

**Indiana Department of Correction**  
**PEN Products**  
**2012 – 2013 Biennial State Budget Overview**

*“The business objective of PEN Products is to employ offenders, reduce idleness, instill a good work ethic, and provide marketable skills for their successful return to the community. Our success is measured by increased offender jobs and our ability to operate in a self sustaining manner.”* —PEN Products’ Mission Statement

The above forty-six words succinctly describe PEN Products’ function and priorities. They have been PEN’s guiding principles as the management and employees of PEN Products have worked hard to overcome the challenges posed by the economic downturn over the previous two years.

Accomplishments Over the Last Two Years:

- PEN Products is nationally recognized for having the largest US Department of Labor Apprenticeship program among all correctional industries. National Apprenticeship Administrator John Ladd has called the PEN Products USDOL program a model for apprenticeship within the correctional setting.
- Currently PEN has 1,194 offenders enrolled in the US Department of Labor Apprenticeship program. 940 US Department of Labor certificates have been awarded to offenders since the program’s inception in April 2006.
- In May 2010, the program was awarded Governor Daniels’ Public Service Achievement Award for the positive impact it has on re-entry and the tax savings it has provided for Indiana’s citizens.
- PEN Products reverted \$2 million to the General Fund out of its revolving fund in Fiscal Year 2010.
- PEN Products contributed \$3.2 million to BMV Debt Reduction Plan in Fiscal Year 2009 out of its’ revolving fund.
- PEN has worked hard to reduce its dependency on sales from State of Indiana agencies. Sales (excluding license plates) to State agencies represented 43% of total sales in Fiscal Year 2010 vs. 56% in Fiscal Year 2008.
- The net loss, measured on a Generally Accepted Accounting Principles (G.A.A.P.) basis, from non-license plate operations decreased by 38%, or \$1.5 million, in Fiscal Year 2010 when compared to Fiscal Year 2009.
- PEN moved its Central Office from leased property to a State-owned IDOC facility saving the State in excess of \$700,000 per year.
- PEN exited the cattle business and changed its farms to a cash lease basis which will reduce its annual loss of approximately \$500,000 to a breakeven point.

Challenges Over the Last Two Years:

- Maintaining offender job levels and fiscal integrity during the downturn in the economy.
- Finding viable private sector partners with work that can be performed within correctional facilities.

- Finding additional available space for expansion inside correctional facilities.
- Maintaining or downsizing business operations that have experienced significant decreases in sales as we work to rebuild their sales and profitability.
- Maintaining qualified staff members during hiring freezes.

PEN's major objectives for the 2012 – 2013 biennium include:

- Increase offender employment to 2,025 jobs, or 15%, by the end of fiscal year 2013.
- Continue to narrow the net loss from non-license plate operations working towards the long term goal of achieving a break even point during the 2012 – 2013 biennium.
- Work with IDOC and OMB to develop a methodology to track recidivism among former PEN workers and a performance metric related to the recidivism rate.

PEN Products is constantly working with its joint venture partners to grow jobs and improve financial performance. PEN will continue to replace underperforming joint venture partners with new partners that will improve offender employment levels and profitability.

One limitation PEN is facing in attracting new joint ventures is the availability of desirable production space. PEN currently utilizes 90% of the industrial space available. Space limitations present a marketing challenge and limit PEN's ability to expand offender jobs within facilities and to facilities where PEN does not have a presence.

In order to enhance profitability PEN is reviewing a number of strategies. These include:

- Increase sales using specific sales targets;
- Reengineer existing product lines to reduce production and materials costs;
- Add new product lines to improve competitiveness and cover a wider range of price points; and
- Improve efficiencies in purchasing of raw materials where possible under the restrictions imposed by State purchasing rules and business volume.

In setting goals and budget targets for the next biennium, PEN was mindful of the current difficult economic environment. PEN's goals are challenging, achievable and mindful of PEN's ultimate mission—*employ offenders, reduce idleness, instill a good work ethic, provide marketable skills for their successful return to the community and operate in a self sustaining manner.*