



**House
Legislative
Analysis
Section**

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PRISON FARM PRODUCTS

102 05 1990

Senate Bill 6 (Substitute H-2)
First Analysis (12-13-89)

Sponsor: Senator Nick Smith
Senate Committee: Agriculture and Forestry
House Committee: Corrections

Mich. State Law Librarian

THE APPARENT PROBLEM:

In an attempt to change prison industries from a system that required an annual state appropriation to a totally self-supporting system, Public Act 245 of 1980 permitted correctional industries to operate in a manner similar to private industry, with the exception that their products may only be sold to other state agencies or to nonprofit organizations. Thus, when Michigan State Industries (MSI) in the Department of Corrections took over the management of the State Prison of Southern Michigan (SPSM) farm programs, in 1986, this provision in the Correctional Industries Act prohibited the farm's products from being sold on the open market. SPSM is the only prison that operates a farm in Michigan's prison system (except for a small operation at the Marquette Branch Prison). SPSM operates a dairy farm, raises cattle and hogs, and grows a variety of crops. The farm's products were sold on the open market, until — in an attempt to turn it into an efficient operation — its operation was handed over to MSI. In the first year of its operation under the new restrictions, the farm lost \$271,000, and in fiscal year 1987-88 the operations experienced a \$1.3 million loss, due — according to experts — to the inefficient use of its products. For example, most of the farm's livestock is slaughtered each year to feed prisoners. Since choice cuts of beef, such as steaks, are not used in prison food preparation, and since MSI is prohibited from selling this meat, they have no other option but to grind choice cuts into hamburger. Similarly, MSI may not sell the farm's wheat crop, so instead it is fed to the animals. In the first example, it would be more economical to sell the live animals on the open market and to purchase boxed beef that MSI could process. In the second example, it would be more economical to purchase feed grains, and to sell the wheat. Prison officials believe that, if MSI were allowed to sell its products on the open market, farm operations would at least break even.

THE CONTENT OF THE BILL:

The bill would amend the Correctional Industries Act to permit the following prison farm products to be sold to the general public:

- Corn, oats, wheat, barley and soy beans, as long as the sale did not exceed in any one year the previous year's dollar value of feed grains purchased by the Department of Corrections.
- Hay and straw, if sold outside of Michigan.
- Live cattle and hogs, as long as they did not exceed in any one year 50 percent of the previous year's dollar value of meat and animals purchased by the department.

The above provisions would expire two years after the bill's effective date.

MCL 800.326

HOUSE COMMITTEE ACTION:

The House Corrections Committee amended Senate Bill 6 to place a two-year sunset date on the provisions of the bill, to allow the legislature will review financial results of the sale of prison farm products to the public.

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, the bill would result in a gain in state funds, since the \$1.3 million loss that the farm system incurred in fiscal year 1987-88 would be averted. (12-12-89)

ARGUMENTS:

For:

Most states — including Texas and Iowa, the two largest beef producing states — allow their prison farms to sell livestock on the open market. Michigan's prohibition against selling these products outside the system is too restrictive and actually costs the department money: the cattle at the State Prison of Southern Michigan cost more to raise than is realized from the consumption of the beef. (MSI estimates that, if the department were allowed to sell cattle on the open market, the proceeds would allow it to buy twice as much meat as it sold). By permitting MSI to raise cattle and hogs and to sell them live on the open market, the bill would give the farms an opportunity to break even and remain competitive.

For:

The bill would permit MSI to concentrate less of its activities on slaughtering and more on meat processing, and would therefore aid MSI in its plans to reorganize the farm facilities into two separate divisions: dairy and meat processing. The meat processing operation will provide on-the-job training that will fit in with the department's meat processing education program. Prisoners would be offered job experiences in two basic operations that are in demand, since most "help wanted" ads in agricultural magazines are for farm help with dairy experience.

Against:

The bill would permit the sale of several prison agricultural products to the general public. This could provide unfair competition for local farmers and could also have an impact on agricultural prices state-wide.

Response: According to agricultural economists, the amount produced by the prison is insignificant in comparison to the amounts other producers sell on the open market and would have little effect on local or state agricultural prices.

POSITIONS:

The Department of Corrections supports the bill. (12-12-89)

The Michigan Council on Crime and Delinquency supports the bill. (12-12-89)

OVER

The Office of Legislative Corrections Ombudsman supports the bill. (12-12-89)

The Michigan Corrections Organization/SEIU Local 526M has no position on the bill. (12-12-89)

The Committee on Prison Reform has no position on the bill. (12-12-89)

The Department of Management and Budget has no position on the bill. (12-12-89)