

Strategic Assessment of OCE/DOC Work and Related Programs

Phase II Assessment Report:

Detailed Analysis of OCE's Current Operating Model with Alternative Operating Model Scenarios for the Medium Term Future

**Co-produced with OCE and DOC by the Center for
Public Service, Mark O. Hatfield School of
Government, Portland State University**

December 21, 2012

Phil Keisling
Dr. Marcus Ingle
Dr. Jody Sundt
Shannon Grzybowski
Michael Galhouse
Stephanie Moore
Breanna Schlingheyde
Dale Crane
Sarah Lazzari



Table of Contents

Introduction	4
Overview of OCE	7
Phase II Analysis Methods	11
Assessment of OCE’s Current Operating Model.....	12
Statutory and Stakeholder Context of OCE.....	12
Inmate Work & Educational Programs	17
Financial Self-Sufficiency of OCE	23
Public Safety Contributions.....	34
Strategic Opportunities for OCE’s Future.....	39
Short Term Tactical Opportunities	39
Public Safety Contributions.....	42
Medium Term Management Opportunities.....	44
Long Term Transformational Opportunities	47
Proposed Plan of Work for Phase III.....	48
Works Cited	49
Appendices	50
Appendix A: Key Legal Directives Influencing OCE’s Future	50
Appendix B: Acronyms.....	55

Index of Tables

Figure 1: Power vs. Interest Grid for Stakeholders in OCE’s Current Operating Model—Work Programs 16

Figure 2: Power vs. Interest Grid for Stakeholders in OCE’s Current Operating Model—Educational/Vocational Programs 16

Figure 3: Number of DOC Inmates Eligible for Participation Based on OCE Criteria, by Facility, 2012* 18

Figure 4: Percentage of Inmate Population Ineligible for OCE Work by Restriction Type 19

Table 1: Job Market Outlook for CRC Vocational Training 22

Figure 5: Five Year Trend of OCE Total Revenue (FY 2007-FY 2011)..... 24

Figure 6: Five Year Trend of OCE Net Income (FY 2007-FY 2011) 24

Table 2: Summary of Net Profits/ (Losses) FY 2007-2011 26

Table 3: OCE Worksites by Self-Sustainability, Certificates Awarded, and Average Number of Days Worked per Inmate per Year 28

Figure 7: Total Payroll including benefits 32

Figure 8: Benefits as Percentage of Wages 33

Table 4: Characteristics of OCE Workers and DOC Population 35

Figure 9: Cumulative Percentage of OCE Workers Reconvicted of a New Offense within 36 Months of Release, 2008 Cohort 37

Figure 10: OCE Operating Systems Model..... 40

Figure 11: OCE Operating Systems Model..... 41

Introduction

In 1994, Oregon voters overwhelmingly approved Measure 17, a ballot initiative that created new requirements for the Oregon Department of Corrections (DOC) to operate prison inmate “work and on-the-job training programs.” (Oregon Constitution: Article 1, Section 41).

To help implement Measure 17, in 1999 the Oregon Legislature subsequently established Oregon Corrections Enterprises (OCE) as a semi-independent agency, with broad authority to create and operate inmate work and training programs on a financially self-supporting basis. These statutes were crafted to be consistent with Measure 17’s Constitutional mandates that the inmate programs “be run in a business-like fashion;” that “income generated by OCE prison work programs be kept in a separate account;” and that most expenditures be “exempt from the legislative appropriations process.”

In creating what essentially was a new “public enterprise” framework, the Legislature spelled out three mission specific objectives for OCE:

- Provide productive jobs and educational programs for as many DOC inmates as is feasible;
- Operate OCE as a financially self-supporting public agency, at no cost to the taxpayer; and
- Contribute to public safety both within DOC institutions and within society following an inmate’s release.

Over the last decade, OCE has performed well with regard to each of these specific objectives. OCE has built and maintained a robust portfolio of work programs – including laundry services, call centers, furniture manufacturing, sewing, and printing – that currently provides work opportunities to about 1,200 inmates at any given time. For many years, OCE has operated on a self-supporting basis, with positive cash flows and at no cost to taxpayers. In its most recently audited financial statement, for the fiscal year ending on June 30, 2011 – OCE reported operating revenue of \$24.2 million, and a net “profit” of approximately \$1.9 million. OCE also contributes to public safety by carrying out work and related educational rehabilitation programs within eight of Oregon’s 14 DOC institutions, and by providing inmates with job-related skills and training to help them succeed in society after their release (OCE’s most recent annual report is available at www.oce.oregon.gov).

This first glance, however, tells only part of the OCE story. With the advent of Oregon’s financial crisis caused by the 2008-09 Great Recession, the operational context of OCE has become more complex and dynamic. A series of increasingly “wicked” challenges now puts OCE’s ability to achieve its mission-related objectives at serious risk. Among these challenges are the following:

- OCE seems to have reached a plateau – of approximately 1,200 – in the number of inmates working in its programs. That number is just 9% of DOC’s 14,000 total inmates.
- OCE’s current major revenue streams – furniture manufacturing, laundry services, and call centers -- face significant and increasing competition from private and non-profit entities. Since OCE is highly dependent on a relatively small handful of large public and private sector clients, who themselves confront uncertain budget and/or market conditions, its ability to maintain existing inmate work levels – much less expand them significantly – is highly precarious.

- Increased budget pressures have the potential to pit what is OCE's core mission-- to be self-sustaining and grow its inmate worker base --against the Department of Correction's legitimate desire to keep as many inmates as possible busy for safety reasons, even in money-losing business lines.

Recognizing the scope and immediacy of these and other challenges, in early 2012 OCE's and DOC's executive leaders entered into an Intergovernmental Agreement with the Center for Public Service (CPS) at Portland State University (PSU) to help analyze current operations and identify opportunities and strategies for significantly increasing OCE's success over the next 3-5 years. As part of this strategic evaluation, OCE and DOC requested that the CPS/PSU team collaborate with them in gaining a better understanding of the contours of the current OCE context (both external and internal), and to work together in co-producing a set of strategic recommendations for navigating OCE's turbulent waters ahead. The agreed upon Scope of Work for the assessment included the following:

1. Review the current OCE operating model to identify its strengths and weaknesses.
2. Review OCE business practices, including hiring, business operations, fiscal control, and effectiveness. This would include an analysis of the appropriate bridging of business and governmental practices.
3. Perform a risk analysis to ensure proper fiducial and management tools are in place as they relate to policy and statutes; verification of proper fiducial controls will include proposed policy and statutory safeguards.
4. Identify best practices of existing Oregon not-for-profit organizations, such as the Children's Trust Fund, and national not-for-profit models such as Florida Pride, the corrections industries program in the State of Florida.*
5. Review overall policy, statutory, and constitutional mandates to include modification recommendations with an analysis of advantages and disadvantages of recommended changes.
6. Assess the potential for expanding the OCE mission by offering additional services to DOC, but also services that could be offered to other agencies.

The OCE/DOC request for this strategic assessment came at a fortuitous time for the Center at PSU. CPS had recently developed a new strategic approach (referred to as EMERGE) for addressing public sector wicked challenges like the type currently confronted by OCE, and could see the value of applying the EMERGE framework in the OCE strategic assessment context. EMERGE is an acronym for CPS's public leadership approach – including principles, tools, and practices – for addressing Oregon's current public sector challenges in a context characterized by dynamic complexity (Magis and Duc, 2011).¹

The OCE/DOC strategic assessment is being completed in three phases. The Phase I report, submitted in May 2012, laid out an analytic framework for the report and identified the broad areas that deserved deeper and more extensive examination. The Phase I report responded to Scope of Work item 1. This Phase II report uses evidence-based analysis methods to assess and present key findings, along with strengths and weaknesses, regarding OCE's current operating model. The Phase II report responds to Scope of Work items 2 and 3.

* On October 19, 2012, OCE asked that CPS omit #4.

¹ EMERGE: E=Explore leadership system; M=Map context; E=Embed vision; R=Release energies; G=Guide improvements; and E=Enable judgments

The key findings, arranged by OCE operational areas, include:

- Statutory and Stakeholder Context of OCE
 1. OCE operates in a challenging statutory context with limited external fiscal and administrative controls.
 2. Most of OCE's external stakeholders, especially those with high degrees of power to influence OCE's operations, see OCE's work and educational/vocational programs as beneficial to their and Oregon's interests.
- Work and Related Program Operations
 3. Only 23% of OCE-eligible inmates are working in an OCE-run program.
 4. Current OCE and DOC vocational training is limited, but the Career Readiness Center brings new opportunities.
- Financial Self-Sufficiency of OCE
 5. Service industries have consistently proven to be more self-sustaining than manufacturing industries.
 6. OCE work programs and processes are dated and do not emulate the private sector.
- Public Safety Contributions
 7. OCE inmate-workers recidivate at a lower rate than inmates in the general DOC population. Additional analysis is needed to determine the independent effect of participation in OCE.

Based on these findings, the Phase II report identifies a number of actionable strategic opportunities for OCE's improvement in three categories: tactical, managerial, and transformational. The Phase II report concludes with a brief description of the proposed plan of work for Phase III. During Phase III the CPS team will work closely with OCE/DOC to co-produce strategy recommendations for OCE based on the list of strategic opportunities presented in the Phase II report. The strategy recommendations will address four key questions as requested by the OCE/DOC Steering Committee: (1) What services (work and related program by type and credibility) should be offered by OCE over the long term? (2) Who should these services be provided to? (3) How will these services be financed? and (4) What internal and external tactical, managerial and transformational improvements will be needed to implement the strategy?

This report was submitted in draft to the OCE/DOC Steering Committee on September 10, 2012. A Steering Committee meeting was held October 2, 2012. OCE, as the primary client of this engagement, received all feedback and communicated proposed changes to the PSU research team, which exercised final editorial control over this report's contents.

Overview of OCE

Oregon Corrections Enterprises (OCE) is a financially self-supporting and semi-independent agency of the State of Oregon, created in 1999 by the Oregon Legislature with major provisions incorporated in Oregon Revised Statutes (ORS Chapter 421). The Director of the Department of Corrections (DOC) appoints the Administrator of OCE, as per ORS 421.344. OCE's mission is to promote public safety by providing inmates with meaningful work experience in a self-sustaining organization. OCE employs 96 staff and generates \$23.1 million in revenue per year.

Nearly 93% of Oregon's incarcerated inmates eventually reenter society. Through OCE's jobs and educational programs, inmate work opportunities are designed to provide several important benefits: 1) contributing to institutional stability by engaging inmates in productive work and training activities during their incarceration; 2) enhancing inmates' ability to secure meaningful employment after their release from DOC custody, reducing the likelihood of future criminal activity and recidivism and thereby preventing additional costs to society and taxpayers; 3) achieving savings in government operations; 4) providing employment to OCE civilian employees, at no cost to taxpayers; 5) require inmates to pay taxes, child support, and other obligations as well as contribute to the Victim Relief Fund; and others.

History

Oregon inmates have always worked. In 1994, however, Oregon voters passed the "Prison Reform and Inmate Work Act," a constitutional amendment commonly known as Measure 17, which contained an explicit requirement that all inmates should work 40 hours per week, based on a finding that inmates should be "fully engaged in productive activity if they are to successfully re-enter society with practical skills and a viable work ethic" (Ore. Const. art. I, s. 41(1)).

Measure 17's broad declaration of "all inmates working...40 hours a week" is qualified by other language. For example, Measure 17 also provides that education, training, or treatment may account for up to 20 hours per week of this requirement. Measure 17 also requires that there are "sufficient work and training programs to ensure that every *eligible inmate* (emphasis added) is productively involved in one or more programs" (Ore. Const. art. I, s. 41(4)). The identification of "eligible" inmates for Measure 17 purposes has been further refined, through legislation and DOC administrative rules.

Approximately 6,844 inmates were incarcerated in Department of Corrections (DOC) institutions in 1994; today, there are more than 14,000. As of November 2012, there were 14,333 inmates in DOC, of whom 11,974 (84%) were deemed eligible to work by DOC. Measure 17 work eligibility excludes inmates with a security or health risk and those who cannot work due to intake, transfer, release, or other administrative conditions.

Of those eligible in November 2012, only 7,843 inmates (66%) were compliant with Measure 17 requirements. This means that DOC is not complying with Measure 17's absolute language that all eligible inmates must be working or engaged in education, training, or treatment for 40 hours per week, with regard to 4,131 inmates (34%). By providing work and training opportunities to 1,200 inmates, OCE fulfills part of DOC's Measure 17 requirements.

In 1999, five years after approving Measure 17, Oregon voters passed Measure 68, which the 1997 Legislature had referred for their consideration. After its passage, the 1999 Oregon Legislature created Oregon Corrections Enterprises (OCE) as a semi-independent public enterprise within the Department of Corrections (DOC). Specifically, the relevant language in ORS 421.354 states:

- (1) Oregon Corrections Enterprises may engage eligible inmates in state corrections institutions in work or on-the-job training. This authority is subject to the authority granted the Director of the Department of Corrections by section 41, Article I of the Oregon Constitution, and to any rules or orders issued by the director regarding care, custody and control of inmates. Oregon Corrections Enterprises shall ensure that all inmate work and on-the-job training programs are cost-effective and designed to develop inmate motivation, work capabilities, cooperation and successful transition into the community.
- (2) Oregon Corrections Enterprises may enter into contracts or agreements with private persons or government agencies for the purpose of:
 - (a) Accomplishing the production and marketing of products or services produced or performed by inmates;
 - (b) Making prison work products or services available to any public agency and to any private enterprise; or
 - (c) Making prison work products available to any private person.
- (3) Oregon Corrections Enterprises may make or enter into any agreement to assist inmates in making a successful transition upon release by state correction institutions.
- (4) Oregon Corrections Enterprises shall carry out the public purposes and missions stated in section 41, Article I of the Oregon Constitution, and in this section in the manner that, in the determination of Oregon Corrections Enterprises, best promotes the public welfare of the people of the State of Oregon.

Measure 68 also added new constitutional language that restricted OCE's range of possible work programs, requiring the corrections director to "avoid establishing or expanding for-profit prison work programs that produce goods or services offered for sale in the private sector if the establishment or expansion would displace or significantly reduce preexisting private enterprise" or "displace or significantly reduce government or nonprofit programs that employ persons with developmental disabilities." However, there continues to be some confusion and lack of clarity regarding OCE's scope of authority in this regard, for which OCE has sought clarification several times over the years from the Oregon Attorney General, which is designated to provide legal services to OCE under ORS 421.364.

OCE provides work to 8.3% of the overall DOC population, a figure that is nearly twice the national average (4.5%) for comparable prison industries. OCE is the leading program in the nation when compared to similar prison industries that do not receive appropriated funds and are operating semi-independently from their respective Department of Corrections hosts. Similarly, Idaho Correctional Industries does not receive appropriated funds and operates semi-independently from the Idaho Department of Corrections and it provides work to 4.1% of the overall DOC population.

Before the creation of Oregon Corrections Enterprises, all inmate work programs operated as a division of the Department of Corrections. In 1998 the average number of inmates assigned to DOC Inmate Work Programs was 675. Historically, the revenue generated by these DOC Inmate Work Programs did not generate enough income to be self-supporting. As a result, the State's General Fund, including requests made to the Legislative Emergency Board, subsidized these operations.

After its creation in 1999, Oregon Corrections Enterprises steadily increased the number of inmates assigned to work programs. In fiscal year 2001-2002 OCE had 749 inmates working and it peaked in fiscal year 2006-2007 at 1,211. It has maintained, or reached a plateau at,

around 1,200 since then. As of July 2012, the number of assigned inmates was 1,161, which includes 173 work-training slots. During this 1999-2011 period, OCE has been financially self-sustaining, building up a reserve fund that as of June 30, 2012 totaled approximately \$2 million. Some of the surplus monies generated during this period were also used by OCE to pay for work skills training and contracts for various programs, such as GED, Cognitive Rehabilitation and Vocational Training.

Businesses and Programs

OCE plays a significant role in meeting Oregon's inmate constitutional work requirements by providing jobs and educational/vocational training to eligible inmates with the goal to prepare, train, and assist inmates in the development of the skill sets necessary for successful reentry into the community. These jobs involve both the manufacture of goods for sale and the provision of services. Through OCE, inmates at eight correctional facilities across Oregon produce furniture, park structures and amenities, garments and embroidery, metal signage, and heavy equipment. In addition, OCE inmate workers provide services such as customer service and telemarketing contact centers, commercial laundry, printing, mail fulfillment, and document scanning. In fiscal year 2011 (July 1, 2010-June 30 2011), OCE revenues from this work totaled \$24.2 million.

Within OCE, however, there is a high level of cross-subsidization. Some enterprises, primarily in the service sector, are highly profitable. By and large, enterprises in the manufacturing sector are not. OCE confronts major constraints in trying to reduce or even phase out the non-profitable enterprises due to pressures by DOC to maintain productive jobs for internal security and Measure 17 related reasons.

OCE has adopted more stringent eligibility requirements for participation in its programs than DOC has for its work and training programs. To be eligible for an OCE program, inmates may not have had a disciplinary infraction or positive drug test within the last six months; they must be making good progress in other treatment programs, and must be within six years of release.

As of June 2012, this meant there were 4,012 inmates eligible for OCE programs, out of approximately 12,000 total DOC inmates that fell under the Measure 17 "work and study" mandate. This meant that approximately 23% of the total OCE-eligible inmates – approximately 1,200 – currently work in OCE manufacturing and service jobs.

In addition to its business ventures, OCE offers non-revenue generating vocational training certificates to prepare inmates for job skills they will need upon release. Specifically, OCE's Work Skills Certification (WSC) Program is a 12-month, self-study, industry-specific curriculum. It provides inmates with a resume and completion certificate to those who graduate from the program. Additionally, OCE, in partnership with the Oregon AFL-CIO, is planning to open a Career Readiness Center at Coffee Creek Correctional Facility in late 2012. When operating at full capacity, the Career Readiness Center will provide vocational training opportunities in six disciplines to 80 minimum and medium security female inmates.

Organizational Context

As a public enterprise, OCE must continuously balance the performance of its several public sector goals. Three in particular are important for this discussion: 1) providing meaningful work and educational programs for inmates that contribute to Oregon's public safety; 2) operating with the business imperative of financial self-support through market mechanisms; and 3) not causing direct conflicts or competitive anxiety among Oregon's private business community

Our Phase I analysis identified at least 11 key stakeholder groups within Oregon – and numerous subgroups and individuals – with varying degrees of power and influence over OCE’s operations and endeavors. OCE also serves a geographically dispersed set of diverse clients through different contractual mechanisms, including public-private partnerships, service contracts, and intergovernmental agreements. Although OCE exists within DOC as a semi-independent agency, it is not appropriated funding from the State’s General Fund. This stands in stark contrast to 36 other state correctional industry programs, almost all of which receive some kind of direct legislative appropriation. Further, OCE products and services are not given explicit preference in statute, an advantage given to 37 other correctional industry programs nationally. OCE does not advocate for a preference clause – and the absence of one, in contrast to most other states, is notable.

OCE has an Advisory Council charged with providing policy input on OCE’s operations, functions, and duties (ORS 421.354(1)). The Advisory Council is made up of at least the following: one person who has experience in the field of labor relations and can represent the interests and perspectives of organized labor, one person who has experience in and can represent the interests and perspectives of private business in Oregon, and one person who has experience in and can represent the perspective of the banking or finance industry. As of August 2012, the Council had three members, appointed by the OCE Administrator. However, while the Advisory Council informs and advises on policy issues, it does not carry any statutory authority. This arrangement stands in contrast with that found in correctional industry programs in many other states, whose managers report to an independent board of directors charged with governing policies and resources. Examples include the California Prison Industry Authority, Washington Correctional Industries, and PRIDE Enterprises in Florida. The corrections enterprises in other states also have a broader representational base on their respective boards or councils.

Benefits

OCE currently provides a variety of benefits to inmates and their families, the Department of Corrections, the State of Oregon, and the public in general. Some of these benefits are well documented by research and academic studies. For example, numerous studies show that prison industries programs encourage and reward institutional adjustment, and reduce idle time, which contributes to safer prisons (MacKenzie, 2006). This benefits the DOC, correctional officers, and inmates by improving security and lowering the costs associated with institutional violence and disruption. Research also finds that vocational training programs for inmates consistently reduce reoffending (MacKenzie, 2006). Inmates participating in OCE work programs give back 5% of the performance awards they receive to the Victim Relief fund in restitution for their crimes. OCE participants collectively pay an average of \$57,000 per year to Victim Relief, money that was generated by the sale of OCE products and services.

Challenges

Some of OCE’s business lines are financially self-sustaining, while others are not, based on OCE’s financial accounting system records. Specifically, the contact centers and laundry operations generate the bulk of OCE’s net income. Over the last 10 years, the service industries have had more than 700 inmates working and generated over \$101 million in gross revenue and achieved a net profit of \$2,856 per inmate. In contrast, OCE manufacturing work programs (furniture, metal, garment, and printing) generated \$93 million in gross revenue with 340 inmates assigned, which cost the agency -\$3,607 per inmate to keep in operation. The cost per inmate for some manufacturing programs appears to be getting worse as demonstrated in this past year’s performance. For fiscal year 2011-2012, OCE service programs generated over \$13 million and had 797 inmates assigned, which achieved a net profit of \$2,854 per inmate. Manufacturing programs generated \$10.1 million in

revenue and had 361 inmates working, which cost OCE -\$5,934 per inmate to keep in operation.

To date, OCE's self-sustaining business units have been able to generate enough net income to cross-subsidize the business units that are not self-sustaining. However, this practice has meant that OCE's ability to launch other, potentially productive and profitable, business lines has been constrained, since its only source of operating capital for new ventures has been its retained earnings. Perhaps more important, continuing this practice presents a serious business risk to OCE's self-sufficiency over time, especially since even OCE's self-sustaining business lines are facing increased competition from the private sector, and personnel costs are rising for OCE'S staff of 96 employees.

Phase II Analysis Methods

During Phase II, the CPS/PSU team worked collaboratively OCE/DOC staff and related stakeholders to analyze OCE's current operating model and identify strategic opportunities for most cost-effective operations in the future. The CPS team used a variety of assessment tools to guide and inform the analysis as follows:

- OCE statutory and policy analysis
- OCE roles and responsibilities analysis
- Stakeholder interest and power grid analysis
- Five-year revenue, net income, and industry profitability analysis
- Analysis of profitability and days worked, by worksite
- Business practice Analysis
- Analysis of inmate characteristics, eligibility and restrictions
- Job market outlook analysis
- OCE Enterprise Systems Dynamics Modeling

In carrying out these analyses, the team gathered data from three primary data sources. First, we reviewed relevant academic literature, Oregon public records, Oregon Employment Department data, National Correctional Industry Association reports, and audit reports. Second, OCE provided a wide range of data – policies, business processes, finances, etc. – related to all aspects of its mission. Finally, the DOC Research and Evaluation Unit provided data about the demographic backgrounds of inmates, time until release, work and education programs and recidivism including information in two DOC datasets. The first dataset included information about the total DOC inmate population incarcerated as of July 2012 (N= 14,191). The second included information about inmates released in 2008 who had previously worked in an OCE-related work program.

Assessment of OCE's Current Operating Model

Statutory and Stakeholder Context of OCE

OCE operates under conflicting mandates requiring it to operate as a public enterprise with a self-financing mission in a highly controlled corrections institution context. Although the OCE Administrator is explicitly given the statutory discretion to do whatever is necessary to achieve OCE's mission, he/she (the Administrator) also serves "at the pleasure of the Director" (of the Department of Corrections) (ORS 421.344), who may have different organizational priorities.

While OCE's operations and finances receive direction and review from the DOC Director, OCE has little formal accountability to administrative or financial entities other than DOC. Operationally, when OCE decides to make changes to its business operations or programs, it must also consider the level of interest and influence its stakeholders – most of whom see OCE as beneficial to Oregon – have in the organization.

Finding 1: OCE operates in a challenging statutory context, with limited external fiscal and administrative controls

The constitutional and statutory context of OCE is a difficult, even contradictory one. Measure 17's constitutional mandate is that every eligible inmate should work in a way "that best promotes the public welfare and the people of the State of Oregon." In creating OCE as a separate entity with specific powers and responsibilities, the Legislature elaborated on this requirement by instructing OCE to ensure that "all inmate work and on-the-job training programs are cost-effective and designed to develop inmate motivation, work capabilities, cooperation and successful transition into the community" (ORS 421.354).

Although the research literature finds that prison work programs help manage the prison population and contribute to institutional safety by occupying the time of the inmates, they are not always rehabilitative because "it is very difficult to operate in an environment where the goal of the system (management of the population) trumps the goal of the program (successful reentry)" (Bushway, 2003).

Adding to the complexity is the 1999 modification by voters of Measure 17's constitutional language, directing that prison work programs not "produce goods or services offered for sale in the private sector" if doing so would displace or reduce private businesses. So while OCE's mandate is to provide rehabilitative jobs and vocational programs for as many inmates as possible –it must do so without competing with or undermining the private sector. For example, OCE's workforce manager openly acknowledged that there were self-sustaining opportunities in the cabinet business, but pursuing them would create direct competition with private Oregon businesses with no desire to compete with cheaper prison labor.

Another challenge for OCE is that Oregon does not have a preference clause that requires state agencies to purchase goods and services from OCE. Preference laws help stabilize correctional industries by providing some predictable demand for goods and services. But while Measure 17 orders "every state agency to cooperate with the corrections director in establishing inmate work programs," it does not direct them to purchase anything from OCE. Thirty-seven other states have preference laws that require state agencies to purchase from the local correctional industry program. However, OCE leaders do not support or advocate for a preference clause in Oregon. Such a statute would be widely viewed as directly conflicting with constitutional provisions prohibiting unfair competition against private sector businesses.

Organizational Structure & Oversight

The exact nature and legal boundaries of the respective authorities and responsibilities of OCE and DOC are challenging to discern, given the nuances (and some might argue, inherent tensions) between key provisions of Oregon law. For example, Under ORS 421.344, the OCE Administrator “shall have authority to do all things necessary and convenient to carry out” inmate work programs. However, ORS 421.305, which details more than 15 separate kinds of possible business and operational activities that OCE may pursue, further specifies that such activities are “subject to the authority of the Director of the Department of Corrections over care, custody, and control of inmates and corrections institutions.”

OCE’s statutory language specifically requires Oregon Corrections Enterprises to ensure that “all inmate work and on-the-job training programs are cost-effective” and directs OCE to “carry out the public purposes and missions stated in Article I, Section 41...in the manner that, in the determination of Oregon Corrections Enterprises, best promotes the public welfare.” Meanwhile, the Oregon Constitution in Article 1, Section 41, declares that “the decision to establish, maintain, expand, reduce, or terminate any prison work program remains in the sole discretion of the corrections director.”

The constitutional mandate that all eligible inmates must work “full time” – as further defined in Article I, Section 14 – clearly falls on the Department of Corrections, not OCE. The Oregon Legislature created OCE in 1999 to help DOC meet this obligation. By necessity, OCE must exist and operate within institutions operated by the Oregon Department of Corrections, to employ inmates under the direct control and custody of DOC.

However, the 1999 Oregon Legislature chose not to establish OCE as an administrative sub-division of the Department of Corrections, but as a “semi-independent state agency.” (ORS 421.344) At the time – and still today – this term has a very specific meaning in Oregon law.

Beginning in 1991, the Legislature designated three entities – the Travel Information Council; the Oregon Film and Video Office; and the Oil Heat Commission (no longer extant) as “semi-independent agencies.” In 1997, five professional licensure boards were added to the list: those for the professions of Optometry, Geologist Examiners; Architect Examiners; Examiners for Engineering and Land Surveying; and Landscape Architects.

During the 1999-2003 period, eight additional entities were designated by the Oregon Legislature as “semi-independent agencies,” and put (like their predecessors) under the authority of ORS Chapter 182. These included several additional licensure boards (for massage therapists, physical therapists, landscape contractors, and appraisers), but also several other entities with broader policy mandates (e.g., the Oregon Tourism Commission and the Oregon Patient Safety Board.)

Currently, there are 14 “semi-independent agencies” in Oregon that are subject to various provisions and rules incorporated in Oregon Revised Statutes, Chapter 182. This chapter outlines a basic framework for these entities, key attributes of which include the following:

- “Self-funded” status, by which fees, grants, and other revenues fully support an entity, so as to require no general fund dollars;
- Exemption from certain personnel, purchasing, and contracting requirements to which other state agencies are subject;
- The ability to contract for outside, independent audits or financial reviews, rather than regular audits done by the Oregon Secretary of State;

- The ability to adopt budgets, outside regular legislative budget processes;
- Appointment of a governing board of directors, whose members are nominated by the Governor and subject to Senate Confirmation, with duties that can include adopting a budget and hiring an Executive Director.

However, while Oregon Corrections Enterprises was established in 1999 and also explicitly declared to be a “semi-independent state agency,” the Legislature explicitly exempted it from Chapter 182. OCE was also made exempt from nearly a dozen other ORS chapters and numerous specific statutes, effectively giving it significantly more flexibility and autonomy than Chapter 182-governed “semi-independent agencies. (For a complete list of these exemptions, see ORS 421.352 (1)).

For example, OCE is exempt from additional personnel, purchasing, and contracting requirements, and many of its records are exempt from public disclosure requirements. OCE also has explicit authority – though it’s not been used – to establish an alternative (non-PERS) pension system.

In these and other regards, OCE actually more closely resembles several other entities to which the Legislature has granted additional discretion, to encourage their financial success in competing in private markets. Such entities include the Oregon State Accident and Insurance Fund (SAIF), the Oregon Lottery, and the Oregon Health Sciences University.

However, alone among these three well-known entities – and the other 14, Chapter 182 “semi-independent agencies – OCE is the only one without an independently appointed board that exercises any management or policy oversight. All these other entities have such boards, whose members are appointed by the Governor and subject to Senate confirmation.

Instead, ORS 421.347 requires OCE’s administrator to appoint an “Advisory Council.” The Council is required to meet at least twice a year, and have at least three members who respectively represent the following sectors: banking and finance; private industry; and organized labor. However, the Council has no formal authority other than to provide “policy input” to the OCE administrator.

A separate statute, ORS 421.349, gives OCE the permission to appoint “one or more advisory committees” to assist OCE in “discharging its functions and duties” as prescribed by the Constitution and various statutes. This statute is permissive – OCE need not appoint any advisory committees – and like the Advisory Council, these advisory committees have no formal authority. For example, while the boards of Chapter 182 semi-independent agencies must review and approve annual budgets, that power lies directly with the OCE Administrator.

OCE is also the only entity among this group whose director is neither appointed by the Governor, or by the entity’s governing board itself. In the case of OCE, ORS 421.344 provides that the “Director of the Department of Corrections shall assign or appoint an administrator who shall serve at the pleasure of the director.” Such arrangements contribute to the complexity that Bushway (2003) and others have noted in surveying prison work programs generally across the U.S. What happens when DOC’s legitimate goals for institutional management and safety don’t necessarily align with OCE’s statutory mandate to run “cost-effective” programs, on a self-sustaining basis that generates earned income so as to eliminate the need for any general fund support?

OCE’s financial accountability mechanisms are also worth describing. In creating OCE in ORS 421.344, the Legislature designed it to be self-funded and supported by earned income, rather than receiving an allocation of the State General Fund. ORS 421.359 specifically

directs all OCE income and revenue to remain within OCE for providing inmate work programs and also prohibits “comingling of funds” between DOC and OCE.

During the most recent biennium of 2009-11, OCE’s revenues were \$43.5 million, primarily earned by the sale of goods produced and services performed by inmates. Although an independent audit firm audits OCE annually, it does so primarily through a business lens, with a focus on financial issues and OCE’s compliance with its mandate to be self-sustaining. Such audits typically do not address larger questions – e.g., as to whether OCE is performing in full compliance with regard to various constitutional and statutory requirements.

ORS 421.367 does require that OCE report “activities and operations for the preceding year” to the Governor and Legislature. While OCE produces an annual report that contains such information, the CPS team could not find evidence of any official reports that rise to the same level of reporting requirements as of the semi-independent agencies subject to ORS Chapter 182. ORS 421.367 also requires OCE to report financial information to the Oregon State Department of Administrative Services for inclusion in its financial reports, though this requirement also appears to be a less stringent requirement than that of other semi-independent agencies in Oregon.

OCE confronts additional organizational challenges. Not only must OCE balance programmatic and institutional goals, but OCE operates in a highly dispersed geographical setting. OCE operates multiple industries in eight different DOC facilities, each separated by distance and their own distinctive organizational cultures and ways of supporting work and related programs. Consider, for example, an inmate enrolled in OCE’s Work Skills Certification program, a vocational education program connected to its laundry operation at Snake River Correctional Institution. At play are the inmate and his personal goals and interests; the educational program and its success metrics; the effective functioning of the laundry operation to meet its clients’ needs; meeting DOC goals and interests for reducing inmate idleness; compliance with Measure 17 requirements, and OCE’s legislative mandate to be “self sustaining” (i.e., consistently make a profit).

See the table “Key Legal Directives Influencing OCE’s Future” in Appendix A. The table is the result of extensive discussion with OCE leaders to better understand the complex context in which OCE operates. It summarizes the major statutes and policies under which OCE operates, and the direct effects for the organization and its operations.

Finding 2: Most of OCE’s external stakeholders, especially those with high degrees of power to influence OCE’s operations, see OCE’s work and educational/vocational programs as beneficial to their and Oregon’s interests.

The CPS team conducted an OCE stakeholder analysis to determine a) the core stakeholders of the current operating model, b) which stakeholders have high interest and high influence in the current operational context, and c) the differences in types of interest and degrees of power in OCE’s work programs compared to its educational/vocational programs. The assessment team positioned OCE’s stakeholders on a Power and Interest Grid – both for work programs and for educational/vocational programs (see Figures 1 and 2). Most of the stakeholders in the Grid’s “Players” category (i.e., stakeholders who should be actively engaged because they have high interest in and influence over OCE current operations) and the “Context Setters” category (i.e., stakeholders who should be actively managed because they are highly influential but have little immediate interest) view OCE as a beneficial agency. This positive outlook is evidenced for both work and educational/vocational programs in OCE. The results of the Stakeholder Analysis will be used in Phase III to assess the feasibility of various strategy recommendations to guide OCE’s future operational model.

Figure 1: Power vs. Interest Grid for Stakeholders in OCE’s Current Operating Model—Work Programs

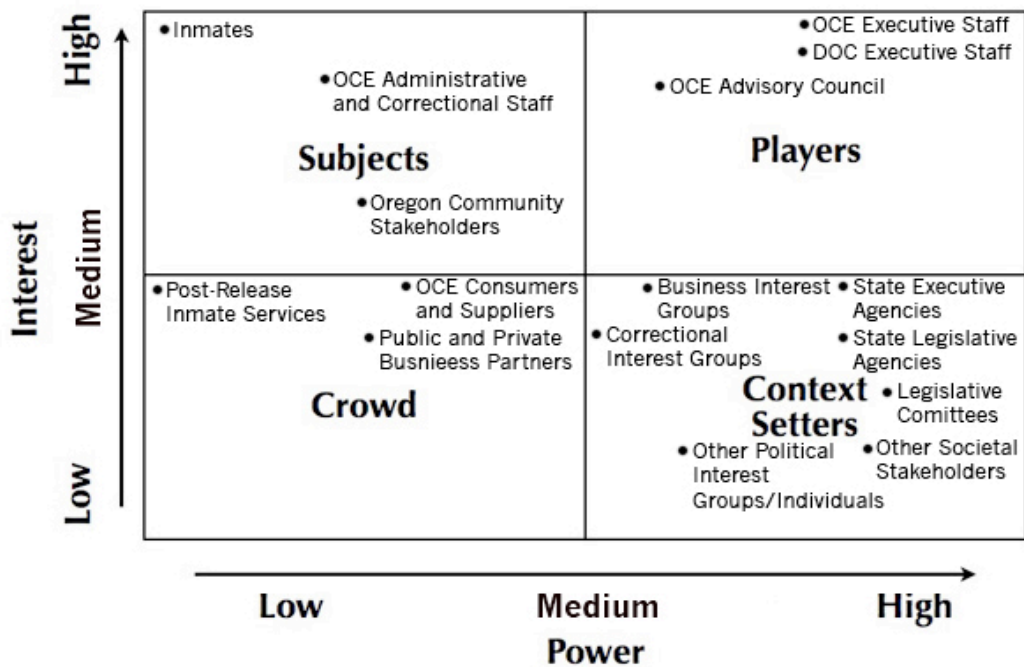
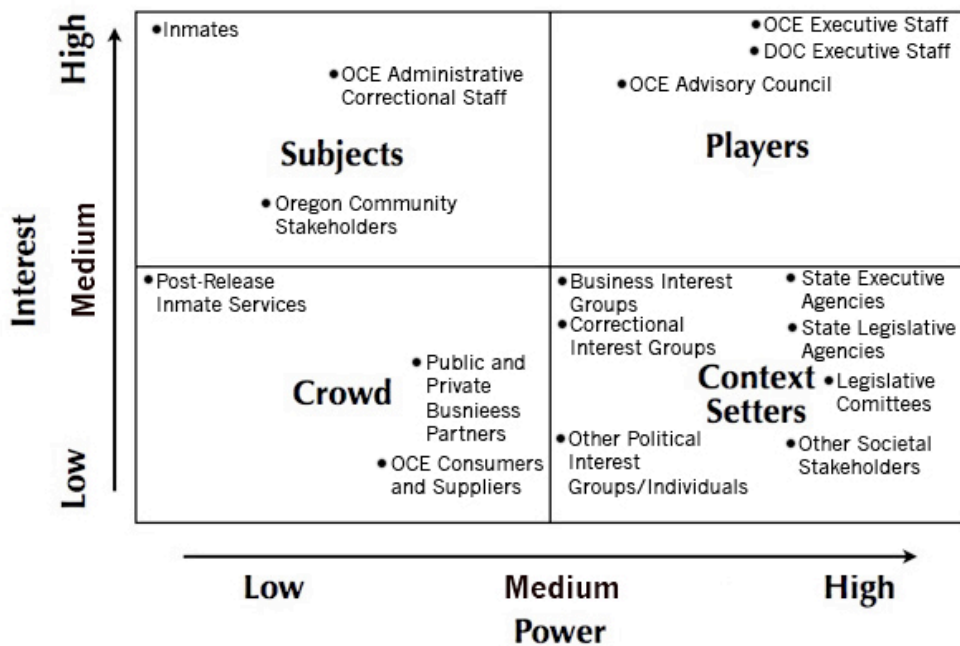


Figure 2: Power vs. Interest Grid for Stakeholders in OCE’s Current Operating Model—Educational/Vocational Programs



Assessment of Strengths and Weaknesses of OCE's Statutory and Stakeholder Context

Strengths

- The OCE Administrator has significant statutory discretion to invest funds in and develop a variety of inmate work and educational programs. This statutory leeway provides many opportunities for OCE to expand its business and vocational training pursuits.
- As a public enterprise, OCE is effectively bridging public and business interests, processes, objectives, and stakeholders, which requires skilled management.
- OCE's statutory authority and strong leadership from both OCE and DOC provide OCE with a robust organizational foundation for achieving its self-financing mission in the short term and adapting to changing economic and political conditions over time.
- OCE has a powerful group of external stakeholders who view its current operations as beneficial to their own and Oregon's interests.

Weaknesses

- OCE statutes lack clarity about the type and range of OCE oversight provided by DOC
- OCE has limited external fiscal and administrative oversight, which leave it vulnerable to misuse or abuse of funds. Although it has some control mechanisms in place, like audits and annual financial reports, they are not integrated, and as such, do not regulate certain expenditures or ensure adequate safeguards.
- Businesses that do not want to compete with OCE and prison labor are likely to exert powerful influences to limit OCE's business unit expansion in the Oregon market sector.

Inmate Work & Educational Programs

Finding 3: Only 23% of eligible inmates are working in an OCE-run program

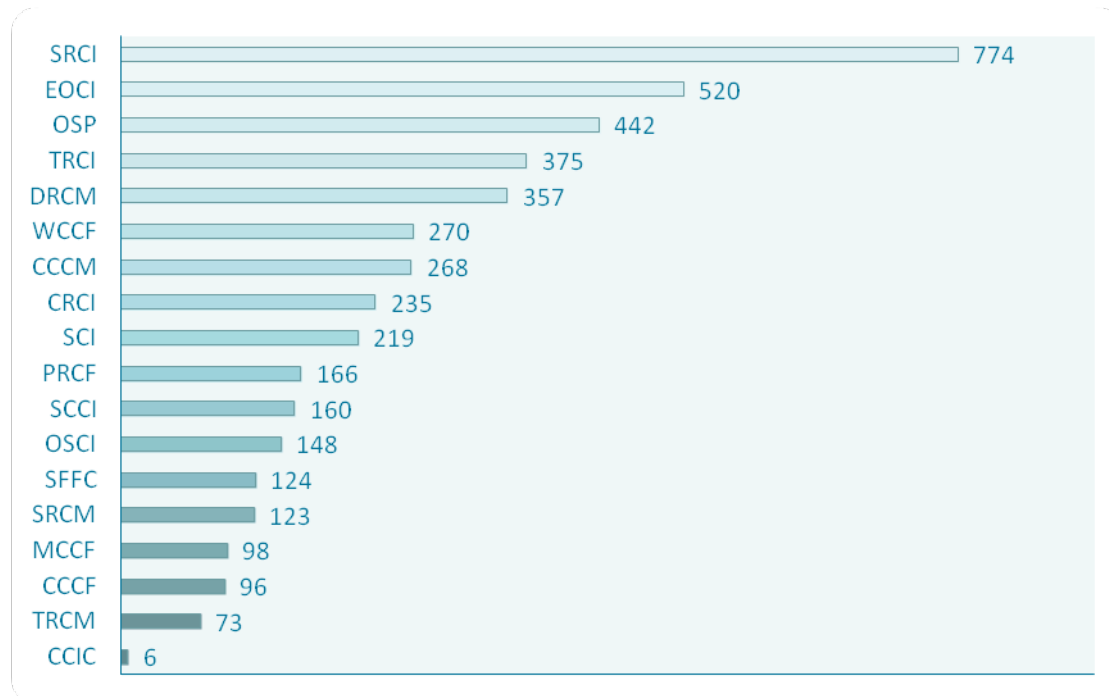
DOC has approximately 14,000 inmates, of which it has deemed nearly 12,000 eligible for work or education under Measure 17. Of those, about 5,000 are OCE-eligible, as OCE has stricter criteria for participation. Of those 5,000, only 1,200 (or 23%) of the inmate population deemed "eligible" by OCE for its programs is currently working at an OCE work site (see Figures 3). However, compared to national figures, OCE's participation rate is high.

OCE sets its own eligibility criteria for inmate workers, which are stricter than the criteria DOC uses in enrolling inmates in its own work, training, and educational programs. To be eligible for an OCE program, inmates must not have had a disciplinary infraction or positive drug test within the last six months; they must be making good progress in other treatment programs, and they must be within six years of release. Inmates on death row and others in special housing units, such as segregation, are also ineligible for participation in OCE work and certificate programs.

Based on these criteria, and excluding inmates already working for OCE, an additional 4,456 DOC inmates are eligible for an OCE work or training program (See Figure 3).

Figure 3 illustrates the number of inmates who are eligible to participate in an OCE program by facility. The largest numbers of eligible inmates are located at SRCI (n = 774), OSCI (n = 520), and OSP (n=442). TRCI, DRCM, WCCF, CCCM, CRCI, and SCI house more than 200 eligible inmates each.

Figure 3: Number of DOC Inmates Eligible for Participation Based on OCE Criteria, by Facility, 2012*



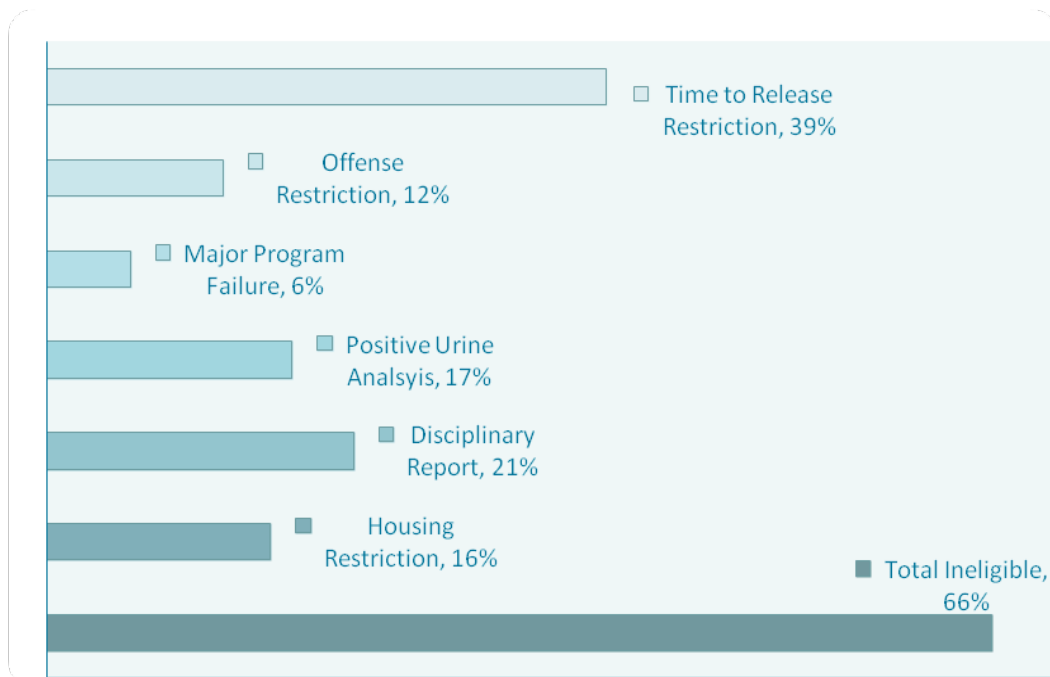
*Note: *Excludes those inmates who are already working for OCE*

The percentage of the DOC population that falls within each restriction criteria is reported in Figure 4. Close to 40% of inmates are ineligible for OCE because they have less than 180 days to serve or more than 6 years remaining on their sentence. Twelve percent of DOC inmates are deemed ineligible because they committed an offense that bars their participation in a work assignment where they would use a computer or telephone. Such offenses include identity theft and fraud.

Failure to comply with institutional rules is another source of ineligibility. Over a six-month period, 6% of inmates experienced a major program failure, 17% tested positive for drug or alcohol use, and 21% received a disciplinary report. In addition, 16% of DOC inmates are ineligible due to a housing restriction.

In sum, approximately 66% of DOC's 14,000+ inmates met at least one restriction criterion for OCE.

Figure 4: Percentage of Inmate Population Ineligible for OCE Work by Restriction Type



Also of note, a larger proportion of female inmates than male inmates were convicted of an offense barring them from working in industries where a telephone or computer is required. Specifically, 29% of female inmates were convicted of an offense that restricts their OCE participation compared to 10% of male inmates, a statistically significant difference (chi square = 359.4, $p < .001$). This pattern may make it more difficult to locate certain industries and training programs at CCCF.

OCE is working to address this issue in the immediate term by expanding limited vocational training opportunities via a “Career Readiness Center” opening in late 2012 at the women’s Coffee Creek Correctional Facility. It’s anticipated that the CRC will train approximately 200 inmates; see discussion following in Finding 4.

Finding 4: Current OCE and DOC vocational training is limited, but the Career Readiness Center brings new opportunities

According to the Washington State Institute for Public Policy, vocational training for inmates delivers \$17,547 in benefits to the state at a cost of \$1,537 per participant (Aos, et al., 2011). The Reentry Policy Council of the Council of State Government’s Justice Center found, however, that opportunities to provide relevant vocational training to inmates are often lost due to limited availability, programs not matching inmates’ skills, programs not being useful in the market, or inmates not being sufficiently interested in the programs offered (Reentry Policy Council, 2005). A combination of these factors appears to be present in the work and vocational training programs at DOC and OCE. Specifically:

DOC Work Based Education and Training—Seven Work Based Education and Training programs, divided between four of DOC’s 14 facilities, train approximately 185 participants per year. Inmates earn college credit and industry recognized certification through local community colleges. Programs include:

- Automotive Technology (OSP, 20 slots),
- Barista Training (CCCF, 10 slots),
- Computer Technology (CCCF, 15 slots),
- Building Construction (SRCI, 24 slots open on continuously rolling basis),
- Eyeglass Recycling (CCCF, 12 slots),
- Hair Design (CCCF, 12 slots), and
- Welding (DRCI, 15 slots).

Costs for these programs average approximately \$7,376 per participant per year, with the most expensive being the Automotive Technology program at \$12,985 and the least, Barista Training at \$1,304.²

Combined, these 4 facilities are budgeted to house 7,862 inmates, accounting for 55% of the State’s total prison population. Although not all inmates are eligible or prepared to pursue vocational education, these available training opportunities are severely limited. At current levels, these DOC Work Based Education and Training programs reach just 2% of inmates annually.

DOC Apprenticeship Program—DOC operates an apprenticeship program in Electrical Work, Painting, and Sheet Metal with 51 slots divided between 10 facilities. Combined, the apprenticeships average 2.5 completions per year, at an average annual cost of \$30,110 per participant.

OCE Work Skills Certification—The Work Skills Certification program (WSC) is a 12-month, self-study, industry-specific curriculum, which provides inmates with a resume and completion certificate to those who graduate. The goals of the WSC include building inmate confidence and skills, reinforcing positive behaviors, and increasing the chance of post-prison employment. OCE awards approximately 168 certificates annually in 15 trades or vocations including: embroidery, electronic pallet lift, forklift training, laundry, laundry sort, mail fulfillment, metal fabrication, printing, sewing, sign design, sign shop basics, telecommunications, upholstery, wood fabrication, and worksite maintenance in the eight institutions in which it operates businesses. In FY 2011, OCE spent approximately \$4000 per certificate awarded.

OCE Vocational Training—In addition to the WSC, OCE uses on-the-job vocational training to prepare all OCE inmate workers for jobs in OCE worksites. It is not, however, a formal program. Costs associated with training new inmate workers on the job are absorbed by the business.

Despite interest in expanding vocational opportunities for inmates, OCE has not been able to develop its programs further. According to OCE executives, OCE has historically lacked the

² Average costs for work programs for OCE and DOC were calculated by dividing the total costs of the program divided by the number of certificates awarded.

capacity to invest deeply in vocational training due to fluctuating market demands and the organization's focus on securing self-sustaining businesses.

Nevertheless, OCE executives emphasize the need to increase vocational training specifically geared toward market demands in the community and a desire to channel its profits into such programs. It is taking steps toward that goal. In November 2012, OCE is launching the first phase of a pilot project Career Readiness Center (CRC) at Coffee Creek Correctional Facility. Relying on partnerships with DOC, local businesses, the community, and equipment that OCE already owns, the CRC will require minimal OCE investment to get started. Once operating at full capacity, the CRC will offer hands-on work skills training, personal budgeting, financial literacy, and soft-skills training, such as interviewing and resume preparation, to 80 minimum and medium security female inmates per cycle. The CRC will target high-risk offenders with the hope that the recidivism rate associated with these inmates will decrease and provide marketable skills to inmates.

The vision of the CRC is to expand OCE programming to minimum-security inmates across the state who are higher risk and closer to release than those currently being served. The current CRC proposal shows plans for training in Small Tools Construction, Computer Aided Design (CAD), Housekeeping/Janitorial work, Warehousing and Logistics, Sign and Banner Making, and Embroidery and Sewing for high-risk offenders.

While vocational education has demonstrated positive results, and the long-term strategy of unrolling CRCs at minimum-security institutions will greatly increase OCE participation, the job outlook is mixed for the current vocational training programs proposed for the CRC. As Table 1 shows, construction, housekeeping, janitorial work, and warehousing appear to be promising industries for jobs upon release, while sewing and Computer Aided Design offer much less potential.

Table 1: Job Market Outlook for CRC Vocational Training

Training Program	Potential Jobs	2012 Median hourly wages	Annual openings, Statewide	2010-2020 Projected Change (%)
Construction	Construction Laborer	\$15.90	262	24%
Computer Aided Design (CAD)	Drafters (Other)	\$21.05	18	22%
	Electrical Drafter	\$25.45	12	21%
	Mechanical Drafters	\$22.71	28	23%
	Architectural, Civil Drafters	\$22.00	59	24%
Housekeeping/ Janitorial	Housekeeper/ Maid	\$9.66	431	20%
	Janitor/ Cleaner	\$11.51	478	20%
Warehousing/ Logistics	Laborers, Freight, Stock, and Material Movers	\$12.22	1213	19%
	Shipping, Receiving, and Traffic Clerks	\$14.14	355	17%
	Forklift Operator	\$15.50	425	18%
	Logistician/ Logistics Coordinator	\$32.00	24	13%
Sign and Banner	Graphic Designers	\$21.67	130	19%
Embroidery and Sewing	Sewing Machine Operator	\$11.17	23	10%

Source: Oregon Labor Market Information System

Assessment of Strengths and Weaknesses of OCE’s Inmate Work and Educational Programs

Strengths

- OCE contributes to Measure 17 compliance, providing work for more than 30% of eligible inmates at five facilities (and 23% overall). OCE inmates performed a total of 281,579 days of work during 2011. The sustainability and success of OCE work and related programs directly contributes to the goal of holding inmates accountable and encouraging personal responsibility.
- OCE provides work opportunities to 9% of the total DOC inmate population, a reach larger than most of its peer correctional industry programs nationally. However, just 23% of OCE-eligible inmates work in an OCE shop.
- OCE is making efficient use of its limited capacity in seeking out new markets. For example, the Career Readiness Center will increase Measure 17 compliance and offers potential for growth for scaling up to new clients inside and outside DOC.

Weaknesses

- A limited number and proportion of the DOC inmate population have opportunities to engage in vocational education or job training.
- Inmates' needs and interests are not systematically matched to available training and work opportunities.
- The lack of strategic alignment between work and educational programs offered by OCE decreases potential impact on job readiness upon release.

Financial Self-Sufficiency of OCE

OCE has been able to meet its statutory mandate to operate as a self-sufficient organization, but its ability to do so in the future is in question. It relies on its laundry and contact center operations to cover losses from its manufacturing industries and sustain the organization. Without diversification, changes in the market could significantly (and quickly) affect OCE's size and its ability to remain self-sufficient. Further, its core business operations—including inmate hiring, business marketing, and technology—do not reflect practices found in the private sector.

Finding 5: Service industries have consistently proven to be more self-sustaining than manufacturing industries

OCE's five-year revenue trend shows fluctuations of approximately 15% to 20% per year. Its net income trend, however, shows even greater fluctuation. In fiscal year 2007, OCE's net income was \$2.3 million, whereas fiscal year 2008 ended with just \$171,452, a 93% drop. For the 2011-12 fiscal year just closed, OCE executives reported a net income of \$133,153 and for fiscal year 2013 they project a \$700,000 net loss. A major cause for these fluctuations – is OCE's line of manufacturing sectors, which rely on large but unpredictable and inconsistent orders from public agencies.

Figure 5: Five Year Trend of OCE Total Revenue (FY 2007-FY 2011)

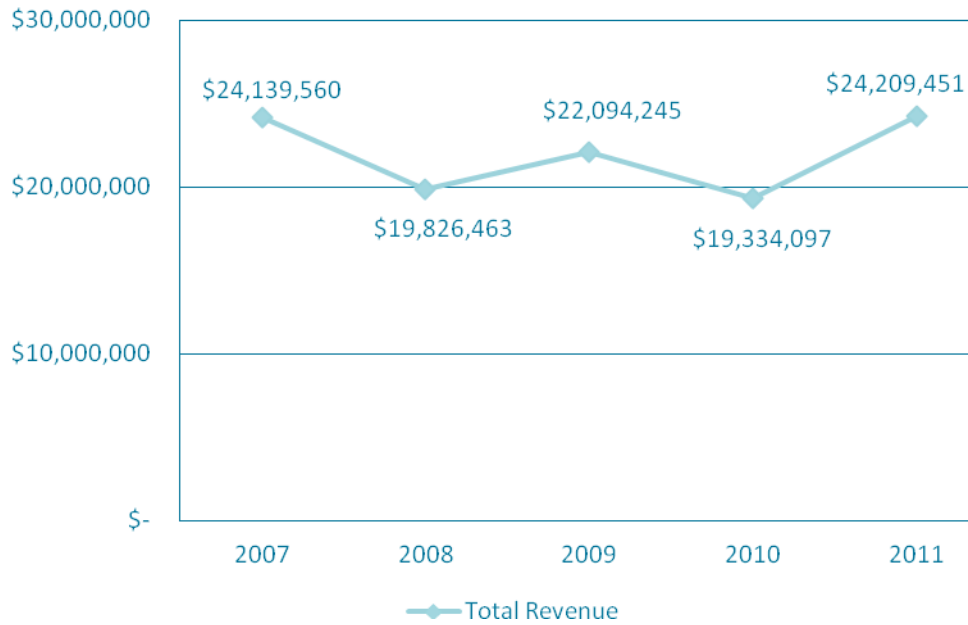
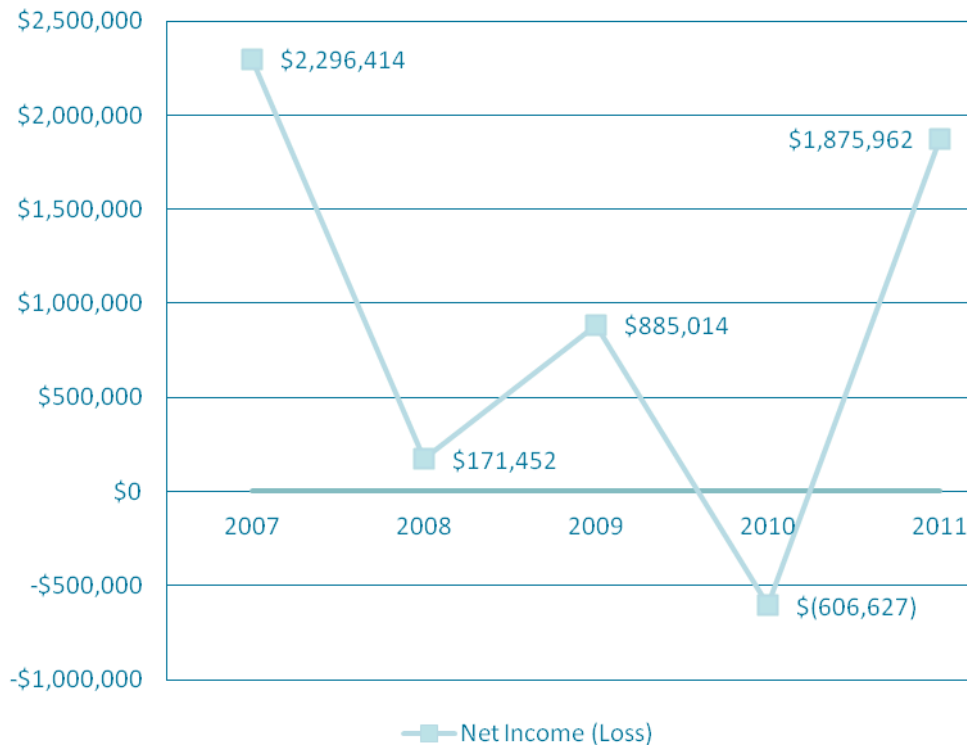


Figure 6: Five Year Trend of OCE Net Income (FY 2007-FY 2011)



As shown in Table 2, between fiscal years 2007 and 2011, OCE operated eight self-sustaining work programs that subsidized 13 other work programs. Services provided approximately \$15 million of net income over a five-year period, while manufacturing programs lost \$9.9 million.

As researchers elsewhere have noted, operating losses are a common scenario in correctional industry programs as they struggle to keep inmates working (Deeb, 2011). In the case of OCE's manufacturing industries, during this period they experienced significant fluctuation, due to market demand. The majority of manufacturing revenue is dependent on large project orders, which vary year to year.

It is in DOC's interest to ensure that people who can work are working in order to maintain secure facilities and institutional predictability. The 13 work programs losing money accounted for nearly 400 inmate jobs over the last five years, about a third of OCE's total workers. Cutting positions and closing operations not only requires support from DOC and the need to find alternative work for those inmates, but it also would require layoffs of the OCE staff who manage those operations.

To date, OCE (and DOC) have been able to avoid such difficult choices because of accrued earnings from previous years' operations. However, such a strategy cannot be pursued indefinitely, especially given the vulnerability OCE has to a relative handful of contracts and self-sustaining work programs.

Table 2: Summary of Net Profits/ (Losses) FY 2007-2011

	Institution	Business/Industry	Net (Losses) or Net Profits	Average Number of workers
Not profitable	Oregon State Penitentiary	Furniture Factory	\$(1,965,490)	94
	Two Rivers Correctional Institution	Manufacturing	\$(1,556,389)	20
	Mill Creek Correctional Facility	Manufacturing	\$(1,068,781)	14
	Oregon State Correctional Institution	Print	\$(983,019)	71
	Snake River Correctional Institution	Sign Shop	\$(972,739)	17
	Two Rivers Correctional Institution	Upholstery	\$(792,984)	24
	Coffee Creek Correctional Facility	Sewing	\$(577,884)	4
	Oregon State Penitentiary	Metal	\$(464,127)	39
	Oregon State Correctional Institution	ESU/CAD	\$(441,795)	32
	Eastern Oregon Correctional Institution	Garment	\$(352,781)	60
	Eastern Oregon Correctional Institution	Embroidery	\$(344,623)	10
	Coffee Creek Correctional Facility**	Print	\$(251,086)	7
	Coffee Creek Correctional Facility*	Scanning	\$(161,135)	5
Total Losses and Workers over 5 years			\$(9,932,833)	395
Profitable	Oregon State Penitentiary	Laundry	\$6,006,168	304
	Two Rivers Correctional Institution	Laundry	\$2,637,914	133
	Snake River Correctional Institution	Laundry	\$2,311,065	32
	Coffee Creek Correctional Facility	Contact Center (DMV)	\$1,405,659	38
	Eastern Oregon Correctional Institution	Laundry	\$1,239,526	30
	Snake River Correctional Institution	Contact Center	\$1,100,942	111
	Oregon State Correctional Institution	Contact Center	\$289,172	24
	Oregon State Correctional Institution	Mail	\$15,105	11
Total Profit and Workers over 5 years			\$15,005,550	682
Grand Total for 21 businesses			\$5,072,716	1,077

Source: OCE data
 *One year of data
 **Two years of data

The CPS team classified OCE worksites along three dimensions to examine the overlapping goals of employing inmates, providing technical and vocational training, and operating self-sustaining businesses. Specially, we categorized sites by self-sustainability, the number of certificates awarded during the five most recent years, and the average number of days worked per inmate per year. The team measured self-sustainability as the average annual net income generated by the work site and classified work sites as sustainable if they yielded a positive net income.

Additionally, we classified work sites by their percentile rank of certificates awarded; sites were dichotomized as falling in the upper or lower 50th percentile (median = 21 certificates). Similarly, we categorized work sites in the upper or lower 50th percentile by the average number of days worked per inmate (median = 200.5 days).

Table 3 illustrates the results of this analysis. Self-sustainable work sites are in the center of the table, whereas non self-sustainable work sites are in the outer cells. Three work sites fall high on each dimension examined: the OSP Laundry, the CCCF Call Center, and the TRCI Laundry. Each of these sites is self-sustainable, awards certificates in higher numbers, and has inmates working for 200 or more days per year. Other self-sustainable work sites include the OSCI Call Center, the OSCI Mailroom, and the EOCI Laundry. These workplaces also work inmates for more than 200 days per year, but award comparatively fewer certificates. The SRCI Call Center and Laundry are self-sustainable and award comparatively more certificates, but work inmates for fewer than 200 days per year on average.

Although not currently sustainable, five work sites were classified in the upper 50th percentile of days worked per inmate. These sites include the OSP Metal Shop, the CCCF Print Shop, the EOCI Embroidery work site, and the TRCI Sewing and Upholstery work site. The SRCI Sign Shop also awarded higher numbers of certificates.

The OSCI ESU/CAD site, the EOCI Garment shop, and the TRCI Woodshop are in the upper 50th percentile of work site awarding certificates. These programs, however, work inmates for fewer than 200 days per year and are currently not self-sustainable.

Finally, three programs were ranked low on each dimension. These include the CCCF CAD program, the CCCF Sewing site, and the CCCF Scanning site. The CAD site is a small, training-only workplace, the sewing site was discontinued in FY 09-10, and the Scanning worksite began in FY 10-11 and is still being brought up to scale.

Table 3: OCE Worksites by Self-Sustainability, Certificates Awarded, and Average Number of Days Worked per Inmate per Year

OSCI ESU/CAD EOCI Garment TRCI Woodshop		SRCI Sign Shop	Certificates Awarded, Upper 50 th percentile
<i>Self-sustaining Work Sites</i>			
	SRCI Laundry SRCI Call Center	OSP Laundry CCCF Call Center TRCI Laundry	Certificates Awarded, Lower 50 th percentile
		OSCI Call Center OSCI Mailroom EOCI Laundry	
CCCF CAD CCCF Sewing CCCF Scanning		OSP Metal CCCF Print Shop EOCI Embroidery TRCI Sewing Upholstery	
Days Worked/Inmate, Lower 50th Percentile	Days Worked/Inmate, Upper 50th Percentile		

Finding 6: OCE work programs and processes are dated and do not emulate the private sector

The number of inmates that OCE can provide work to has plateaued at 23% of the current eligible population. Although charged with financing its own operations, OCE treads lightly in the market to avoid accusations of having an unfair competitive advantage. This has led to a more conservative approach on business operations in both private and public sectors. Although OCE is required to be a self-sustaining operation, its leadership chooses to mitigate potential displacement of private business in regards to its business operations and expansion.

Due to the need to be self-sufficient, OCE has also shied away from educational initiatives that do not correspond directly to its work programs, though this is set to change soon with the advent of the Career Readiness Center, which will offer training to inmates without consideration for generating revenue from those activities. However, this positions the organization further into the sphere of public service and presents another demand for subsidization from the limited net income created by its profitable business units.

Work assignment, training, and compensation—The inmate work assignment process that is used to match inmates to OCE jobs aims to emulate the private sector, but needs updating. On the surface, the program seems reasonable in its major steps. OCE advertises open positions in DOC institutions newsletters; the inmate applies for the position, goes through an interview process and may or may not be hired. If accepted into the work program, the inmate goes through a training period, has regular evaluations, and is treated as closely as possible like a work opportunity on the outside.

However, further review reveals why OCE is currently working in partnership with DOC on modernizing and updating key aspects of the hiring system. For example, there is currently no standardized assessment of vocational skills administered during intake, so DOC and OCE officials depend on self-reported information. According to DOC's Intake Operations Manager, inmates have been known to exaggerate or invent skills in order to gain special treatment. OCE's Inmate Workforce Manager corroborated this by stating that his agency has previously assigned an inmate to a job he was unprepared to perform despite assurances to the contrary.

Once an inmate decides to apply to an OCE position, he/she writes a letter and fills out a one-page form that comprises a "kite" that is eventually delivered to the Inmate Workforce Manager for evaluation. This process does not resemble the modern job application experience one encounters outside of a correctional facility. The manager can also search DOC's database for inmates with special competencies, but this is normally only done for positions requiring highly skilled individuals.

Once hired, OCE provides training to inmates to facilitate its work programs. In the contact center environment, private sector partners often provide this training. According to OCE staff, contact center training by these partners has only consisted of a couple days. Inmates have expressed a desire for more training. Some have even decided after such brief training to decline to pursue work in the contact center, due to fear of failing.

According to DOC's Performance and Recognition Award System, working inmates accrue points toward a monetary monthly performance award. The awards are made based on the level of responsibility of the inmate's work assignment, his/her performance, and the inmate's behavior. After a 120-day evaluation period, DOC credits inmate accounts with daily points. Each month, DOC adds the daily points to determine the monthly performance points, which carry monetary awards within specified ranges. DOC can deduct points for disciplinary rule violations. Other awards include Monthly Team Goal Awards and special meritorious awards for exceptional performance. Awards paid to inmates in the 2011 fiscal year were \$1.9 million. Inmates contribute part of these earnings toward meeting their obligations for child support, state and federal taxes, court-imposed fines, and victim's assistance funds. Many inmates also help to support their families by sending home a portion of their earnings. Inmates are not compensated on an hourly basis unless working under the Federal Prevailing Wage and the Prison Industry Enhancement Program.

Marketing capacity is insufficient to support all business lines—OCE is a small organization, which requires the Sales and Marketing staff to handle a multitude of tasks. There are four staff: one staff person dedicated finding new business opportunities involving OCE's lines in furniture and metal (primarily in the Willamette valley); one who splits her time as a public information officer (which includes the production of the annual report) and serves as the customer service representative for the "Prison Blues" line; one who focuses on Contact Center new business and customer service, and finally, the Sales and Marketing Manager, who has a range of duties but currently focuses on the growth of Prison Blues, new business opportunities and marketing tools, such as internet services.

The Sales and Marketing team is not involved with the sales and marketing efforts of laundries. Historically, laundries retain customers rather than sell or market new business. The onsite managers best do customer service because they work with these customers every day. Due to the delicate nature of this business – OCE not wanting to be compete with private businesses or displace any private workers – growth must be carefully scrutinized at the strategic level, which involves the OCE administrator.

Priority of order for Sales and Marketing budget, which was about \$740,000 in fiscal year 2012, are Contact Centers, Prison Blues, then "General." The second highest source of revenue, after laundries, are Contact Centers, a Sales and Marketing priority over all other businesses; Prison Blues, has the potential for growth due to the ability to sell to the private sector; however not a high return on investment as compared to Contact Centers. Third is the "General" category, which encompasses the promotion of furniture, scanning, printing and signs.

Inmates are not currently used to market Prison Blues or other OCE products via the contact centers. An inmate was once used for marketing Call Centers with limited success. It is an inexpensive method that may be tried again once the new contact center in OSP is operational.

OCE prioritizes its marketing efforts based on those businesses most likely to succeed in the future; the strengths of the full time personnel also play a part in what business lines they manage.

The Scanning operation was a good example of a program that had potential but needed more attention. A business plan was developed but was handed off too many times to build any momentum. Budget cuts also had an impact on state agencies willingness to spend money on new projects,

Priorities for new businesses partnerships are Contact Centers, Garment, and Furniture.

OCE is not fully integrating information systems with business processes—Oregon Corrections Enterprise's IT system is only partially integrated with the Department of Corrections. While sharing common hardware infrastructure via the state's Wide Area Network (WAN), OCE has deployed its own data center and uses its own enterprise software platform. In addition, it has an enterprise-class phone system that supports a portion of its contact center operations.

OCE's Information Systems manager feels satisfied with the support and resources that he receives, though a review of business processes shows limited integration of IT. Its enterprise software platform is currently used for centralized timekeeping of inmates' activities through QQuest's Timeforce software. Staff views this system as a significant improvement over the previous method, which was performed using spreadsheets.

There are other human resources components, however, that OCE has yet to take advantage of. It has been investigating the potential for a broader human resources software implementation that would assist with other functions. It recognizes that the inmate work assignment process is becoming more sophisticated. In addition, tracking of certifications is currently done using a separate software program designed by an inmate.

The IS manager expressed interest in assisting with the delivery of educational programming focused on building inmates' IT skills. Second Chance Act grant funding is being used by the Colorado Department of Corrections to provide Cisco Networking Academy courses to inmates at its facilities. CDCC plans to provide 547 inmates with this training that is highly prized by the private sector. Cisco Networking Academy courses are available online and OCE's IS

manager believes that the organization already possesses the platform for delivery of remote training. According to a DOC administrator, the Oregon Youth Authority provides significantly more opportunities for individuals in its custody to engage with information technology than DOC's population. That official recognized that the process of gaining employment itself has become very dependent on familiarity with IT.

OCE is met with the unique IT challenge of having to protect itself from external attacks on its networks while also maintaining strong safeguards against internal misuse of resources by inmates. This environment increases the costs of operating the system, limits functionality, and slows adaptation to emerging technologies. It is further complicated by the necessity to provide a system that meets the needs of commercial partners and keeps pace with the rapid technological evolution in the contact center industry. Customers looking to take advantage of the latest developments in the industry might be deterred from contracting with OCE if they perceive these restrictions as too onerous.

A related example to this challenge is the OCE website, which used to be maintained by inmates. This provided skills and experience to inmates that are highly prized in the current job market and reduced costs to OCE. However, security concerns led to the outsourcing of website responsibilities to a private company despite the absence of any e-commerce operations on the domain. However, OCE's print shop does have the ability to take orders online for agency letterhead, business cards, and other such items.

As a result, the responsibility for collection and production of new content has fallen to OCE staff members who have other primary duties competing for their attention, resulting in less frequent updates and limited functionality. A vivid contrast can be found in the website for Washington State Correctional Industries (<http://www.washingtonci.com/>) which is rich with dynamic media, offers online shopping, and compelling case studies complete with customer testimonials.

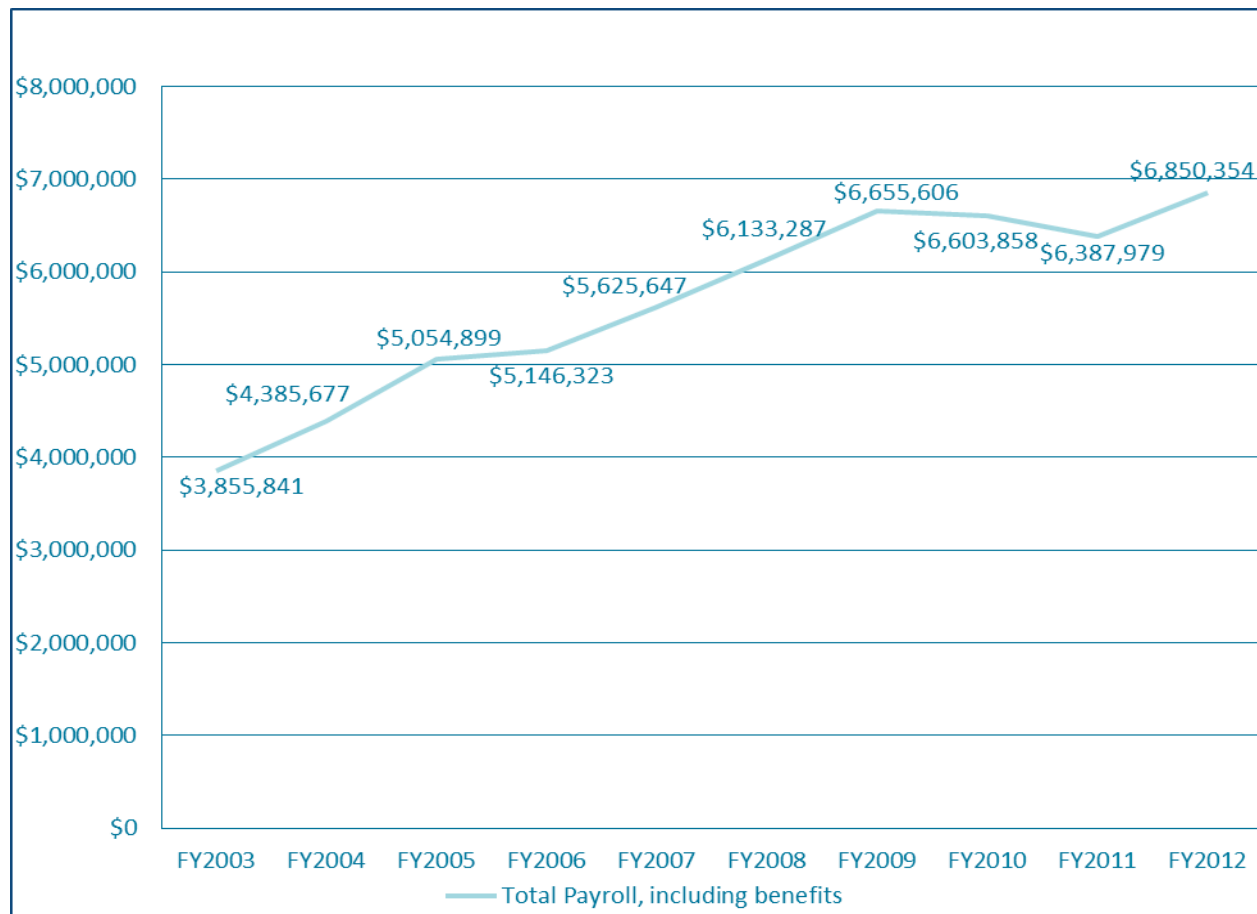
Sharing of information regarding inmates that would assist with their placement in work and education opportunities between state agencies requires signed consent forms including prisoners' social security numbers. Staff find it very difficult to get prisoners to complete these forms, especially in the early phase of incarceration. According to a DOC education administrator, other states have facilitated better information sharing by using inter-agency agreements and not requiring social security numbers on consent forms.

Perhaps of greatest significance, there are currently no information systems deployed to assist with tracking of inmates who have worked in the OCE system, after their release from DOC custody. Such tracking would be essential for measuring the true impact of OCE participation; especially by determining which OCE inmates (with experience in which particular lines of business) were most successful in attaining meaningful work opportunities (especially if it was related to the OCE business lines in which they worked). But absent such data – and rigorous research methods that would allow a comparison between inmates of similar profiles in both relevant categories (OCE participants and non-OCE participants) – it is not possible for OCE to document the full impact of its programs. See Finding 7 for additional discussion about inmate tracking and outcomes.

Employee Compensation—Under ORS 421.362, OCE upon its creation was required to offer continuation of employment to all employees on its payroll as of December 2, 1999, including their continued status as members of the Public Employee Retirement System. Though ORS 421.362 authorized OCE to “offer to its employees alternative retirement programs in addition to PERS,” OCE has not yet chosen to do so.

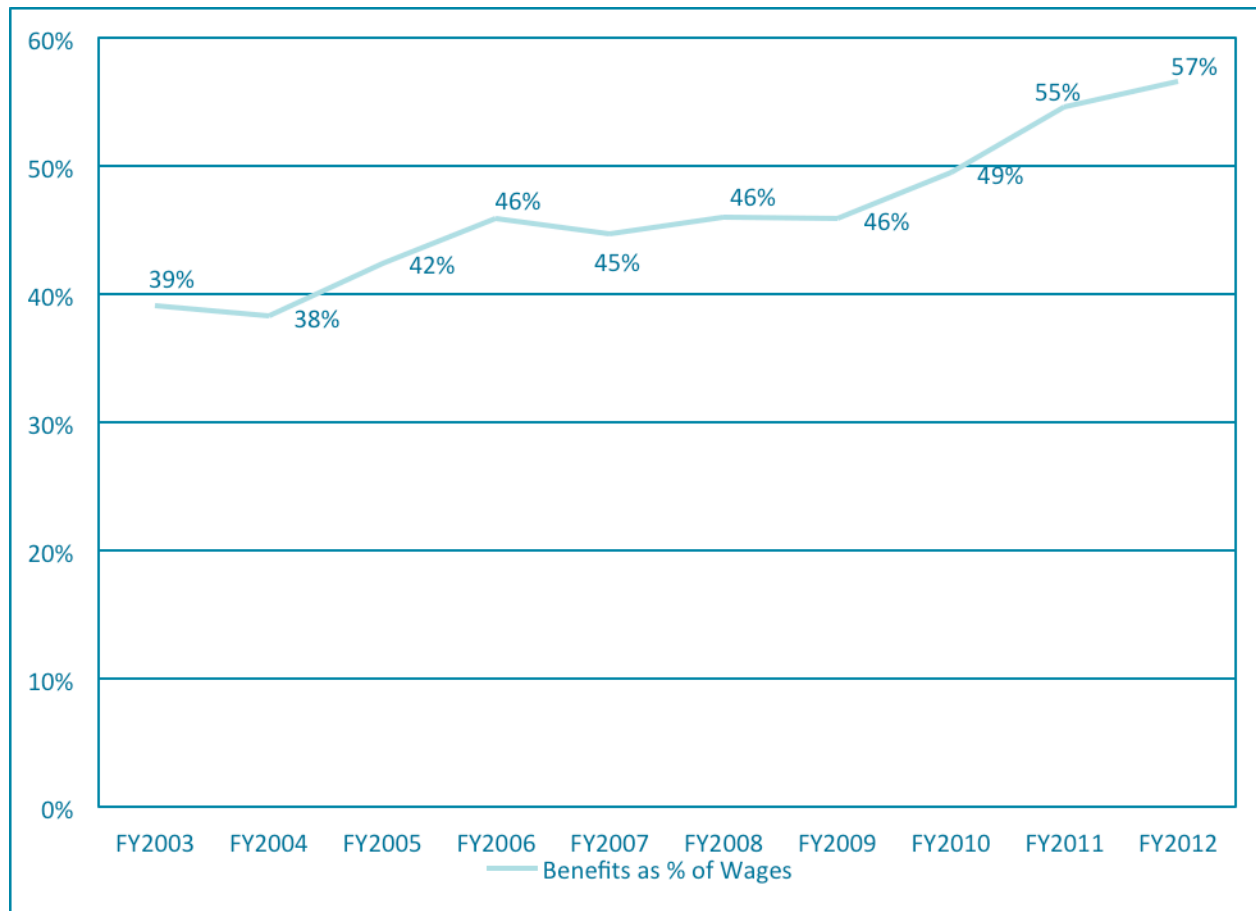
Since 1999, OCE has employed about 100 FTE, all of whom are members of the PERS system. Since OCE has never received state general fund appropriation, its total costs of compensation – including salaries, health insurance, PERS, and other benefits – must be financed out of operational revenues. These costs have increased significantly, nearly doubling in the last decade:

Figure 7: Total Payroll including benefits



Based on OCE’s financial records, during the past decade OCE’s payroll contributions to PERS have increased 50%. Meanwhile, health insurance premium costs through the PEBB system (Public Employees’ Benefit Board) have increased 62%. Payroll taxes and benefits as a percentage of compensation went from 39% to 57%.

Figure 8: Benefits as Percentage of Wages



Assessment of Strengths and Weaknesses of OCE's Financial Self-Sufficiency Strengths

Strengths

- OCE has been consistently self-supporting since it began in 1999. OCE's service-focused work programs made a net profit of \$15 million over the last five years, which offset significant losses from its manufacturing work programs of \$9.9 million. This allowed OCE to remain self-sustaining overall, and build up operating reserves which as of June 30, 2012 total approximately \$2 million.
- OCE has been responsive to shifts in market demand. It has a diversified revenue base from service-sector businesses that do not rely on government contracts for revenue.
- OCE has a good process for aligning the capacities of inmates with operations of business enterprises through entrepreneurial staff who bridge the corrections and business contexts.

Weaknesses

- OCE's manufacturing work programs have lost \$9.9 million over the last five years.
- The decision, to date, to maintain large, money-losing business has significantly hampered OCE's ability to increase penetration in existing, profitable markets, and to expand into new ones.
- OCE's marketing efforts are significantly undersized, relative to its annual sales, and the importance of constantly developing new business opportunities in an increasingly competitive space
- OCE's rapidly growing personnel costs are increasingly a challenge, especially with many of them currently beyond OCE's control (i.e., PERS and health premium costs),
- External market conditions and the financial stress on Oregon agencies have decreased opportunities for providing OCE goods and services to the public sector.

Public Safety Contributions

OCE contributes to the correctional goals of offender accountability, public safety, and reformation by providing inmates with meaningful work opportunities and vocational training. In addition, working in a prison work program should benefit participating inmates by giving them marketable skills and helping them develop good work habits.

Although neither state law nor OCE's mission statement sets reducing inmate recidivism as an explicit goal, studies that have attempted to evaluate the effectiveness of prison industry programs have focused on reduced recidivism rates as a highly desirable outcome. Overall, national studies suggest that inmates participating in prison industry programs are slightly less likely to re-offend after their release than similar inmates not working in industry programs.

Finding 6: OCE participants are well-adjusted inmates and likely to be more dependable workers.

As best as the research team could determine, those who are chosen to participate in current OCE work programs participants are among the best-adjusted inmates and are likely to be the most dependable workers. In general, OCE provides work opportunities to longer-term, male inmates who have higher overall levels of education and fewer mental health problems than the general DOC population. In addition, OCE restricts participation to those inmates without a disciplinary report or positive urinalysis test in the last six months.

By mostly choosing lower risk, well-adjusted inmates for work assignments; OCE helps to free space in other DOC programs — e.g. training, education, and alcohol/drug treatment — for higher risk inmates. Although not explicitly stated in law or OCE's mission statement, one of OCE's implicit objectives is to keep inmates occupied. Keeping inmates busy is essential to managing prisons and provides for a safer environment for both inmates and staff. Another factor affecting participation is that OCE uses a waiting list for placement in its positions, which increases the proportion of participants who are serving longer than average prison sentences. As a result, inmates serving shorter sentences, but who by definition pose a more immediate risk to the public should they recidivate, are less likely to have the opportunity to participate in OCE. Although there are valid reasons to provide meaningful opportunities to long-term inmates, doing so limits the potential effect of OCE participation on recidivism. Recent studies find that, like other correctional interventions, work programs that target higher risk inmates (the risk principle) with employment deficits (the need principle) are

more effective at reducing recidivism (Latessa, 2011, 2012; Zweig, Yahner, & Redcross 2012). Balancing the need for a stable work force with the desire to affect public safety positively is a core challenge faced by prison industries and highlights the at times conflicting goals of self-sufficiency and improving public safety.

Higher risk inmates who lack employment skills are more likely, however, to be positively affected by participating in a work program than lower risk inmates with more stable work histories. Historically, OCE has not hired such higher-risk inmates, citing business stability and operational issues. However, the new Career Readiness Center that OCE is piloting this year will target these high-risk offenders, in part to determine whether OCE participation will have a meaningful impact.

The characteristics of inmates who work in an OCE shop are presented in Table 4.

Table 4: Characteristics of OCE Workers and DOC Population

	OCE		DOC Population	
	%	n	%	n
Sex*				
Male	96.8	1,239	91.2	1,135
Female	3.2	42	8.8	11,780
Race*				
White	78.7	1,006	72.8	9,404
African American	9.9	126	9.1	1,178
Hispanic	7.8	100	14.1	1,822
American Indian	2.7	34	2.6	331
Asian	1	13	1.4	180
Educational Need*				
Need ABE, ESL, or GED	7	94	29	3642
Skill upgrade	42	527	39	4959
None, Training Eligible	51	643	32	4135
Mental Health Need*				
None	37.5	479	30	3879
No Treatment Needed	20.9	267	19	2448
Benefit From Treatment	14.6	187	17	2192
Moderate to Severe Need	27	346	34	4391
Security Level*				
Minimum	7.7	98	32.2	4008
Medium	62.1	794	54.0	6719
Maximum	30.3	387	13.7	1,710
Mean Age*		42		38
Mean Days to Release*		3,104		1,965
Median Days to Release		1,892		738
Mean ARCS Score*		.087		.176

Note: * $p \leq .001$

Compared to the DOC general population, female inmates are significantly less likely to work in OCE relative to their representation in the DOC population as a whole. Female inmates make up 3.2% of OCE participants, whereas they constitute 8.8% of the total DOC population. The racial and ethnic backgrounds of OCE participants also differ from those of the DOC population. OCE inmates are more likely to be white and less likely to be Hispanic, a statistically significant result. In addition, OCE participants are older than the DOC population.

OCE workers are also more educated than the DOC population as a whole. Specifically, the majority of OCE participants (51%) meet eligibility requirements for training, with no documented educational need. Another 42% would benefit from improving their educational skills. In contrast, just 32% of the general inmate population is training eligible, and a comparable percentage would benefit from improved educational skills. Almost 30% of DOC's general population needs adult basic education, a GED, and/or English language skills — compared to just 7% of the OCE inmate workforce.

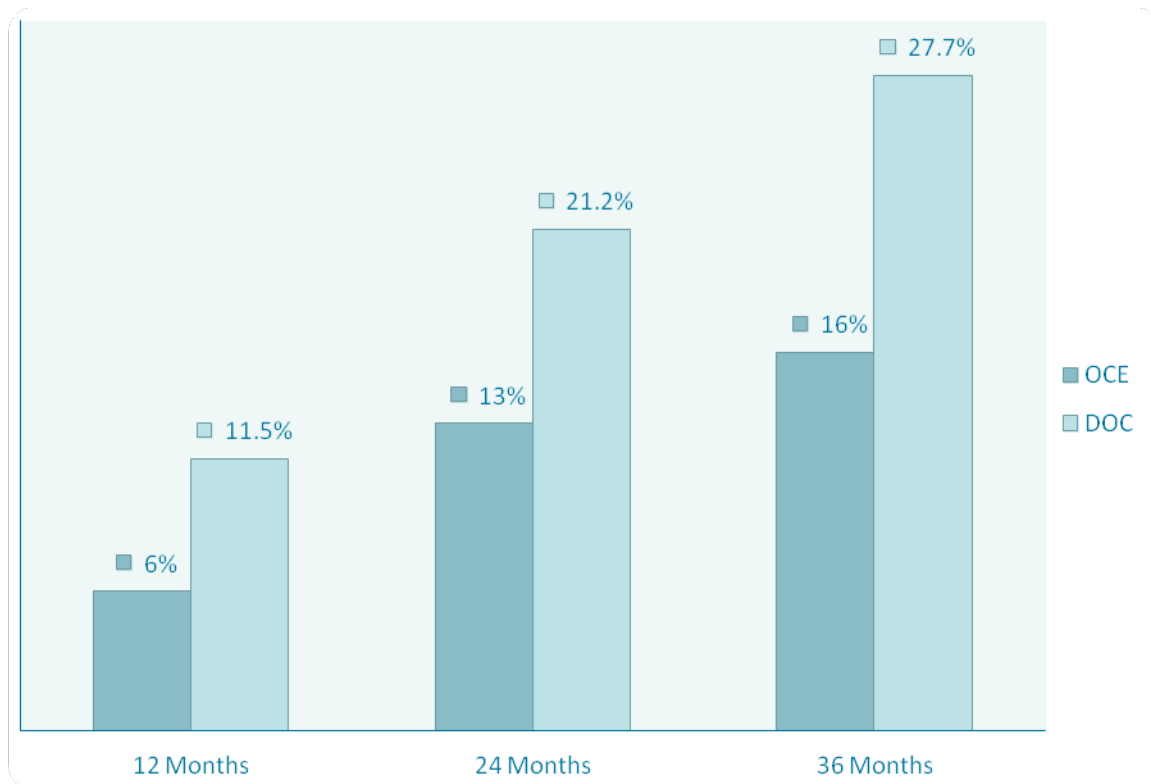
Of note, however, is that while 71% of the DOC inmate population enters prison with a high school diploma or GED, “only about half” function at an 8th grade level, according to DOC staff. DOC staff postulated that a significant amount of “social promotion” occurs in Oregon schools, which refers to the practice of passing students from one grade to another with their peers, even if they have not satisfied performance standards.

Finding 7: OCE inmate-workers recidivate at a lower rate than inmates in the general DOC population. Additional analysis is needed to determine the independent effect of participation in OCE.

In 2008, DOC released 357 inmates who had an OCE work assignment at any point during their sentence (Figure 9). Just over half of this 2008 cohort with any OCE experience, were working in an OCE program the year they were released (n=181, 51%).

Twelve months after release, 6% of the 2008 OCE release cohort was reconvicted of a new felony (see Figure 9). Two years following their release, the felony-conviction recidivism rate for former OCE inmate workers had reached 13%. The three-year recidivism rate was 16%. The comparable recidivism rate for the DOC population as a whole at the three-year mark was 27.7%. Results of a t-test indicate that the recidivism rate for OCE inmates is significantly lower than that of the DOC population as a whole ($t=-5.858$; $p \leq .001$).

Figure 9: Cumulative Percentage of OCE Workers Reconvicted of a New Offense within 36 Months of Release, 2008 Cohort



However, while the lower recidivism rate for OCE participants is notable, the data is insufficient to draw any conclusions – especially since the result might be attributable to other facts (e.g., the fact that OCE participants are significantly better educated and have significantly fewer substance abuse problems). A more rigorous research design would be necessary to explain why former OCE inmate workers have a lower rate of recidivism than the DOC population generally, and to determine the effect of participating in OCE work and programs on recidivism.

OCE also is currently unable to measure its success because neither it nor the DOC has in place a sufficiently robust data collection and tracking system for inmates upon release. Tracking former inmates who participated in OCE programs while incarcerated could provide valuable information about their reentry, answering such questions as how many found any kind of work, how many kept those jobs, and how many of those jobs were in fields that aligned with their OCE experiences.

For example, a 2006 national study of Prison Industries Enhancement Certification Program (PIECP) participants used the following indicators to measure success (C. Smith, Bechtel, Patrick, R. Smith, Wilson-Gentry, 2006):

- Proportion of time employed during follow-up/tracking period
- Time to first employment after release
- Duration of first employment
- Wage-rate during follow-up period
- Time from release to first arrest
- Time from release to first conviction
- Time from release to first incarceration

These, and other indicators would provide far more valuable information than simply looking at felony-conviction recidivism rates.

Assessment of Strengths and Weaknesses for OCE's Public Safety Outcomes

Strengths

- OCE work and related programs help maintain institutional order and stability by rewarding positive inmate adjustment, especially among inmates with longer sentences.
- OCE inmates performed a total of 281,579 days of work during 2011. The sustainability and success of OCE work and related programs directly contributes to the goal of holding inmates accountable and encouraging personal responsibility.
- Inmates were awarded \$1.9 million through the performance recognition system during 2011. Inmates contribute part of these earnings toward meeting their obligations for child support, state and federal taxes, court-imposed fines, and victims' assistance funds. Many inmates also help to support their families by sending home a portion of their earnings. This also provides and economic catalyst for Oregon.

Weaknesses

- OCE's criteria that target low risk and longer-term inmates for work programs inherently limit its impact on recidivism.
- Integrating the principles of effective correctional interventions could strengthen the public safety outcomes of OCE's work and related programs. An important opportunity exists to establish selection criteria for OCE participation that both maximizes stability and is informed by the risk and need principles.
- OCE does not track inmates following release to assess its impact on employment, salary, or recidivism.

Strategic Opportunities for OCE's Future

This section of the report identifies OCE's strategic opportunities for improvement based on the results of our team's assessment including the strengths and weaknesses in OCE's current operating model. We organized the strategic opportunities in three general categories -- short-term tactical opportunities, medium term managerial opportunities, and longer-term transformational opportunities. We expect that OCE/DOC will want to select some combination of opportunities from each of the categories in developing their strategy for the future.

Short Term Tactical Opportunities

Short-term tactical opportunities represent potential improvements that are encompassed in OCE's current mission, and that OCE has sufficient discretionary authority to make on its own. Tactical opportunities are intended to support current operations and processes in a manner that incrementally improves efficiency and effectiveness within a year or less. The tactical opportunities are organized by OCE operating model assessment areas.

Statutory and Stakeholder Context

- **OCE has a continuing opportunity to take full advantage of its statutory autonomy in guiding its internal business operations while balancing its public sector requirements for transparency and accountability.** Our team's assessment makes it clear the OCE statutory framework (including the Oregon Constitution, Administrative regulations, and policies) provides OCE with a significant degree of autonomy and decision making discretion on internal organization and operational processes. OCE can build on this strength to make continuous improvements in its internal operations and processes.
- **As OCE considers and decides on improvements in its operating system, the agency can increase its likelihood of implementation success by taking into account the results of the CPS team's stakeholder analysis.** The OCE stakeholder analysis identifies a wide array of Oregon actors who are both interested in and can exert influence over OCE operations. This information is valuable for future decision-making. For example, priorities for strategic messaging related to proposed improvements could be given to stakeholders identified in the Player and Context Setter categories in the Power and Influence Grid to increase their buy-in and support during the change process.

Work and Related Program Operations

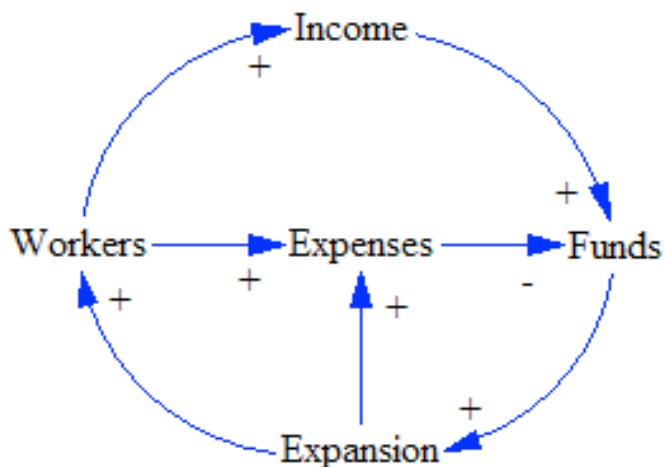
- **The Career Readiness Center could benefit from a community outreach and marketing plan.** The CRC intends to rely on community partnerships with local businesses and nonprofit organizations to provide 'internship' type opportunities for inmates in training. For example, Sysco Portland, a bulk food distributor, is less than two miles from Coffee Creek Correctional Facility and could provide warehouse experience for inmates. However, OCE does not currently have a targeted outreach strategy for engaging potential partners. The CRC presents a new opportunity for OCE to develop long-term relationships in the private sector. Therefore, OCE might want to consider strategic, targeted relationships that are mutually beneficial in the immediate term and the longer term, as OCE looks to expand or change its mission.

- **Briefing newly arrived inmates during intake regarding OCE work and related programs, preferably using video testimonials from OCE current and former participants, could make more inmates aware of this beneficial opportunity within the corrections system.** Such briefings would make inmates aware of the benefits of OCE programs, and provide them with a goal to strive for during incarceration and beyond. This could influence inmate behavior to avoid infractions that would preclude them from later participation. The ongoing review of the DOC intake process provides an excellent venue for exploring the feasibility of this improvement opportunity.

Financial Self-Sufficiency

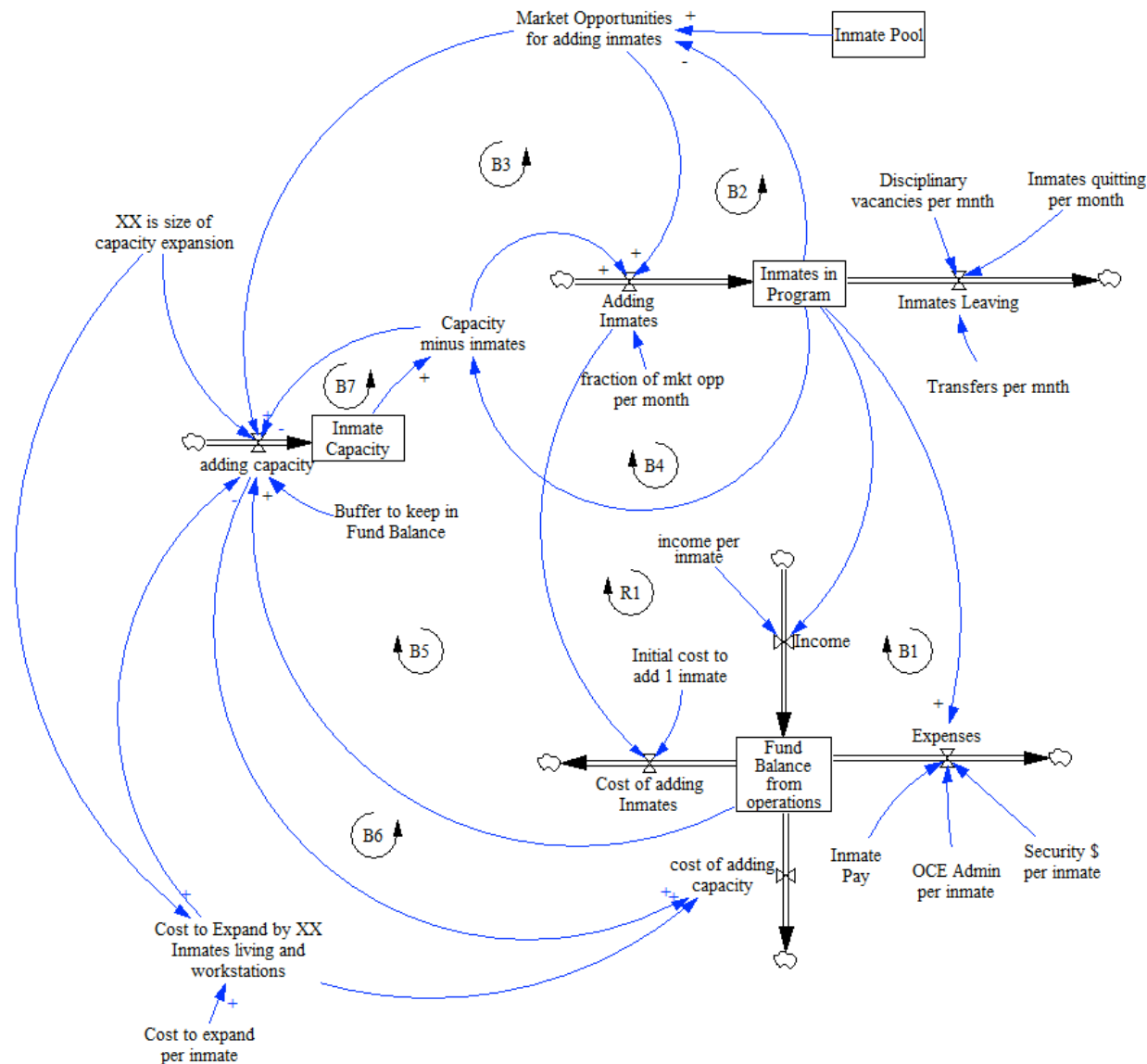
- **OCE has an immediate opportunity to populate the CPS team’s initial Systems Dynamics Model fully for use in future decision-making related to cost-effective business units.** During Phase II, the CPS team started to build a software model for better understanding the complex dynamics involved in OCE’s business unit operations. Our team started to model one of the business units using the contact center as a case in point. A basic diagram of this model is presented in Figure 10 below.

Figure 10: OCE Operating Systems Model



In this diagram, workers generate income and expenses. Both of these determine the amount of funds generated for OCE. Once OCE reaches a pre-determined level of funding, OCE can expand the program. This results in additional expenses due to the expansion, as well as an increase in workers. More workers increase both the income and expenses. The model thus allows OCE to look for ways of maximizing income while minimizing expenses. This is typical of the operations of a normal business. However, operating a business within the confines of corrections institutions, as OCE does, presents many obstacles that are not present in a typical business model. As a result, we have attempted to model these extra variables, which include security concerns, indirect state subsidies, the limited population of eligible workers, and limited market potential. The actual OCE operations systems model developed to date is presented in Figure 11:

Figure 11: OCE Operating Systems Model



After the model displayed in Figure 11 is populated with real time data from OCE (a process which was initiated but not completed in Phase II), OCE will be able to identify significant leverage points in the business process that influence profitability and the number of inmates involved in work and educational programs. For example, OCE will be able to compare the effects of reducing worker turnover by improving training to see if the net effect increases OCE's profit or decreases it. OCE has an immediate opportunity to populate and use this systems dynamics model during Phase III and beyond.

- **Targeted, positive marketing and public relations initiatives could help increase demand for OCE’s services without significantly disturbing business interests.** While OCE’s mission is to help the Department of Corrections meet the goal of increasing productive work opportunities for inmates, it could do more to raise its profile among potential partners and with the general public. For example, OCE’s success in the call center arena has helped “pull back” many jobs that had previously gone out of state or even overseas. This has helped keep dollars in the state, while giving inmates marketable skills to help them transition to productive roles upon release. This is just one example of a compelling narrative that could help reduce opposition to OCE’s business activities while raising awareness of its capabilities among potential partners in the public, private and nonprofit sectors.
- **Cross-training and job-sharing present opportunities for OCE to make its workforce more flexible.** Shifting workers from business units experiencing low demand to other jobs or training might reduce the impact from unprofitable operations. This has the additional benefit of preparing inmates for how private industry responds to such situations and opens the door for their direct involvement in developing cost-saving strategies and even new products.
- **Greater utilization of inmates to support internal operations.** Since rising personnel costs make it difficult for OCE to increase its own staff, even if business were to increase, delegating more duties to inmate workers presents an opportunity to sharpen the focus of existing employees. For example, using inmates with webmaster skills could improve the OCE website and allow current marketing staff to focus more time on business development.

Public Safety Contributions

OCE has opportunities to incorporate knowledge about the principles of effective correctional interventions into its programs and processes. In particular, OCE can gradually transition to serving a higher risk population of inmates, improving the matching of inmates to work and training opportunities, and integrating/expanding the use of core correctional practices in its programs. Specifically:

- **OCE could have a greater effect on public safety by targeting for participation inmates with higher levels of risk, greater employment deficits, and a shorter amount of time until their release, while still maintaining a stable work force for its operations.** OCE currently targets a lower risk sub-group of inmates to participate in programs. The risk principle of effective correctional interventions suggests, however, that programs—including employment programs—that target moderate to high-risk offenders have a greater effect on recidivism.
- **OCE could redefine selection criteria and methods of selection to alter the target population.** It is possible, for example, to use empirical models to identify a population of inmates and selection criteria that maximizes inmate risk level while minimizing the risk of program failure. Similarly, OCE could restrict eligibility to inmates with fewer months remaining on their sentence. This option has the advantage of prioritizing the risk principle and increasing opportunities to improve public safety. Although beyond the scope of the current assessment, an important opportunity exists to identify selection criteria empirically for OCE participation that maximizes stability, and is informed by research on effective correctional interventions.

- **Rather than restricting its selection criteria, OCE could expand its selection criteria to include more high-risk, short-term inmates either by designating a number of OCE positions for this group of inmates or by bifurcating OCE work and training programs.** A bifurcated program could continue to target longer-term, lower-risk inmates for service industry positions, but target a higher-risk, shorter-term inmate for training and vocational programs. This option has the advantage of balancing productivity and workshop stability with the goal of serving higher-risk inmates.
- Easing the time restriction to allow inmates with less than 6 months remaining on their sentence to participate in OCE could increase substantially the number of eligible inmates to include 57% of the inmate population or 8,044 inmates. In addition, contact center training takes one to two days versus six months or longer for some industries. Expanding contact center eligibility for inmates with less time remaining on their sentences would enable OCE to fill contact center positions more easily and it would provide job training for inmates nearing release. Inmates being released within six months would benefit from meaningful work experience as they prepare for their transition.
- **OCE and DOC should work collaboratively to establish more reliable measures of inmates' work skills, employment history, occupational interests, attitudes about work, and behaviors that are supportive of employment.** Programs are more likely to reduce recidivism when they target for change those factors that are most related to offending ("Criminogenic factors"). In addition, interventions that target multiple criminogenic needs are more effective than those that target one need. As Dr. Edward Latessa of the University of Cincinnati explained in a 2012 study, "we should focus on preparing offenders to work by first targeting their attitudes and values about work, and then combine that with teaching those skills that will help them be successful at work. Putting them together is much more effective than one without the other. The simple analogy is that changing an offender's attitude about work and teaching him or her which end of the shovel to use will be a more effective approach than focusing on just one over the other" (p. 90).

OCE is in a strong position to target several needs related to offending including skills and knowledge required to perform specific work tasks or jobs, attitudes supportive of work, and behavioral characteristics supportive of work. By assessing inmates' skills, attitudes, and behaviors OCE would be better equipped to match inmates to work and vocational training opportunities based on needs and interests. This would help ensure that inmates who have work-related deficits are receiving interventions that target existing risk factors. In addition, by tracking changes in work-related needs OCE has the opportunity to better monitor and document their efforts to improve public safety by reducing risks associated with employment and education.

- **Inmates can benefit from the opportunity to practice realistic job search and application methods.** By revamping the inmate work assignment process to emulate the private sector better, OCE's work program participants would be better prepared to secure employment upon release.

Medium Term Management Opportunities

Medium term managerial opportunities represent potential improvements that are encompassed in OCE's current mission but require the "buy in" and approvals from stakeholders beyond OCE for successful implementation. Managerial opportunities are intended to supplement or add to current operations and processes in a manner that significantly improves efficiency and effectiveness within a year to two. The managerial opportunities are organized by OCE operating model assessment areas.

Statutory and Stakeholder Context

- **OCE has an opportunity to clarify its authority and oversight relationship with DOC.** The exact nature and legal boundaries of the respective authorities and responsibilities of OCE and DOC are challenging to discern, given the nuances between key provisions of Oregon law. A thorough review, led by the Oregon Attorney General, to clarify a wide range of seemingly inconsistent and vague statutory and Constitutional provisions that make it needlessly difficult to determine the exact boundaries and prerogatives between the needs and obligations of DOC and OCE is necessary. Key questions include: Just what authority and obligations can and should the OCE administrator exercise? Aside from the ability to hire/fire the OCE administrator, just what authority and obligations does the DOC director have in OCE operations? Does the OCE administrator have the authority – or even the outright duty – to shut down money-losing operations in order to redirect scarce operating funds into existing or potentially more productive new business lines?

Work and Related Program Operations

- **Securing contracts with and extending additional services to public agencies could increase OCE's vocational and work-program capacity.** More inmates have a need for vocational training and work skills than are currently served by OCE. OCE has a unique niche as a link between the institution and the community and between the public and private sectors. Measure 17 specifically orders "every state agency to cooperate with the corrections director in establishing inmate work programs." Recent studies show at least 40 states contract public sector work to other countries and that 36 of 41 government agencies in Washington State were outsourcing work overseas. Unfortunately, similar information for Oregon state agencies is not readily available. Identifying contracts for Oregon's public sector work with foreign businesses and determining whether inmates could perform them could increase opportunities for inmates, save taxpayer dollars, and keep those jobs and dollars in Oregon.
- **OCE has an opportunity to improve effectiveness with female inmates by offering more work positions for women and by developing gender responsive interventions.** OCE could build upon and expand the strengths of female inmates, which is one explicit goal of its Career Readiness Center launched at CCCF in November 2012. OCE should give particular attention to understanding the work and employment needs unique to female inmates. As noted earlier, OCE provides work to a disproportionately low number of female inmates, although not for a lack of effort. OCE has made numerous attempts over the last 10 years to establish sustainable industries at CCCF with mixed results. In contrast, OCE has had good success with female inmates in their certification programs, which enjoy very high completion rates.

- **OCE could work with DOC to tighten security in contact centers and revise policies prohibiting inmates convicted of fraud from jobs that use telephones and computers.** A higher percentage of women than men are serving sentences for committing identity theft and fraud crimes, which under current policies and rules prevent them from holding OCE jobs using telephones or computers. As a result, a female inmate who steals money by committing check fraud is prohibited from holding a contact center job – which would teach a valuable skill that could lead to post-DOC employment – whereas a male inmate who steals money via a violent assault or robbery is eligible for the opportunity. It’s worth exploring how a combination of revised policies and tightening security in the contact centers could increase job opportunities for these female offenders without compromising the security and quality of the work provided to public and private contact center clients.

Financial Self-Sufficiency

- **In order to increase profitability and long-term viability, OCE should consider working with DOC to develop a strategy to phase out financially unsustainable operations.** Eliminating certain OCE work programs that have been running at significant revenue losses would certainly affect Measure 17 compliance and possibly reduce union-represented OCE staff jobs, making this potential strategy an especially sensitive one. However, cutting the five major business lines that lost \$9.9 million over the last 6 years, would require OCE to cut 216 inmate positions. (Such a loss is nearly matched by a new 200-seat contact center operation opening at Oregon State Penitentiary.) A reconfiguration of business lines Additionally, inmate participation in the Career Readiness Center could offset a downturn in Measure 17 compliance caused by closing unprofitable businesses.
- **OCE will likely need to expand and diversify its services-focused business lines in order to remain viable.** OCE’s long-term financial self-sufficiency is in jeopardy under its current operations. The service-industries it operates are currently sustaining it, accounting for nearly 100% of OCE’s five-year net profits. OCE’s laundry services are profitable but extremely vulnerable to changes in market demand and competition and, as previously noted, changes in technology reducing the market demand for contact centers could also affect OCE.
- **The CRC could increase its offerings to include more market driven opportunities.** The CRC has the potential to increase current Measure 17 compliance and provide marketable skills to inmates. Additionally, OCE is able to keep its investment in the CRC minimal by using equipment, materials, and curricula that it already owns. However, the job market outlook for the CAD and sewing/embroidery training is not as strong as in the other offerings. As the CRC becomes more established, OCE could consider performing a market analysis to determine what offerings might be more appropriate for the inmates it serves. OCE could consider targeting internship-type service opportunities in both public and private sectors to strengthen and diversify its product mix. Funds currently used to maintain financially unsustainable manufacturing business lines could be used to fund programs such as CRCs in institutions.
- **Standardization of practices across OCE business units could facilitate organizational modeling, economies of scale, and workforce flexibility.** Each DOC correctional institution has its own culture, but shaping OCE work programs to be as similar as possible could assist with planning and efficient operations. In the same way that some private companies have become more competitive through a chain model, OCE could use its size as an advantage—replicating what works, eliminating what does not and avoiding “reinventing the wheel” at each program. Pursuing new

business lines that are complementary to existing ones and replacing incongruent ones could be part of this strategy. Standardization would also provide inmates with a consistent experience that addresses concerns about special treatment. Further, it eases transferability of workers from units that are idle to those that are profitable.

Public Safety Contributions

- **OCE staff that work with inmates could improve their effectiveness at targeting criminal behaviors and attitudes by receiving training in core correctional practices.** OCE has the opportunity to build organizational capacity to target criminogenic needs and integrate core correctional practices into existing programs. Core correctional practices are a set of cognitive/behavioral strategies derived from social learning theory that are effective at changing criminal behavior (Andrews & Carvell, 1998; Andrews & Kiessling, 1980). At every opportunity, OCE staff can teach, rehearse, and reinforce pro-social skills and attitudes.
- **OCE could consider future expansion or new business ventures at Snake River Correctional Institution.** Expanding business operations and determining the appropriate location are multi-faceted decisions. However, the greatest current opportunity for hiring and training more inmates is at SRCI, which houses a large number of eligible inmates, yet currently reaches a smaller proportion of eligible inmates than OSCI or OSP. OCE’s laundries, contact center, and sign shop operations at SRCI currently provide work opportunities to only about 200 inmates, leaving 774 inmates eligible to participate in OCE who are not currently working with OCE.
- **OCE could collaborate better with DOC on developing a tracking system to measure its post-release effects.** In order to track success, OCE, in coordination with DOC, could develop better systems to provide and document job placement assistance and post-release employment monitoring for OCE inmate participants. This would allow OCE to measure the impacts of its programs, against a wide range of outcomes, —including felony-based recidivism. Similar to the PIECP participant performance study (C. Smith, et. al., 2006) OCE could develop and adopt indicators, which could include:
 - Proportion of time employed during follow-up/tracking period
 - Time to first employment after release
 - Duration of first employment
 - Wage-rate during follow-up period
 - Time from release to first arrest
 - Time from release to first conviction
 - Time from release to first incarceration

Long Term Transformational Opportunities

Long-term transformational opportunities represent potential improvements that could extend beyond the next few years, and possibly even expand OCE's current mission. The successful implementation of any strategies in this category requires the support and approvals of many key OCE stakeholders; some could even involve statutory and policy changes.

As part of this engagement, the CPS/OCE management team examined several potential transformational opportunities that could supplant or fundamentally change OCE's current operating model, potentially affecting all parts of the organization, and both internal and external stakeholders, within a 3 to 5 year period. These transformational opportunities were organized using the CPS systems framework for public sector transformational change.

- **All the major stakeholders in this arena, including OCE, DOC, the Attorney General, the Oregon legislature, and Oregonians generally, could significantly (even dramatically) improve OCE's ability to productively employ inmates. Such dramatic progress, however, fundamentally hinges on the ability of these stakeholders to work together to clarify, align, and modify as necessary the governance, management, and organizational foundations that currently do far more to hinder such progress than promote it.**

Such clarification and alignment – and potentially, structural change in the legal and/or organizational underpinnings of how OCE is governed and managed – far away holds the biggest potential for improving OCE's performance during this time period. The corollary, of course, is that the current situation, left unchanged (much less, unexamined) poses significant risk, with OCE potentially becoming far less able, even in the near term, to even maintain its current programs, much less grow them.

- **Like several other public enterprises in the State of Oregon, OCE could consider the long-term advantages associated with an independent governing board with broad-based representation that oversees its policy, strategy, and finances.** An independent board of directors, appointed by the Governor and confirmed by the Legislature, could provide OCE with an accountability model on par with other semi-independent state enterprises, including the Oregon State Accident and Insurance Fund (SAIF), the Oregon State Lottery and the Oregon Liquor Control Commission. Such a change would require legislative approval.

To ensure operational efficiency and management accountability, what would be the advantages and disadvantages of giving OCE an independent governing board with broad-based representation that oversees its policy, strategy, and finances. One option here would be to take the existing Advisory Council structure, and transform it into a far larger, more active entity, that could not only provide the "policy direction" already spoken to in statute, but also be far more actively engaged in management oversight (reviewing annual budgets and monthly or quarterly business reports) as well as helping OCE management identify and penetrate new markets, both on the public side (e.g., state agencies, local governments) and the private (e.g., additional contact center business and other promising markets).

The lack of external policy and fiscal oversight puts OCE at considerable potential risk. In OCE's current model, there are no formally empowered checks and balances from outside of the corrections arena. The National Correctional Industries Association (NCIA) has recognized the current structure as problematic and advocates for changing the status quo before a crisis occurs. The NCIA supports prison industry

programs reporting to an independent board, as it recognizes the political volatility in the industry.

- **OCE can strengthen the bridge between its services within correctional facilities and successful inmate reentry into society by forging relationships with established nonprofits that understand the challenges encountered by ex-offenders outside of the correctional facility context.** OCE has expressed a desire to expand its services beyond work programs in order to improve its contribution toward public safety. It has launched the Career Readiness Center in partnership with the AFL-CIO to work towards this goal, but lacks expertise in key areas that affect recidivism. In order to address these gaps in knowledge and capabilities without adding personnel or expenses, OCE can forge transformational partnerships with nonprofits that have expertise in these areas.

Fortunately, there are already Oregon-based, highly respected organizations involved in the corrections sphere. Chief among these is Mercy Corps NW, which already operates Reentry Programs (www.mercycorpsnw.org/what-we-do/reentry/). Using its existing Advisory Council structure to bring nonprofit voices such as MercyCorps NW to the table would give OCE access to vital information regarding the needs of ex-offenders and the state of Oregon. These organizations are on the front lines of Oregon's most pressing socioeconomic challenges and have unique insight on what services and products are not being addressed by the private sector.

- **Building on the current OCE assessment, OCE has an opportunity to launch a focused and systematic strategic thinking process to transform OCE's long-term mission, values, and self-supporting operating model.** Starting later in 2012, OCE can build on the findings and strategic recommendations of the current assessment to engage representative members of OCE, DOC and "context setter stakeholders" in a guided process grounded in CPS/PSU EMERGE systems model of public sector transformational change. The EMERGE change process includes in-OCE application of a set of integrated tools for mapping organizational complexity, developing strategic foresight, agreeing on an inspirational vision/mission and values, reframing the OCE and DOC cultures to accentuate pro-social behaviors, assessing long term cost management strategies, and convening coalitions with "smart power practices" to cost-effectively navigate the future. The EMERGE framework and its application process will be further explained in the Phase III report.

Proposed Plan of Work for Phase III

During Phase III, the CPS team will work closely with OCE/DOC to co-produce strategy recommendations for OCE based on the list of strategic opportunities presented in the Phase II report. The CPS team will meet with OCE/DOC leaders in September and early October to review and prioritize the strategic opportunities outlined in the Phase II report. The CPS team will then produce its final Phase III report.

The strategy recommendations in the Phase III report will address four key questions as requested by the OCE/DOC Steering Committee: (1) What services (work and related program by type and credibility) should be offered by OCE over the long term?; (2) Who should these services be provided to?; (3) How will these services be financed? and (4) What internal and external tactical, managerial and transformational improvements will be needed to implement the strategy?

Works Cited

- Andrews, D.A., & Carvell, C. (1998). Core correctional treatment—core correctional supervision and counseling: theory, research, assessment and practice. Ottawa, ON: Carleton University.
- Andrews, D.A. & Kiessling, J.J. (1980). Program structure and effective correctional practices. A summary of CaVIC research. (pp. 441–463). In R.R. Ross & P. Gendreau (Eds.), *Effective correctional treatment*. Toronto: Butterworths.
- Aos, S., Lee, S., Drake, E., Penucci, A., Klima, T., Miller, M., Anderson, L., Mayfield, J., & Burley, M. (2011). Return on investment: Evidence-based options to improve statewide outcomes. Washington State Institute for Public Policy.
- Bloom, B., Owen, B., & Covington, S. (2003). Gender-responsive strategies. *Research, practice and guiding principles for women offenders*. National Institute of Corrections. Washington, DC: US Department of Justice.
- Bushway, S. (2003). Reentry and prison work programs. Urban Institute Reentry Roundtable. New York: New York University Law School.
- Deeb, B., (2011). PEN Products' new business model—preparing for the future. National Correctional Industries Association newsletter, Spring Edition.
- Latessa, E. (2011). Why the risk and needs principles are relevant to correctional programs (even to employment programs). *Criminology & Public Policy*, 10(4), 973-977.
- Latessa, E. (2012). Why work is important, and how to improve the effectiveness of correctional reentry programs that target employment. *Criminology & Public Policy*, 11(1), 87-91.
- MacKenzie, D. L. (2006). What works in corrections: reducing the criminal activities of offenders and delinquents. Cambridge Univ Pr.
- Magis, K., & Duc, N.H. (2011). *EMERGE: Public leadership for sustainable development*. Paper presented at 2nd International Conference on Government Performance Management and Leadership, Portland, Oregon, Oct. 1-2, 2011.
- Oregon Board of Geologist Examiners. (2012). 2012 Report to the legislature. Retrieved from <http://cms.oregon.gov/osbge/Pages/publications.aspx>
- Report of the re-entry policy council: charting the safe and successful return of prisoners to the community*. Council of State Governments. Reentry Policy Council. New York: Council of State Governments. January 2005.
- Semi-Independent Boards and Agencies Group (2011). A model of efficiency for small state agencies. Retrieved from <http://www.leg.state.or.us/committees/exhib2web/2012reg/SGGCP/Meeting%20Materials/02.13.2012/SB%201587%20Semi-Independence%20White%20Paper.pdf>
- Smith, C. J., Bechtel, J., Patrick, A., & Smith, R. R. (2006). Correctional Industries preparing inmates for re-entry: recidivism & post-release employment. US Department of Justice.
- Zweig, J., Yahner, J., & Redcross, C. (2011). For whom does a transitional jobs program work? *Criminology & Public Policy*, 10(4), 945-972.

Appendices

Appendix A: Key Legal Directives Influencing OCE’s Future

Law/Rule/Policy	Key Provisions	Key Direct Effects
Oregon State Constitution		
Measure 11 (1994)/OR Constitution Sec. 41	Mandatory minimum sentencing for certain felonies	Growing inmate population increases potential inmate workforce, but also increases need for inmate work
Measure 17 (1994)	All inmates must work, be engaged in education/training or treatment for 40 hours per week	positions staff OCE ventures OCE empowered to provide meaningful work opportunities; OCE expected to add new work opportunities while operating self sustainably, but gives final authority over work programs to the DOC director.
	No more than 20 hours of treatment/education can be applied toward 40 hour requirement	Maintains emphasis on work programs.
	Work programs should be designed to "achieve savings in government operations"	Implies that inmate labor should be used to reduce costs; difficult to capture much of the value that OCE provides on paper
	Provisions are permissive for county and city correctional facilities	Voluntary, not mandatory.
	"Every state agency shall cooperate with corrections director" to establish work programs	Public sector entities should be receptive to OCE products and services, but the provision is voluntary, not mandatory; requires enforcement, little political will thus far to exercise.

Law/Rule/Policy	Key Provisions	Key Direct Effects
Measure 49 (1997)	Allows interstate shipment of prison-made products	Provides additional markets. Requires higher wages to comply with federal law.
Oregon State Constitution		
Measure 68 (1999) (Amended Measure 17)	Requests that prison programs avoid displacing private jobs, government programs for disabled Added option of supporting community charitable organizations without need for profit Reiterates need for sufficient work/training for every eligible inmate to be involved	Avoids political backlash; OCE can earn political capital by working with charities, but narrows business opportunities for OCE Requires OCE to employ more inmates Does not designate any ultimate authority with the responsibility of ensuring this occurs
Measure 57 (2008) (On hold)	Reiterates "inmate work shall be used as much as possible to help operate" prisons Increased minimum sentencing for drug/property crimes under certain circumstances	Implies preference for OCE in canteen services, maintenance, etc. Growing inmate population to staff OCE ventures, but crowding correctional facilities could reduce OCE workspace
Measure 73 (2010)	Increased mandatory minimum sentencing for certain sex crimes & established DUI minimums	Growing inmate population to staff OCE ventures, but crowding correctional facilities could reduce OCE workspace

Law/Rule/Policy	Key Provisions	Key Direct Effects
Oregon Revised Statutes		
ORS 421.084	Requires adult basic skills development program for all DOC inmates	OCE benefits from having better-educated/trained inmates
ORS 421.305	Establishment of industries in institutions; authority of OCE	Gives OCE wide latitude to establish and maintain business operations, but to do so under the authority of the DOC director.
ORS 421.347	Creation of OCE Advisory Council	Requires work-programs to be self-sustaining with no State General monies. Requires representation from banking, business and labor interests, but does not give Advisory Council formal powers over OCE operations.
ORS 421.354	Authority of OCE	Allows OCE to enter into any agreement that assists inmates in making successful transition upon release.
ORS 421.362	Continuation of employment of certain DOC employees; alt. retirement programs	Requires inmate work/training programs to be cost-effective. Gives OCE option to offer alternative retirement programs.
ORS 421.412	Use of inmate labor in acquisition of crops to be consumed in state institutions	Provides opportunity for OCE to engage in agricultural ventures.
ORS 421.437	Inmate compensation; rules: limits income for personal use to 20 percent of gross payment	Exemption made for situations involving interstate commerce.
ORS 421.445	Supervision of inmates in OCE program; agreements	Reinforces perception among critics that inmates are not being fairly compensated. Allows supervision of inmates by approved local, state, or federal employees. Private sector partners cannot supervise inmates.

Law/Rule/Policy	Key Provisions	Key Direct Effects
Federal Law		
Prison Industries Enhancement	Corrections industry certification program run by Bureau of Justice Assistance	Provides exemption from restrictions on interstate commerce in prisoner-made goods.
Rehabilitation Act Sec. 504 (1973)	Access for disabled individuals to comparable education and instructional materials	Eliminates any competitive business advantage. Focus is on educational realm.
Individuals with Disabilities Education Act	Special consideration and educational accommodations for individuals under age 22	Increased costs for special programs needed for disabled inmates. Addresses special needs of individuals to better prepare them for release.
Administrative Rules		
Division 41 (291-041) Searches Division 75 (291-075) Citizen Complaints	Makes anyone working or volunteering for OCE subject to search Establishes procedure for handling citizen complaints against DOC and related staff	Protects OCE work programs from security compromise. Provides structured channel for criticism.
Division 16 (291-016) Facility Access	Security requirements for persons, vehicles, tools, equipment and supplies in DOC facilities	Protects OCE work programs from security compromise. Might discourage some potential partners who find restrictions too onerous.
Division 5 (291-005) Network Security	Policies, procedures and guidelines for DOC information systems	Restricts access to information about potential OCE inmate workers to authorized individuals. Additional security protocol makes for inefficient business operations.
Administrative Rules		
Division 6 (291-006) Discrimination	Method for handling complaints arising from accusations of discrimination	Provides inmates with fair chance of gaining OCE work

Law/Rule/Policy	Key Provisions	Key Direct Effects
Division 86 (291-086) Automation Access	Approval process and standards for inmate use of computer equipment for work	<p>Sensitive data protected, so public feels more secure.</p> <p>Restricts many female inmates convicted of forgery from working in OCE contact centers.</p> <p>Business efficiencies hampered.</p>
Division 82 (291-082) Assignment	Assessment, assignment, and supervision of inmates assigned to work programs	<p>Inmate work can be supervised by employees of local, state and federal government agencies.</p> <p>Inmate movement to other institutions makes for inefficiencies.</p>
Division 31 (291-031) Evidence-based Programs	State funds for community-based programs are based on scientific research and cost effectiveness	<p>Encouragement to move past programs that are not working.</p> <p>Any ventures by OCE into the training/treatment sphere will be evaluated by this criteria.</p>
DOC Policies		
DOC Policy 80.1.1	Provides guidelines and defines responsibilities for OCE work programs in DOC facilities	<p>Clear guidelines so that good relationship between agencies maintained.</p> <p>Creates business inefficiencies</p>
DOC Policy 60.1.4 "Information Security"	Makes DOC director responsible and accountable for information assets held by OCE.	<p>Clear designation of authority on this issue.</p> <p>Creates business inefficiencies.</p>

Appendix B: Acronyms

- AFL- CIO** – American Federation of Labor and Congress of Industrial Organizations
- CAD** – Computer Aided Design
- CCCF** – Coffee Creek Correctional Facility
- CCCM** – Coffee Creek Correctional Facility- Minimum
- CDOC** – Colorado Department of Corrections
- CPS** – Center for Public Service (Hatfield School of Government, Portland State University)
- CRC** – Career Readiness Center
- CRCI** – Columbia River Correctional Institution
- DOC** – Department of Corrections (Oregon)
- DRCM** – Deer Ridge Correctional Facility- Minimum
- EMERGE** – CPS’s public sector leadership framework
- EOCI** – Eastern Oregon Correctional Institution
- GED** – General Equivalency Development
- IS** – Information Systems
- IT** – Information Technology
- NCIA** – National Correctional Industry Association
- OCE** – Oregon Corrections Enterprises
- ORS** – Oregon Revised Statutes
- OSCI** – Oregon State Correctional Institution
- OSP** – Oregon State Penitentiary
- PIECP** – Prison Industries Enhancement Certification Program
- PSU** – Portland State University
- SCI** – Santiam Correctional Institution
- SRCI** – Snake River Correctional Institution
- TRCI** – Two Rivers Correctional Institution
- TRCM** – Two Rivers Correctional Institution- Minimum
- WCCF** – Warner Creek Correctional Facility
- WSC** – Work Skills Certification