies, local governments, and nonprofit agencies, the prison enterprise program has two primary functions. The first function is to keep inmates busy and occupied with a positive activity. Keeping inmates busy is a basic principle of prison security. To the extent that inmates are idle, security concerns and costs increase.

The second function of prison enterprises is to teach job skills and inculcate good work habits that will be useful in obtaining jobs and reducing recidivism when an offender is released from prison.

In addition to supporting its own operations, revenue from VCE is used to support overall DOC operations. There is an annual \$1 million appropriation in VCE revenue to be used for general expenditures to operate prisons.

The proposed legislation would give agencies and institutions of higher education the option of not using VCE for the purchase of furniture that VCE could provide and deliver. It is not possible to forecast how often agencies and higher education institutions would exercise that option. To the extent that they did, VCE revenue would decrease. If the revenue decreased significantly, VCE might cease to be a self-supporting operation. If so, the Department of Corrections would either have to seek additional general fund support to subsidize VCE's operations, request additional funding to enhance security due to fewer inmates working, or find other activities to keep inmates occupied or learning a skill.

**9. Specific Agency or Political Subdivisions Affected:** Department of Corrections

**10. Technical Amendment Necessary:** None.

**11. Other Comments:** None.

**Date:** 1/21/2012

**Document:** G:\LEGIS\fis-12\hb90.doc Dick Hall-Sizemore