



**DEPARTMENT OF PUBLIC SAFETY REPORT
TO THE 2016 LEGISLATURE**

Section 354D-3.5; Hawaii Revised Statutes

Fiscal Year 2015

**ANNUAL REPORT OF
HAWAII CORRECTIONAL INDUSTRIES**




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HAWAII CORRECTIONAL INDUSTRIES Annual Report – FY 2015

Dear Director Espinda:

I am pleased to report that Hawaii Correctional Industries (HCI) has undergone a massive restructuring and is showing steady signs of recovery after a decade of deterioration and a devastating fiscal year 2013/14, when sales dropped to an unprecedented low of 3.3 million dollars. That year shops closed and offender participation numbers dwindled to less than 3% of the available inmate population.

This year we show a net loss due to our heavy investment in staffing, vehicles, shop equipment, and information systems to prepare HCI to create more jobs for offenders and respond to customer requests. We also conducted a forensic audit of our finances and business processes and made a complete transition from a paper-based accounting system to a cloud-based enterprise resource program for all of our business transactions. The audit, coupled with the conversion, have provided us with unprecedented fiscal transparency and real time business information.

As always, the money we spent last year on staffing and capital improvements did not come from the taxpayer; the money came from the proceeds of our sales. Even in the midst of massive restructuring, revenues increased 15% over 2014/15. Offender participation numbers increased from 3% two years ago to 8.5% of the available inmate population. Our goal is to expand opportunities to accommodate all offenders who wish to participate.

HCI is committed to maintain and expand offender work training programs, which develop marketable job skills, promote positive work ethics and reduce the tax burden of corrections. New business activities in fiscal year 2015 include six new industries; Furniture and Upholstery at Kulani Correctional Facility, Agribusiness and Small Engine Repair at Waiawa Correctional Facility, Garment Graphics and Signs and Engraving at Halawa Correctional Facility, and Sewing at Women's Community Correctional Center.

In closing, we sincerely appreciate your leadership and support as we restore this valuable component to public safety that lowers the cost of the criminal justice system and provides offenders with opportunities to change their lives for the better.

Sincerely,

Chris M. Lansford
HCI Administrator

MISSION STATEMENT

HCI provides opportunities for offenders to **acquire real life work skills** and **good work habits** through businesses that produce quality products and services for our customers.



VISION

Offenders will successfully reintegrate into society, which will benefit our communities and reduce the tax burden of corrections.



CORE VALUES

KULEANA— Responsibility

We accept our responsibilities, and we will be held accountable.

MĀLAMA— Stewardship

Serve, honor, protect, and care for resources; maintain fiduciary responsibility.

KŪLIA I KA NU‘U— Achievement

We pursue excellence in all we do. Strive to reach the summit.

KA LĀ HIKI OLA— Optimism

We think positively.

HO‘OMAU— Perseverance

We never give up.

About Us

Hawaii Correctional Industries (HCI), a division of the Hawaii Department of Public Safety (PSD), is a collection of manufacturing and service enterprises that provide job training for offenders.

HCI is a unique blend of business and government, using private industry tools and techniques to provide a public service. Operations within state correctional facilities are supported by sales to state agencies, county and local governments, and non-profit organizations. Offenders gain work experience and training as they produce high quality, competitively priced products, which translates into enormous benefits for taxpayers, the offenders who work and learn in HCI, and for our customers.

Many of those placed behind bars in Hawaii are young men and women 18-30 years old, who lose labor skills while in prison and subsequently see their opportunities plummet post-release. The social cost to the state of Hawaii from this skill loss is significant; HCI works to reduce this cost. In addition to rising costs, one of the most difficult problems facing the criminal justice system is the number of repeat offenders. In Hawaii, approximately one third of all offenders released will recidivate – commit a new crime or violate conditions of their release – within five years and be back inside the correctional system.

With no savings or job skills, the cycle will most likely begin again. Correctional industries' businesses produce quality goods and services and provide offenders with job experience. This develops a positive work ethic and an opportunity for offenders to succeed once they are released.

These work opportunities provide the means for them to pay court ordered financial obligations, victim restitution, a portion of the costs of incarceration, help support their families, and build a mandatory savings account.



Offender work programs are also an important element in managing a safe, efficient correctional system – reducing idleness, decreasing anxiety, and giving offenders an opportunity to be productive.

With 97% of all incarcerated offenders returning to local communities, HCI plays an important role in their transition. With the seed money from their savings, job skills and experience gained from HCI, offenders have a greater chance of finding a job – enabling them to work toward a better life for themselves, their families and their communities.

Benefit to Hawaii’s Economy

The constructive use of inmate time and labor has a direct and positive impact on the State of Hawaii budget.

The employment of state workers through HCI’s program, as well as the employment of inmates, contributes to our communities.

Inmate wage deductions go to the state general fund, victim and court restitution, and family support.

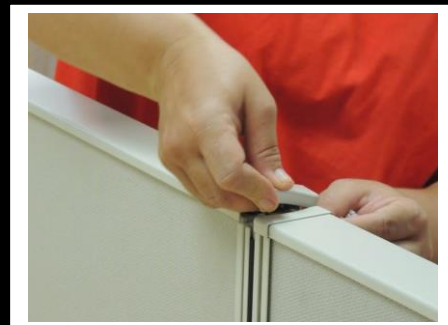
HCI provides a steady source of revenue and new job opportunities for Hawaii businesses. These contributions come from two areas: actual raw materials and services that HCI purchases from Hawaii businesses and consumer expenditures generated as a result of HCI related employment.



HCI saves taxpayers millions of dollars every year in avoided reincarceration costs.

Research studies have proven that inmates who participate in correctional industry programs are 34% less likely to return to prison than offenders who do not.

When one considers that the average cost of housing an offender in Hawaii is approximately \$47,000 per year, and the average sentence is 2.5 years, the average cost savings to Hawaii taxpayers is \$117,500 per inmate who does not return to prison.



*“We take on a burden when we put a man behind walls; that burden is to **give him a chance to change.** If we deny him that, we deny his status as a **human being**, and to deny that is to diminish our own humanity and plant the seeds of future anguish for ourselves.”*

Former Chief Justice
Warren E. Burger

INVESTING IN...

OUR PEOPLE

In 2015 we made several strategic hires and underwent a reorganization to improve operational efficiency. HCI has a new Marketing and Sales Manager, a Customer Service Representative, two new Sales Representatives, a Community Operations Manager, a Central Operations Manager, four new Correctional Industry Production Supervisors and a Secretary to take care of Administrative Services.

In FY15 we began to require every employee to receive 40 hours of training per year; our staff now meets the legal based standard training requirements of the American Correctional Association (ACA). Every HCI employee completed 48 hours of Basic Corrections Training; all supervisors received 40 hours of Supervisor Training; select employees received Dale Carnegie Sales, Communication Training, Leadership Training from the National Institute of Corrections and a week of Professional Development Training from the National Correctional Industries Association.

Shop supervisors and offenders alike received Product Manufacturing and Technical Assistance Training provided by vendor and industry partners.

OUR OFFENDER WORKFORCE

We created over 100 new work opportunities for offenders in FY15 and revamped our inmate pay policy, which was last updated 20 years ago. To participate in an HCI program, offenders are now required to have no recent major disciplinary write ups and have their high school diploma, or else be enrolled in classes to get one. We established an earned incentive program and significantly increased wages in all areas. Offenders in FY15 earned between 50 cents per hour and \$7.75 per hour.

OUR MARKETING AND SALES

FY15 we opened a new showroom and customer service office, open to the public, located at 801 Dillingham Blvd. in Honolulu. The office is completely furnished with items made by offenders in our shops, from chairs and desks to directional signage and awards to hand carved ki'i. Previously, customers had to submit to a background check and be escorted inside Halawa prison to visit our business office.

We also launched a new website www.hawaiici.gov, as well as a social media Facebook page, which is followed by over 10,000 people in our community. SalesPad ERP and Salesforce CRM were implemented in FY15, so there is now fully integrated communication between customers, shops and customer service.

OUR INDUSTRIES

Six new owned and operated industries came online in FY15. We opened a sewing plant at WCCC starting with just four inmates and it has grown to 20 inmates in the past year. That shop will be sewing officer uniforms in FY16. A Garment Graphics shop that does screen printing and embroidery opened at Halawa, along with a new Signs and Engraving shop. Signs and Engraving can produce any type of sign, from metal and glass signs to banners to braille/ADA and safety signage. With the reopening of Kulani Correctional Facility in 2014, we also reopened the Furniture shop at Kulani, which had been shuttered since 2009. Once again it is producing furniture and beautiful koa woodworking, like it had since the 1950s.

At Waiawa we opened a Small Engine Repair shop, where inmates repair and maintain equipment from our operations on Oahu. We started an agribusiness operation, which started with only ten offenders and grew to 35 in 2015. The farm now provides produce to all facilities on Oahu, Kauai and Maui.

OUR EQUIPMENT

In 2015 we purchased six vans to replace old ones used to transport workers to complete various labor contracts and special projects. We leased two vehicles for sales staff to enable them to visit customers. We also invested in camera surveillance at Halawa and WCCC, as well as mobile phones with GPS, generators, air compressors and trimmers to keep all of our shops running.

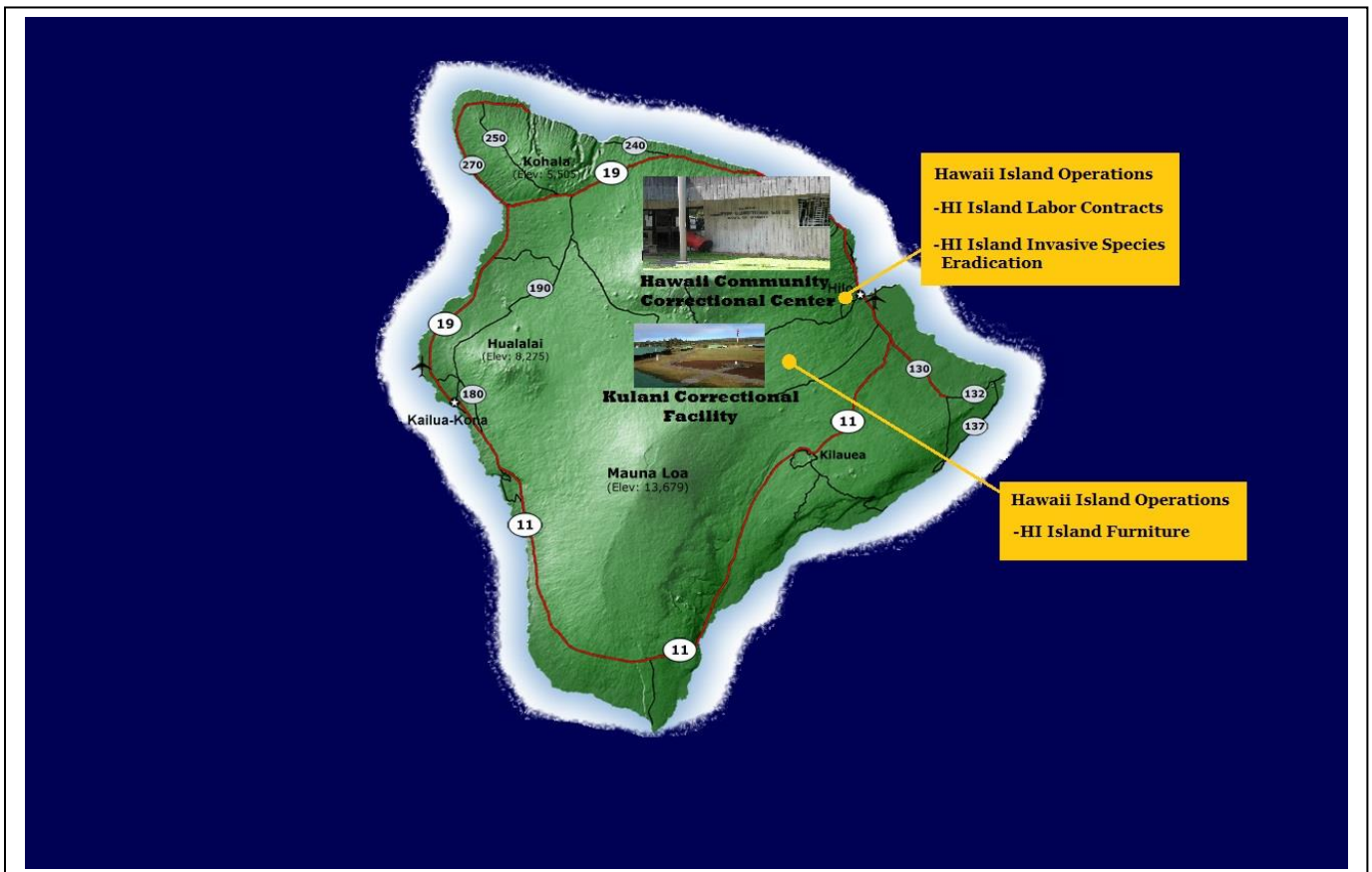
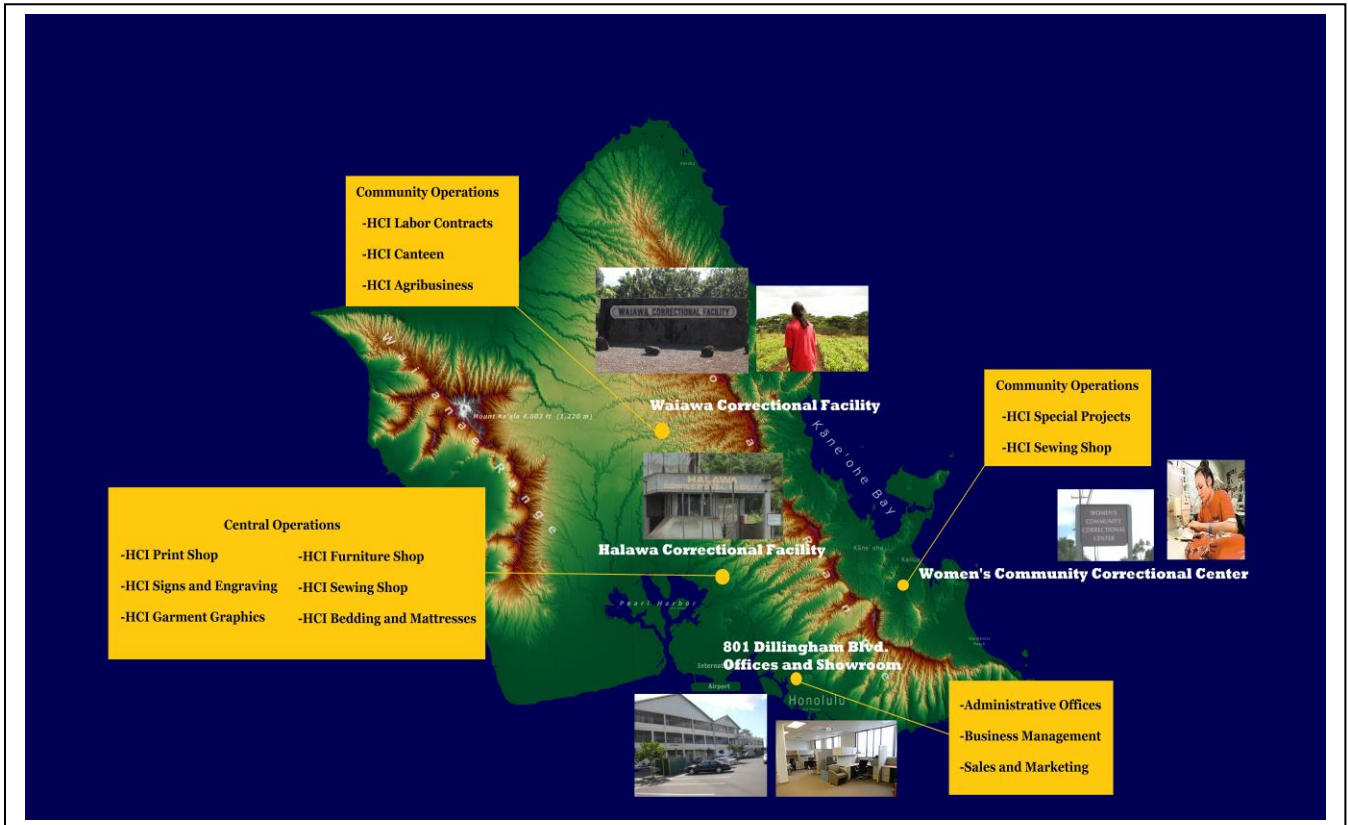
INVESTING IN REENTRY. We know that education and work experience greatly improves an offender's chance of success upon release, but we wanted to do more. In FY15, HCI partnered with WorkNet, Inc., a 501(c) (3) non-profit corporation to deliver robust offender reentry support before, during and after release.

The Hawaii State Legislature awarded a State Grant-in-Aid of \$150,000 to HCI and WorkNet, Inc. to begin a pilot program to deliver assessment, vocational development, hands-on training, pre-employment guidance, criminal conduct remediation, counseling, case management and transition services to offenders who work for HCI and are about to reenter the community.

This marks the first time that HCI has been the recipient of a grant to enhance reentry services for its workforce.



Map of Operations: Hawaii Correctional Industries



OUR INFORMATION

In 2015 we transitioned from a paper-based accounting system to a cloud-based enterprise resource program. All shops acquired internet connectivity and new computers; staff were trained on the new software and processes. We now utilize QuickBooks Enterprise to generate our financial statements; our requisitions, sales orders and invoices are processed in SalesPad ERP. During the transition, we conducted a forensic audit of our finances. HCI's financial records are now accurate, available in real time and are fully transparent.

OUR PROCESSES

New software meant new forms and procedures for everything needed for order fulfillment, from electronic requisitions and purchase orders to quotes, sales orders, invoices, and Return Material Authorizations.

OUR PARTNERSHIPS

2015 marks the reestablishment of the HCI Advisory Committee, which has been dormant for a number of years. Getting strategic advice from community leaders will be critical to our success going forward.

Trans-Pacific shipping logistics of raw materials, as well as interisland logistics, are some of our greatest challenges, both to organize and to price accurately. To help mitigate the high cost of importing raw materials, we partnered with the Mainland Branch, as well as other Correctional Industry programs on the mainland, to do joint purchasing and to transport raw material on the inmate charter plane that moves offenders between Hawai'i and Arizona.

In 2015 we partnered with the Crime Victim's Compensation Commission to raise awareness, as well as funds, for victims of crime through increased restitution and gift sale events, to be scheduled in the upcoming year.

After much work and investment, we are now positioned to successfully restore and grow Hawaii Correctional Industries, which is a valuable component to public safety that lowers the cost of the criminal justice system and provides offenders with opportunities to change their lives for the better.

HAWAII DEPARTMENT OF PUBLIC SAFETY
HAWAII CORRECTIONAL INDUSTRIES
FINANCIAL STATEMENTS (unaudited)

Year Ended June 30, 2015

BALANCE SHEET- HCI ENTERPRISE FUND

	2015	2014
ASSETS		
Current Assets	\$2,160,200	\$2,633,391
Noncurrent Assets	\$231,093	\$1,189,476
Total Assets	\$2,391,293	\$3,822,867
 LIABILITIES		
Current Liabilities	\$1,216,585	\$912,174
Long Term Liabilities	\$0	\$0
Capital - Retained Earnings	\$1,670,823	\$3,159,885
Net Income (Loss)	\$(496,115)	\$(249,192)
Total Liabilities & Capital	\$3,391,293	\$3,822,867

HAWAII DEPARTMENT OF PUBLIC SAFETY
HAWAII CORRECTIONAL INDUSTRIES
FINANCIAL STATEMENTS (unaudited)

Year Ended June 30, 2015

STATEMENT OF REVENUE AND EXPENSES

	FYE 6/30/15	FYE 6/30/14
REVENUE	\$4,908,940	\$4,317,530
EXPENDITURES		
Personnel Services:		
Salaries	\$1,521,880	\$1,279,933
Fringe Benefits	\$641,584	\$512,128
Total Personnel Services	\$2,163,464	\$1,792,062
Supplies & Services:		
Raw Material	\$2,477,273	\$2,021,247
Inmate Wages	\$133,182	\$94,135
Other Supplies & Services	\$631,136	\$659,278
Total Supplies & Services	\$3,241,591	\$2,774,660
TOTAL EXPENDITURES	\$5,405,055	\$4,566,722
CASH PROFIT (LOSS)	\$(496,115)	\$(249,192)

Contact Us:



Hawaii Correctional Industries

801 Dillingham Boulevard, 2nd Floor

Honolulu, HI 96817

Phone: (808) 485-5163

www.hawaiici.org

Management Team:

Chris Lansford, Administrator

Chris.M.Lansford@hawaii.gov

Gayle Kawamura, Business Manager

Gayle.M.Kawamura@hawaii.gov

Nicholas Angel, Marketing and Sales Manager

Nicholas.G.Angel@hawaii.gov

Shawntay Yasuda, Community Operations Manager

Shawntay.C.Yasuda@hawaii.gov

Robert Mahaffey, Central Operations Manager

Robert.A.Mahaffey@hawaii.gov

Janice Arakaki, Administrative Services

Janice.F.Arakaki@hawaii.gov

