

**VERMONT OFFENDER WORK PROGRAMS
ANNUAL REPORT FOR FY 2009
AND
TWO-YEAR WORK PROGRAMS PLAN
FOR FY 2010 & FY 2011**

SUBMITTED TO

**THE CHAIRS OF THE HOUSE AND SENATE COMMITTEES
ON INSTITUTIONS**

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BY

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I. INTRODUCTION

This report complies with legislation that requires Vermont Offender Work Programs (VOWP) to submit an annual report each year that covers the outcomes of the previous fiscal year (FY 09) and a two-year plan for the current and future fiscal year (FY 10 – FY 11). This report discusses the programs of Vermont Correctional Industries (VCI) and Community Service Work (CSW). It satisfies the legislative requirements by text and by the presentation of standard financial statements (both actual and forecasted). This report is being submitted to the Chairs of the House and Senate Committees.

II. EXECUTIVE SUMMARY AND PROGRAM HIGHLIGHTS

WORKFORCE DEVELOPMENT

The Department of Corrections utilizes the workforce development model developed over a three and a half year period from fall 2004 through spring 2008 under a US Department of Education grant. This workforce development model is institutionalized as a core part of all programs at Northern State Correctional Facility, Northwest State Correctional Facility, and Southeast State Correctional Facility. The Department of Corrections recognizes the importance of offender employment both inside correctional facilities and upon reentry when offenders return to their communities.

FINANCIAL PERFORMANCE

VOWP has been challenged financially since FY 04 and has continued to have financial difficulties in FY 09, ending the year with a loss of (\$211,665) on sales of \$1,852,661. The year's loss was greater than forecasted and the ending cash position was more negative than anticipated. We ended the year with a negative cash position of (\$460,836). Actual revenues, profitability, and cash position in FY 08 and FY 09 at year's end are summarized below along with last year's forecast for FY 09:

	FY 08 Actual	FY 09 Forecast	FY 09 Actual
VCI Sales Revenues	\$1,673,956	\$1,920,000	\$1,852,660
Community Service Work Revenues	\$566,071	\$ 620,000	\$ 639,473
VCI Net Income (Loss)	(\$454,922)	(\$391,050)	(\$438,250)
Community Service Work Net Income (Loss)	\$ 136,913	\$ 95,957	\$ 226,585
VOWP Combined Net Income (Loss)	(\$318,009)	(\$295,093)	(\$211,665)
VOWP Combined Cash Position, End of Fiscal Year	(\$449,121)	(\$549,621)	(\$460,836)

In the report of combined financials above, Vermont Correctional Industries (VCI) represents traditional prison industries located within the prisons. Community Service Work (CSW) is made up of the Caledonia Community Work Camp (CCWC), Southeast State Correctional Facility (SECF) and the Community Restitution Program (CRP). These are programs where offenders return value and earn reductions in their sentence time by performing a variety of services in the community while under the supervision of the department.

Vermont Correctional Industries

VCI's overall sales were approximately \$178,700 more than FY 08 and \$67,000 less than forecasted. Sales in the Furniture Shop (+84%) and Print Shop (+8%) were significantly improved over last year's sales. Sales were lower than the previous year in the Sign Shop (-28%), and License Plate Shop (-9%).

Sales in the Furniture Shop in FY 09 were increased substantially from FY08 to just over \$600,000. The shop was moved and relocated to the new VCI building mid FY08 and interrupted production for several weeks. By the end of the fiscal year, however, production was back in full and exceeding past output records.

The Print Shop has continued to improve operationally and financially over the past year. We expect sales to continue to improve. The addition of new color printing technology is helping us serve the changing needs of our customers and increase revenues. During FY09 the facility, where the print shop is located, transitioned from a male facility to a female facility. The Print Shop was without offender workers for approximately six weeks, during which time, the VCI staff did a commendable job maintaining production, training for the change in DOC clientele, screening incoming workers, training those workers and getting production up to the level that it was previously.

The Plate Shop and Sign Shop sales decreased in FY 09. These shops are largely dependent on sales through contracts with the state. The impact of the State's economic crisis has influenced our sales. In general, VCI has little influence on the demand for either product.

The DMV informed VCI that the license plate contract would be put out to bid before October 2009 when the current contract expired. In August of 2009, the contract was extended for an additional twelve months. The RFP for the License Plate contract is expected to be released for public response at any time. We will be responding to the RFP. If the DOC and VOWP fail to obtain this contract, it will have serious consequences for the program.

Community Service Work Programs

Sales in Community Service Work programs were slightly lower than the previous year and slightly lower than predicted although profits were up. A decrease in both Direct Expenses and Indirect Expenses were about equally responsible for the increase in profits. On combined sales of \$639,473 net profit was \$111,947. FY 09 profit was approximately \$24,966 less than the previous year and \$19,473 more than forecasted.

The Caledonia Community Work Camp sales in FY 09 increased from FY08. Revenues were up \$16,902 and profits were down approximately \$49,000 over the previous year.

The Community Restitution Program is largely responsible for the gains made in the Community Service Work programs in FY 09. Revenues for the Community Restitution Program were \$56,500 higher than the previous year and profits were \$2,490 higher.

IMPACT OF H: 859 - THE JUSTICE REINVESTMENT BILL

The Justice Reinvestment Bill, H: 859 became law at the end of FY 08. H: 859 made little impact on VOWP operations or financial performance in FY 08, however, the impact in FY 09 was significant in ways that were not anticipated.

In FY09, there were significant changes in the roles of two out of three facilities where VCI shops are housed. Northwest State Correctional Facility (NWSCF) where the Print Shop is located transitioned from a male facility to an all female facility. The population went from approximately 250 male offenders to 140 female offenders. Southeast State Correctional Facility (SECF) where the Sign Shop and Plate Shop are located changed its mission from a 100 bed correctional facility and work camp for female offenders to a 100 bed work camp for male offenders.

While impact on the Sign and Plate Shops at Southeast State Correctional Facility was anticipated to be minimal, a reduced worker population during the transition period in the Print Shop at Northwest State Correctional Facility was anticipated to severely affect production, customer service, and ultimately financial performance. The shop was without any offender workers for a period of at least six weeks and it took time to train the women after they were transferred. The learning curve for printing is steeper than that currently needed for offender jobs in the Plate and Sign Shops. It was anticipated that Printing would continue and with assistance from the facility staff, the shop continued to function and produce.

The staff and offender workers adjusted to the conditions. This has impacted the former practice of training workers and maintaining production, however, the VCI staff has worked with the facility to continuously prepare and train workers. The Shop staff has adjusted their practices and, as the financial numbers indicate, is not only maintaining business and quality but improving as well.

THE CURRENT ECONOMIC RECESSION AND FUTURE STATE RESCISIONS

The national economic recession and the need for cutbacks in state, municipal, and non-profit spending will likely have adverse consequences across the board in Vermont Offender Work Programs. A decline in sign and license plate sales last year is continuing although furniture and print sales have not yet been adversely impacted. As fewer and fewer projects are approved at state, municipal and nonprofit levels and operational budgets shrink, we have seen decreases in furniture and print sales. It is less clear how Community Service Work programs will be impacted by the recession. There is a potential for some of our current customers to cut back on use of our services if those services are seen as discretionary. At the same time, we may be able to increase our sales to old and new customers through competitive rates.

Given that the State of Vermont is facing serious state budget shortfalls in revenue in FY 11 and FY 12, further changes are expected. Specific new cost cutting measures have yet to be decided, but it is certain that all agencies and departments throughout state government will be impacted. Every effort is being made and will continue to be made to mitigate the consequences of major policy changes. Should a decision be made to further reduce the number of in-state correctional facilities or the number of offenders incarcerated in Vermont, it is clear that the impact would be greater still than has previously been encountered.

III. ANNUAL REPORT FOR FISCAL YEAR 2009

A. VERMONT CORRECTIONAL INDUSTRIES

In an ongoing effort to reduce costs without decreasing revenues, VOWP eliminated four permanent positions in FY 09. Two foreman positions were eliminated from the Windsor facility – one from the sign shop and one from the plate shop. Two financial positions were transferred to the finance department and serve as a greater resource for DOC.

1. PRODUCTS, PRICES AND CUSTOMERS

Sheet Metal Products

VCI produces two sheet metal products: License Plates and Road Signs. VCI also markets a third product, Rail Steel signposts. The single customer for license plates is the Vermont Department of Motor Vehicles (DMV). Signs are sold both to Agency of Transportation (AOT) and Vermont municipalities.

Prices for both signs and plates are based on historical prices as well as costs of material, labor and overhead. Prices for standard signs and signposts are published in a catalog and distributed to all city and town offices in Vermont. Non-standard sign prices are based on estimated costs of materials, labor and overhead and often are awarded on a bid basis. License plate and road sign prices are comparable to prices of other states' correctional facility industries.

The current license plate contract expired on September 30, 2009. The DOC was asked to extend the contract for an additional twelve months during which time the contract will be put out to bid. Prior to that time DMV intends to put the contract out to bid for the first time in Vermont history.

Furniture Products

Furniture products include desks, credenzas, and other standard case goods, work stations, office seating, bookcases, cabinets, shelving, and custom designed case goods. Contract prices have been established with the state for standard items. Prices for non-standard items are based on their likeness to standard items, or upon estimated manufacturing costs. Items not sold under state contract include beds, dressers and other residential type furniture, such as kitchen cabinets and furniture for the physically impaired.

State agencies are the primary customer for furniture. The State House, Public Safety, Department of Corrections, Department of Labor, and Buildings and General Services all bought furniture last year. We also sell furniture and case goods to schools, municipalities, and occasionally to non-profit organizations.

Print Products

The primary customers for print products are the State, followed by municipalities, with nonprofit organizations being a distant third. Products include office stationery, business cards, forms, bindery products, specialty products, and all types of printed material from newsletters to booklets. The shop has single color presses and a two color printer, which can accommodate four-color publications with two runs.

Service Industry Products

VCI manages the overflow calls to the toll free answering service for the Department of Motor Vehicles. Prices for these services were negotiated several years ago and are based on a per hour rate. Price increases were pegged to the same rate as state employee increases under collective bargaining agreement.

2. FACILITY AND MANPOWER UTILIZATION

The VCI Facility at **Windsor** occupies 16,000 sq. ft. of space, and is occupied by the Plate Shop (license plates). On average, the Plate Shop employed approximately 16 - 20 offenders at any given time throughout FY 09. This represents approximately 20% of the population at the facility.

In FY 09 the VCI Facility at **St. Albans** occupied approximately 16,000 sq. ft., equally divided into two adjoining buildings. On average the Print Shop employs approximately 13-15 offenders at any given time throughout FY 09. The percentage of Northwest State Correctional Facility offender residents employed in VCI is approximately 10 - 15%.

The VCI Facility at **Newport** has a total of 30,000 sq. ft. of space dedicated to furniture production and sign production. The furniture production area which is 18,000 square feet in size includes upholstery, operations and a drafting/design area. In the second half of FY 09 and first quarter of FY10, the Sheet Metal Shop (Signs) was relocated from Windsor to Newport and occupies a portion of the VC11 building that formerly housed the Furniture shop. VCI currently utilizes approximately 12,000 square feet of this building. Furniture industry inmate employment averaged 25-30 offenders throughout the year. The Sign Shop employs 10 – 15 offenders. One inmate is also employed in Newport by the Motor Vehicle 800 Answering Service. Combined, this is approximately 10 - 12% of the inmate population at Northern State Correctional Facility.

3. INMATE TRAINING, SAFETY MEASURES AND PLACEMENT

Inmate vocational training in FY 09 included both formal and on-the-job training. Among other prerequisite qualifications, any inmate selected for VCI employment must either have a high school education, or be enrolled in the facility high school education program. Work schedules are arranged to allow for education and training, as well as for other programs deemed necessary for the inmate. Additionally, education programs are established when VCI has a particular requirement. In the past, for example, specific programs have been established to train computer aided design and drafting

(SolidWorks). An important part of vocational training is on-the-job training, where the foreman or a more experienced inmate mentors an inmate with less experience in order to improve performance, abilities, and to take on additional tasks.

When an inmate enters the VCI program, he is given a formal one-week **safety education program**, which covers the basics of care and procedures that must be followed to insure the safety of the inmate himself, as well as others in the work environment. **Other safety measures** include safety guards on machinery and equipment that, to the greatest extent possible, prevent accidental bodily injury, as well as safeguards, such as proper ventilation in environments where there is sawdust or paint spray. As a result of its safety awareness, VCI has an excellent record on injury prevention. There were no major injuries resulting in any form of disability claims in any of the VCI shops last year.

At the request of Vermont Offender Work Programs, all of our VCI shops in all three facilities underwent a thorough review and inspection by Vermont Occupational Safety and Health Administration (VOSHA) in FY 07.

4. COMPETITION AND IMPACT ON THE PRIVATE SECTOR

The furniture market research performed for the Offender Work Programs Board by an independent market analyst indicated that the furniture market in Vermont was immense and that VCI production represented less than 2% of the total Vermont market. For these reasons, we do not feel VCI had any negative impact on any Vermont based furniture manufacturer in FY 09.

For other products for which we have state contracts, we serve a base of traditional customers, predominantly state agencies and municipalities. These products include road signs, standardized stationery products, and routinely printed state publications. Sale of products in these categories has no measurable impact on Vermont private sector manufacturing businesses.

VCI will be responding to the RFP for vehicle license plates. There are no known Vermont entities that we will be competing against for the contract.

5. VCI FY 09 SALES REVENUES BY PRODUCT LINE

	FY 2009 ACTUAL
Sheet Metal Shop	
License Plates	\$ 580,419
Road Signs	\$ 205,016
Rail Steel	\$ 49,643
Furniture Shop	\$ 600,116
Print Shop	\$ 400,915
Dept. of Motor Vehicles 800#	<u>\$ 16,552</u>
Total Vermont Correctional Industries	
Sales	\$1,852,661

6. VCI FY 09 PROFIT AND LOSS STATEMENT

SALES REVENUES	\$1,852,661
COSTS OF GOODS SOLD	
Material	\$ 830,278
Inmate Labor	\$ 86,535
TOTAL COST OF GOODS SOLD	\$ 916,813
CONTRIBUTION MARGIN	\$935,848
DIRECT EXPENSE	
Salaries	\$ 494,888
Benefits	\$ 174,839
Shop Supplies	\$ 44,261
Depreciation	\$ 53,388
Vehicle/Equipment Maintenance	\$ 16,222
Fuel	\$ 25,587
Freight	\$ 22,415
Rental	\$ 16,165
Other	\$ 72,893
TOTAL DIRECT EXPENSE	\$ 920,658
GROSS PROFIT (LOSS)	\$15,190
ADMINISTRATION COSTS	
Salaries	\$ 179,318
Benefits	\$ 69,711
Depreciation	\$ 8,031
Equipment Maintenance	\$ 5,421
Office Rental	\$ 22,757
Office Supplies	\$ 2,008
Electricity	\$ 1,996
Heating & Fuel	\$ 11,251
Telephone	\$ 4,271
Other	\$ 39,161
TOTAL ADMINISTRATION COSTS	\$ 343,925
OPERATING INCOME	\$ (328,735)
Add	
NON-OPERATING INCOME	\$ 5,125
Less	
NON-OPERATING EXPENSE	\$ -
NET INCOME (LOSS)	\$ (323,610)

7. VCI VALUE ADDED IN FY 09 – A COST/BENEFIT ANALYSIS

The independent researcher who evaluated the Workforce Development Program under the federal grant in FY 07 concluded the following:

"If the reductions in recidivism are applied to the need and cost for bed days in the correctional institutions, then it would demonstrate a cost savings or avoidance of well over one and one half million dollars to the state per year at the current level of program operation. In addition, the taxes paid by those men and women who left the correctional institutions and obtained and retained employment must be added to the analysis of economic benefit. The greatest benefit of all is the statistically significant reduction in the return rate to prison by the experimental group. Clearly, that is a public safety benefit for all."

In addition to the programmatic value of preparing offenders for the work force, VCI adds value in other ways. A large portion of VCI expenses including staff salaries represent money put into the Vermont economy that might not have been there otherwise. There are also savings that our public and non-profit customers receive when purchasing our high quality products at a lower than competitive market price. These savings essentially are then available to be spent on other activities in the economy.

B. COMMUNITY SERVICE WORK

1. PROGRAMS, PRICES, CUSTOMERS AND MANPOWER UTILIZATION

Community Restitution Program Work Crews

The Community Restitution Program under Supervised Community Sentence and Pre-approved Furlough is an intermediate sanction program that offers the court a community-based alternative to a short period of incarceration (up to 60 days), provides offenders the opportunity to atone for their criminal conduct by participating in work service that adds value to the community, and allows employed offenders an opportunity to keep their jobs while serving their Community Restitution sentence.

In FY 09 men and women who were sentenced to the Community Restitution Program performed a total of 29,744 days of service. This translates to an average of 81 offenders performing Community Service work on a daily basis to the various towns and cities of the state of Vermont. Women offenders constituted approximately 18% of the composition of these work crews. Historically the work crew client covers a wide range of recipients to include both state and federal municipalities and properties and non-profit agencies. We are providing you with brief summary reports from three of our probation and parole offices to give you a sampling of the value and services these work crews provide to our Vermont cities and towns.

BUPP Community Restitution Report

Number of Contracts (municipalities & non profits) = 24
Revenue (amount billed) for FY '09 = \$125,817

Offender work days:

7,460 individuals worked full days (6,705 paid crew & 755 no charge)

Average daily crew 26 offenders

Average during the peak season (April – October approximately 40 per day)

Special projects

In spring '09, a crew at Lakeview Cemetery restored a gravestone of a Civil War doctor having a National and Vermont historic connection. For years, a large granite sphere which originally sat on top of a headstone, sat on the ground due to nature's toll for over a century. The Burlington Community Service Team leader utilized the skills of a stone mason serving a crew sentence to restore the grave monument to its original appearance. The work included building a custom made staging and involved the use levers to hoist the sphere back in place. Due to space limitations at the site, it was impossible to utilize a backhoe, thus using an approach more in step with the original construction of the monument. In addition to that major renovation, there have been other headstone repairs this year coordinated through the Vermont Old Cemetery Association.

We have conducted many "neighborhood cleanups" for the City of Burlington to include areas of the Old North End as well as college student residential neighborhoods.

Significant aesthetic improvements have resulted in these areas of the City, some at no charge as a gesture of the ongoing working relationship we continue to foster with that municipality.

Our crew provided a significant amount of "free labor" through our DOC contract assisting Vermont State sites in many ways. Some examples include periodic "dump runs" for the Chittenden Community Correctional facility, assisting the DCF with moves from Winooski to Williston, moving the MIPP to Burlington P&P, assisting the Dale Correctional facility with their relocation to St.Albans, providing the CRCF with a person daily to clean offices, routine outside clean up at the Winooski site, building shelves at DCF's Williston location, and assist with office moves to and from DOC Central Office.

Other

The program adjusts to the needs of contract agencies pertaining to demands of non - traditional work hours. Arrangements to have a night cleaning shift maintained at CCTA and having workers report on Saturday mornings at 4:30 a.m. to Memorial Auditorium to set up the Winter Farmer's Market, are two examples.

CSTLs often broaden the scope of their job description by making referrals to individuals for such things a crisis services, vocational rehabilitation, community health services, etc. CSTLs, through their normal job duties, get to know some people (sentenced offenders) quite well. Some of those individual's only connection to the AHS is the Community Restitution Program, although they may be eligible for needed services through the agency. Direct referrals are more common than most would envision.

We have seen individuals obtain jobs after successfully completing a work crew sentence with an agency. This past year, an offender assigned to work at the South Burlington High School became a regular CRP worker at that site to complete his sentence. After he finished he was hired full time. The agency continued to receive the same number of daily assigned offenders from our program even though he was hired, thus DOC revenue remained the same and an unemployed client now had a job.

Barre P&P Community Service Work Crew

Enclosed please see the comments and report from one of our experienced Community Service Crew Leaders from the Barre office. We felt that it is important to see the dedication and pride that the DOC staff takes in their very significant service to our communities. His comments are reprinted herein:

"I was asking myself what is so great about the Community Restitution Program. It isn't a difficult question for me. I can't think of anything that isn't positive about the Program. It is a Sentencing option for the Courts that diverts incarceration. It provides an option for any gender, age, and universal abilities. The fees offer State, municipal and non- profit groups an option to complete work that may otherwise not get done and at a great daily rate. I wish I had more time to write about the important work that we do and have done. I sometimes forget what work we have done but it only takes a few minutes to recall several of them that I believe were so helpful to the recipients. For Fiscal year 2009, the

Barre probation and parole office provided 5,343 Offender Work Days and was reimbursed \$122,621.38. Here is a list of just a few of them that come to mind:

We built a swing set at Orchard Valley Waldorf School in Plainfield. We removed damaged insulation and siding and replaced it with new. We also built new cubby spaces to match the existing, painted the interior walls, and mowed the grass and many other odd jobs that wouldn't likely get done if it wasn't for the Work Crew.

We serve the Vermont Food bank in many ways. We sort the food, clean the warehouse, work in the kitchen and have even provided a licensed electrician to replace light fixtures and switches that may have been unaffordable otherwise.

We provide offenders to the Salvation Army six days per week. They sort donated items, clean the store, bale items to be shipped from the warehouse and assist on the truck picking up donated items from around Central Vermont.

We dismantled and built a new shed for Barre Community Baseball, at a fraction of what it would have cost otherwise.

We have done a great deal of valuable work at the Family Center of Washington County. We built walls, painted the entire interior of a new addition, and put the new desks together. We shovel the roof, and provide assistance when we can on very short notice. We mow and care for the mountainous terrain of St. Augustine's Cemetery in Montpelier. This work would otherwise not get done as there were several years that it did not when we were asked to stop.

Montpelier contracts with us each week of the summer months to sweep the sidewalks and curbs of several streets and to remove trash from parking lots and the walking/bike path.

We assist GMTA in several ways, we provide help to clean the warehouse and shovel the roof in the winter. We clear the bus shelters of snow in Barre and Montpelier. An offender also helps to deliver groceries one day per week for the seniors who shop ahead of them on from another bus.

We have taken down the building to make room for what is now the Montpelier Police Station and cleared all of the nails from the materials to be recycled.

At Prevent Child Abuse Vermont, we place and remove the air conditioning units as the seasons dictate. We have built interior walls, moved loads of furniture and even painted most if not all of the interior walls and trim.

We help with spring clean up for several municipals and non profits.

We also mow and trim most Park and Rides in Central Vermont and the Program cares for most of them across the state. We also rid them of the litter and other debris that finds its way to these areas.

Fish and Wildlife contacts with us to maintain the Access Areas across the state and our share is eleven. We report any damage, maintain the communication boards, replace fencing, install/removed guard rails and posts, paint as well as mow and trim each area.

We have refinished all of the pews in the St. Monica's Church.

The Old Labor Hall in Barre utilized our services in many ways that included removal of the insulation so a new type could be applied. We have also provided cleaning as well as setting up Emergency Survival kits at one point.

The list goes on and on, but too many to mention them all. We have a binder that contains numerous compliments and thanks from our customers that is available for anyone wishing to see it. "

"At the work crew in Barre we service all of our own equipment. We also buy parts at approximately 50% less than we would pay locally. We also do this for the work crew in Burlington and St.Albans. Other sites will call and have a small amount of equipment repaired, but because of the travel distance, it is not cost effective for small repairs.

By servicing our own equipment, we save the Department approximately \$5,000.00 per year. Not only do we save the department money, we are also teaching offenders to work on the equipment, gaining valuable skills that they can take away from their experience on work crew that will help them gain employment. Over the last several years, once offenders have completed their work crew sentence, a small number have been hired by some of our contracted sites because of job skills they gained while on the work crew".

ST. JOHNSBURY WORK CREW ACTIVITIES 2009

- Mowing/Brush and Litter pickup of: VT State fishing accesses - Schools – Cemeteries – Ball fields – Town parks - Recreation areas – Fire station and hydrants – Town clerks and maintenance areas – churches.
- Fall leaf raking and cleanup of all the above.
- Maintenance of signs, kiosks and guardrails at VT State fishing accesses.
- Moving of: State offices – Nonprofit organizations – The elderly through the Office on Aging.
- Snow shoveling for: Town crosswalks – Fire hydrants – Elderly or disabled – State building.
- Wood piling for elderly.

- Assisting towns with roadside brush trimming and removal.
- Painting, cleaning and other assorted tasks for towns, non-profits, schools and churches.
- Assist meal-sites provide meals for their communities.
- Assist with Bedbug Cleanup Project.
- Set up seasonal decorations in town.

These are just a few of the examples that represent the many contributions to the towns and cities of Vermont. In these difficult financial times it is very important that we maintain our ability to provide these important and cost effective services for our clients. We hope that you may visit some of our seasonal or full time community work sites soon to witness firsthand the many benefits of these offender work crews.

2. COMPETITION AND IMPACT ON THE PRIVATE SECTOR

We do not believe that Community Service Work negatively impacts on private sector businesses, nor have there been any complaints registered to that effect. While private sector individuals or businesses could obviously have done much of the work performed, many of the projects would not have otherwise been accomplished, except perhaps on a voluntary basis.

3. CSW FY 2009 SALES REVENUES

	FY 2009
	ACTUAL
Community Restitution Program	\$508,483
Caledonia Community Work Camp	<u>\$130,990</u>
Total Community Service Work Sales	\$639,473

4. CSW FY 09 PROFIT AND LOSS STATEMENT

Community Service Work Programs revenues increased 2% in FY 09 compared to FY 08, and Work Camp revenues decreased 19%. This is the second year in a row that the Work Camp revenues have decreased significantly. These revenues under the VOWP Special Fund continued to be used in FY 09 to help cover direct operational and indirect administrative costs. Direct costs include the cost of equipment, vehicle lease, tools and project materials, equipment maintenance (including vehicles), and wages for seasonal or part-time supervision needed to run the programs. Administrative proportioned costs include VOWP management, administrative, and business office personnel.

CSW FY 09 Profit and Loss Statement			
	Community Restitution	Work Camp	CSW Total
SALES REVENUES	\$ 508,483	\$ 130,990	\$639,473
DIRECT EXPENSE			
Salaries	\$ 33,826	\$ -	\$ 33,826
Benefits	\$ 2,993	\$ -	\$ 2,993
Supplies	\$ 19,683	\$ 2,050	\$ 21,733
Depreciation	\$ 2,366	\$ -	\$ 2,366
Vehicle/Equipment Maintenance	\$ 14,941	\$ 1,669	\$ 16,610
Other	\$ 268,623	\$ 66,737	\$335,360
TOTAL DIRECT EXPENSE	\$ 342,432	\$ 70,456	\$412,888
GROSS PROFIT (LOSS)	\$ 166,051	\$ 60,534	\$226,585
ADMINISTRATION COSTS			
Salaries	\$ 47,818	\$ 11,954	\$ 59,772
Benefits	\$ 18,590	\$ 4,647	\$ 23,237
Depreciation	\$ 2,142	\$ 535	\$ 2,677
Equipment Maintenance	\$ 1,446	\$ 362	\$ 1,808
Office Rental	\$ 6,068	\$ 1,517	\$ 7,585
Office Supplies	\$ 535	\$ 134	\$ 669
Electricity	\$ 532	\$ 133	\$ 665
Heating & Fuel	\$ 3,000	\$ 750	\$ 3,750
Telephone	\$ 1,139	\$ 285	\$ 1,424
Other	\$ 10,441	\$ 2,610	\$ 13,051
TOTAL ADMINISTRATION COSTS	\$ 91,711	\$ 22,927	\$114,638
Net Income/(Loss)	\$ 74,340	\$ 37,607	\$111,947

5. CSW FY 09 PROFIT AND LOSS INCLUDING GENERAL FUNDS

It is important to recognize that in regards to CSW programs, Generally Accepted Accounting Principles (GAAP) are not adhered to in the VOWP accounting system. Salaries and benefits of Community Service Team Leaders come entirely from General Fund appropriations. These and other costs, approximately \$1.5 million, are not reflected in the VOWP financial statements and the CSW programs therefore appear to be more profitable than they would be if a full accounting were done. If these GF expenses were included as expenses in the Profit and Loss statements, the CSW programs would reflect a loss of approximately (\$1.3 million).

CSW VALUE ADDED IN FY 09 – A COST/BENEFIT ANALYSIS

Combined, CSW programs are responsible for delivering 29,744 days of offender labor in FY 09. These offenders are trained, equipped, transported, and supervised in their work. Not only that, more often than not the Community Service Team Leader responsible for the crew is working actively on the job as well. It is not unreasonable in the current economy to assume that the value of this offender labor under these conditions is worth \$10 per hour. At \$80 of value per offender work day, a total value of \$2.4 million was returned to Vermont communities last year as a result of these programs.

The alternatives to the Community Restitution Program are incarceration or regular probation. If all 29,744 days of offender work were changed to days of offender incarceration, it would represent approximately 81 years of incarcerated time. Since incarceration costs approximately \$51,000 per offender per year, this would represent an added cost to the General Fund of approximately \$4.1 million. If we assumed that approximately 20% of these sentenced CSW days would be actually converted to jail time, then CSW programs are saving an additional \$800,000 annually in avoided incarceration costs.

C. VOWP COMBINED FY 09 FINANCIAL RESULTS

VOWP FY 2009 COMBINED PROFIT & LOSS STATEMENT

	FY 2009 ACTUALS
SALES REVENUES	\$2,492,134
COST OF GOODS SOLD	
Material	\$ 765,842
Expensed Bulk Material	\$ 64,436
Inmate Labor	\$ 86,535
COST OF GOODS SOLD	\$ 916,813
CONTRIBUTION MARGIN	\$1,575,321
DIRECT EXPENSE	
Labor	\$ 528,714
Benefits	\$ 177,832
Rental	\$ 181,367
Fuel	\$ 51,710
Freight	\$ 22,415
Equipment Maintenance	\$ 32,832
Depreciation	\$ 55,754
Shop Supplies	\$ 64,867
Other	\$ 218,057
DIRECT EXPENSES	\$1,333,548
GROSS PROFIT (LOSS)	\$ 241,773
INDIRECT EXPENSE	
Salaries	\$ 239,090
Benefits	\$ 92,948
Rental	\$ 30,342
Office Supplies	\$ 2,677
Telephone	\$ 5,695
Equipment Maintenance	\$ 7,229
Depreciation	\$ 10,708
Heating & Fuel	\$ 15,001
Electricity	\$ 2,661
Other	\$ 52,212
INDIRECT EXPENSES	\$ 458,563
OPERATING INCOME	\$ (216,790)
NON-OPERATING INCOME	\$ 5,125
LESS	
NON-OPERATING EXPENSE	\$ -
NET INCOME (LOSS)	\$ (211,665)

VOWP COMBINED FY 2009 BALANCE SHEET

FY2009
ACTUAL

ASSETS

Current Assets

Cash		\$(460,836)
Accounts Receivable		\$(253,247)
Inventory		\$ 509,689
Total Current Assets		\$ 302,100

Fixed Assets

Machines & Equipment	\$1,154,580	
Less Accum. Depreciation	\$(841,897)	
Machines & Equipment - Net		\$ 312,683
Buildings	\$ 424,959	
Less Accum. Depreciation	\$(165,389)	
Buildings - Net		\$ 259,570
Total Fixed Assets		\$ 572,253

Other Assets

Petty Cash		\$ -
Total Other Assets		\$ -

TOTAL ASSETS

\$ 874,353

LIABILITIES

Current Liabilities

Accounts Payable		\$ 13,062
Accounts Payable - E.R.F.		
Loan		\$ 86,544
Accrued Salaries		\$ 49,005
Accrued Annual Leave		\$ 71,746
Accrued Inmate Labor		\$ 2,716
Accrued Inmate Savings		\$ 13,133
Accrued Taxes & Insurance		\$ 18,710
Total Current Liabilities		\$ 254,916

Other Liabilities

Interest Fund Advance

Contributions; Total

\$ -

Fund Equity

Fund Equity, End FY		\$ 831,103
FY Profit (Loss)		\$(211,665)
Total Fund Equity		\$ 619,438

TOTAL LIABILITIES, CONTRIBUTIONS & FUND EQUITY

\$ 874,354

IV. FY 10 & FY 11 OFFENDER WORK PROGRAM PLANS

A. BACKGROUND

1. CONSTANT CHANGE

Historically, we have had a difficult time accurately predicting financial performance. By its very nature, the Department of Corrections has to manage a large and complex set of variables and things change frequently. We have small facilities with mixed populations of sentenced and detained offenders. Many offenders are sent out of state to serve their sentences. Any significant change in one facility or one program has impacts throughout the system. By our very nature, VOWP is both a DOC program and a DOC business. We have to adapt both our program and our business whenever change occurs. Accurate forecasting and maintaining profitability under these circumstances is a constant challenge.

2. LOSS OF GUARANTEED MARKETS

Unlike many other states, VOWP does not have guaranteed markets. Up until recently, VOWP had always held the state contracts for selected print items, license plates, road signs, and wood furniture. In recent years, Building and General Services has elected to put parts of the printing contracts out to bid and now the Department of Motor Vehicles intends to have the license plate contract put out to bid. If VOWP loses the contract for license plates, it will have very serious consequences to our business and to our workforce development program as well.

3. ECONOMIC RECESSION

It is difficult to predict the impact the economic recession will have on Vermont Offender Work Programs. On the one hand, there will certainly be less money available for purchases of goods and services by all segments of our customer base, state, municipal, and nonprofit. On the other hand, customers and potential customers will likely be looking for the best value for their product or service dollar and may seek us out for that reason. We have chosen to take a conservative approach and forecast based on FY 09 performance with only incremental changes for the most part in FY 10 and FY 11.

4. JUSTICE REINVESTMENT BILL

The Justice Reinvestment Bill, H: 859, passed into law in FY08 has had a significant impact operationally and financially for the Vermont Correctional Industries component of VOWP. The transition from male to female facilities and the transfer of populations has not produced the negative results that were predicted in FY08. The cooperation, idea generating, problem solving of many DOC departments has show positive results in each of the shops, production and VCI in general. Each Shop has struggled at one time or another with unique situations and challenges, however, the staff has risen to the challenges of the economic times and has made changes that are already showing positive results in production, quality and the bottom line.

5. VOCATIONAL TRAINING PARTNERSHIP WITH CHSVT

To improve pre-training of offenders before they come to work in our shops and to enhance the vocational programs offered by Community High School of Vermont, CHSVT has moved the vocational training and classroom space into the VCI Print Shop at Northwest State Correctional Facility and the VCI Furniture Shop at Northern State Correctional Facility. Curriculum has been developed and is being delivered in modules to allow women to work on the job in production on some machinery while learning additional printing skills in a classroom setting. A similar program for SolidWorks a computer aided design and drafting program is underway in the Furniture Shop at Northern State Correctional Facility in Newport.

B. VERMONT CORRECTIONAL INDUSTRIES

1. PRODUCTS, PRICES AND CUSTOMERS

Sheet Metal Products

License Plates, Road Signs, and Rail Steel signposts are VCI's current sheet metal products, and state government and municipalities the primary customers. We predicted no change in customer base, price or products in FY 10. If VOWP loses the contract for license plates in FY 10, forecasts will of course need to be revised.

Furniture Products

State agencies, municipalities, and non-profits all buy furniture from VCI. Based on our FY 09 experience of not landing any major bid work, we have changed our marketing strategy and are seeking much smaller bid jobs in FY 10. We are aggressively marketing our new line of dormitory furniture and are developing a line of church furniture including pews and alter.

Print Products

State agencies are our largest customers for print although we have increased orders from non-profit organizations. Our customer service and turn around time has earned back old customers and is winning new ones. The addition of our new color printer allows us to do more and better color work and we expect will increase sales as well. We have had a positive year for sales and anticipate a continued upswing in the coming year.

2. FACILITY AND MANPOWER UTILIZATION

No production capacity changes or utilization changes are currently envisioned for the Sheet Metal Shop in **Newport**.

As previously discussed above, the Print Shop at **St Albans** will not experience changes in FY 10.

3. INMATE TRAINING, SAFETY MEASURES AND PLACEMENT

Established safety training programs and on-the-job training will continue to be the mainstay of vocational training associated with VCI.

In FY 07 all VCI shops underwent independent workplace safety assessment by Project Worksafe. Based on those assessments, all changes needed to bring all VCI shops into full VOSHA compliance were carried out and are being maintained.

4. COMPETITION AND IMPACT ON THE PRIVATE SECTOR

We will continue to make every effort to minimize the impact of our efforts to increase sales on private sector businesses.

5. VCI FY 10 & FY 11 SALES REVENUE FORECASTS BY PRODUCT

	FY 2010 FORECAST	FY 2011 FORECAST
Sheet Metal Products		
License Plates	\$ 400,000	\$ 400,000
Road Signs	\$ 260,000	\$ 260,000
Rail Steel	\$ 33,000	\$ 33,000
Total	\$ 693,000	\$ 693,000
Furniture	\$ 600,000	\$ 600,000
Print Products	\$ 360,000	\$ 360,000
Service Industries		
Dept. of Motor Vehicles 800#	\$ 10,000	\$ 10,000
Total	\$ 10,000	\$ 10,000
VCI Total Sales	\$ 1,663,000	\$ 1,663,000

6. VCI FY 10 & FY 11 PROFIT AND LOSS FORECASTS

	FY 2010 FORECAST	FY 2011 FORECAST
SALES REVENUES	\$ 1,663,000	\$ 1,663,000
COST OF GOODS SOLD		
Material Costs	\$ 800,000	\$ 800,000
Expensed Material (Bulk)	\$ 65,000	\$ 65,000
Inmate Labor	\$ 75,000	\$ 75,000
TOTAL COST OF GOODS SOLD	\$ 940,000	\$ 940,000
CONTRIBUTION MARGIN	\$ 723,000	\$ 723,000
DIRECT EXPENSE		
Salaries	\$ 450,000	\$ 436,500
Benefits	\$ 160,000	\$ 160,000
Shop Supplies	\$ 50,000	\$ 50,000
Depreciation	\$ 60,000	\$ 60,000
Vehicle/Equipment Maintenance	\$ 23,000	\$ 23,000
Fuel	\$ 22,000	\$ 22,000
Freight	\$ 19,000	\$ 19,000
Rental	\$ 9,500	\$ 9,500
Other	\$ 40,000	\$ 40,000
TOTAL DIRECT EXPENSE	\$ 833,500	\$ 820,000
GROSS PROFIT (LOSS)	\$ (110,500)	\$ (97,000)
ADMINISTRATION COSTS		
Salaries	\$ 132,000	\$ 128,000
Benefits	\$ 36,500	\$ 36,500
Depreciation	\$ 8,500	\$ 8,500
Equipment Maintenance	\$ 5,000	\$ 5,000
Office Rental	\$ 4,400	\$ -
Office Supplies	\$ 1,500	\$ 1,500
Electricity	\$ 350	\$ -
Heating & Fuel	\$ 3,700	\$ 3,700
Telephone	\$ 1,200	\$ 1,200
Sub-Contract Labor	\$ 14,000	\$ 14,000
Other	\$ 10,000	\$ 10,000
TOTAL ADMINISTRATION COSTS	\$ 217,150	\$ 208,400
OPERATING INCOME	\$ (327,650)	\$ (305,400)
ADD NON-OPERATING INCOME	\$ 5,000	\$ 5,000
LESS NON OPERATING EXPENSE	\$ -	\$ -
NET INCOME (LOSS)	\$ (322,650)	\$ (300,400)

7. CAPITAL REQUESTS

From time to time capital money has been appropriated specifically to Vermont Correctional Industries as it was at the time of it's founding nearly seventy years ago. These appropriations have generally been for either manufacturing equipment or buildings. There have been no such appropriations in the last fifteen years. Recent equipment upgrades and purchases were all purchased from the VOWP Special Fund. This has contributed to a current negative cash position. There are no current plans to make any capital requests in FY 10 or FY 11.

C. COMMUNITY SERVICE WORK

1. WORK PROGRAMS, PRICES AND CUSTOMERS

There are no changes in programs, prices, or customers currently anticipated.

2. MANPOWER UTILIZATION

All offenders sentenced to the Community Restitution Program and work camps will continue to be fully utilized.

3. COMPETITION AND IMPACT ON THE PRIVATE SECTOR

The situation shall remain the same as in FY 09.

4. CSW FY 10 & FY 11 SALES REVENUE FORECASTS

	FY 2010	FY 2011
	FORECAST	FORECAST
Community Restitution Program	\$ 500,000	\$ 500,000
Work Camps	\$ 175,000	\$ 175,000
TOTAL SALES REVENUE	\$ 675,000	\$ 675,000

5. CSW FY 10 & FY 11 PROFIT AND LOSS FORECASTS

	FY 2010 FORECAST	FY 2011 FORECAST
Sales Revenues	\$ 675,000	\$ 675,000
Direct Expense		
Salaries	\$ 25,000	\$ 25,000
Benefits	\$ 3,000	\$ 3,000
Shop Supplies	\$ 20,000	\$ 20,000
Depreciation	\$ 2,350	\$ 2,350
Vehicle/Equip Maint	\$ 16,000	\$ 16,000
Other	\$ 210,000	\$ 210,000
Total Direct Expense	\$ 276,350	\$ 276,350
Gross Profit (Loss)	\$ 398,650	\$ 398,650
Administration Costs		
Salaries	\$ 33,000	\$ 32,000
Benefits	\$ 9,125	\$ 9,125
Depreciation	\$ 2,125	\$ 2,125
Equipment Maint	\$ 1,250	\$ 1,250
Office Rental	\$ 1,100	\$ -
Office Supplies	\$ 375	\$ 375
Electricity	\$ 88	\$ -
Heating & Fuel	\$ 925	\$ 925
Telephone	\$ 300	\$ 300
Other	\$ 6,000	\$ 6,000
Total Admin Costs	\$ 54,288	\$ 52,100
Net Income (Loss)	\$ 344,362	\$ 346,550

D. VOWP COMBINED FY 10 & FY 11 FINANCIAL FORECASTS

Presented below are actual consolidated sales, income, and cash position in FY 08 and revised forecasts for FY 09 and FY 10.

	FY 2009 FORECAST	FY 2009 ACTUAL	FY 2010 FORECAST	FY 2011 FORECAST
VCI Sales Revenues	\$1,920,000	\$1,852,660	\$1,663,000	\$1,663,000
Community Service Work Revenues	\$ 620,000	\$ 639,473	\$ 675,000	\$ 675,000
VCI Net Income (Loss)	\$ (391,050)	\$ (438,250)	\$ (322,650)	\$ (300,400)
Community Service Work Net Income (Loss)	\$ 95,957	\$ 226,585	\$ 344,362	\$ 346,550
VOWP Combined Net Income (Loss)	\$ (295,093)	\$ (211,665)	\$ 21,712	\$ 46,150
VOWP Combined Cash Position, End of Fiscal Year	\$ (549,621)	\$ (460,836)	\$ (354,961)	\$ (245,086)

** Cash position forecast: the increase in the cash position from beg. FY10 to Dec 31 (Vision) was divided by 6 months and multiplied by 12 months to get a forecast of projected cash savings for the remainder of FY10 and all of FY11.

Presented on the following two pages are combined profit and loss and cash flow forecasts for FY 10 and FY 11.

VOWP FY 2010 & FY 2011 COMBINED PROFIT & LOSS FORECASTS
Combined Forecast

	FY10 FORECAST	FY11 FORECAST
Sales Revenues	\$ 1,338,000	\$ 1,338,000
Cost of Goods Sold		
Material	\$ 800,000	\$ 800,000
Expensed Material	\$ 65,000	\$ 65,000
Inmate Labor	\$ 75,000	\$ 75,000
Total COGS	\$ 940,000	\$ 940,000
Contribution Margin	\$1,398,000	\$1,398,000
Direct Expense		
Salaries	\$ 475,000	\$ 461,500
Benefits	\$ 163,000	\$ 163,000
Shop Supplies	\$ 70,000	\$ 70,000
Depreciation	\$ 62,350	\$ 62,350
Vehicle/Equip Maint	\$ 39,000	\$ 39,000
Fuel	\$ 22,000	\$ 22,000
Freight	\$ 19,000	\$ 19,000
Rental	\$ 9,500	\$ 9,500
Other	\$ 250,000	\$ 250,000
Total Direct Expense	\$1,109,850	\$1,096,350
Gross Profit (Loss)	\$ 288,150	\$ 301,650
Administration Costs		
Salaries	\$ 165,000	\$ 160,000
Benefits	\$ 45,625	\$ 45,625
Depreciation	\$ 10,625	\$ 10,625
Equipment Maint	\$ 6,250	\$ 6,250
Office Rental	\$ 5,500	\$ -
Office Supplies	\$ 1,875	\$ 1,875
Electricity	\$ 438	\$ -
Heating & Fuel	\$ 4,625	\$ 4,625
Telephone	\$ 1,500	\$ 1,500
Sub-Contract Labor	\$ 14,000	\$ 14,000
Other	\$ 16,000	\$ 16,000
Total Admin Costs	\$ 271,438	\$ 260,500
Operating Income	\$ 16,712	\$ 41,150
Non-Operating Income (Add)	\$ 5,000	\$ 5,000
Non-Operating Expense (Less)	\$ -	\$ -
Net Income (Loss)	\$ 21,712	\$ 46,150