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BILL ANALYSIS

Senate Fiscal Agency

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Senate Bill 6 (as passed by the Senate)
Sponsor: Senator Nick Smith
Committee: Agriculture and Forestry

Date Completed: 4-12-89

RATIONALE

As part of the operation of the State Prison of Southern Michigan, in Jackson, the prison operates a dairy farm, raises cattle and hogs, and grows a variety of crops. Until 1986, when the prison itself managed the farm, crops, milk products, and livestock produced on the farm were sold on the open market. Since the farm's operation came under the management of the Michigan State Industries (MSI), within the Department of Corrections, and because of provisions in the Correctional Industries Act, these products now can be used only within the prison system and cannot be sold to the general public. Some people are concerned that the prohibition against selling these products outside the system is too restrictive and actually may be costing the Department money, rather than being a cost-saving measure.

CONTENT

Senate Bill 6 would amend the Correctional Industries Act to include prison farm products within the definition of "correctional industries products" and to regulate the sale of prison farm products.

Agricultural products produced by inmates on correctional farms would be added to the definition. Corn, oats, wheat, barley, and soy beans from prison farms could be sold to the general public, as long as they did not exceed in any one year, the previous year's dollar value of the feed grains purchased by the Department. Hay and straw also could be sold

to the general public, but only outside of Michigan. Live cattle and live hogs also could be sold to the general public, as long as they did not exceed in any one year, 50% of the previous year's dollar value of meat and animals purchased by the Department.

FISCAL IMPACT

The bill would have no fiscal impact on State expenditures in FY 1988-89. Michigan State Industries is self-supporting and will receive no GF/GP funding during FY 1988-89. Net proceeds from the sale of agricultural commodities would be used to support current operations.

ARGUMENTS**Supporting Argument**

The State Prison of Southern Michigan is the only prison that operates a farm in the prison system, except for a small operation at the Marquette Branch Prison. Of the 700 head of cattle and 1,200 hogs raised each year, most of the livestock is slaughtered with the meat being used to feed prisoners (although not enough is produced to feed the entire prisoner population, so additional meat is purchased on the open market). Because choice cuts of beef, such as steaks, are not used in food preparation and because MSI officials are prohibited from selling this meat, they have no other option but to grind choice cuts into hamburger. As a result, the cattle operation loses money because of the inefficient use of the meat. MSI officials would

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like to be able to sell the livestock, especially the choice cuts, on the open market and purchase back the meat needed for the prisons. According to MSI estimates, the Department could buy twice as much meat as it sold, for the same amount of money, if MSI were permitted to sell the meat produced at Jackson prison.

Supporting Argument

In addition to allowing the sale of meat, the bill would permit the sale of certain other agricultural products produced at the prison to be sold to the general public. While most of these products are being used for silage at the prison's farm, prison officials would be able to sell these products if surpluses occurred in the future. The bill also would place limits on the amount of grain products and livestock that could be sold in an effort to forestall any adverse effect that selling prison agricultural products would have on private farmers who produce similar products and sell them on the open market.

Response: The restrictions on the amount of livestock or agricultural products that could be sold would have little effect, since the amount produced by the prison is considered insignificant in comparison to the amounts other producers sell on the open market.

Supporting Argument

The 2,500-acre prison farm last year reportedly lost \$1.3 million, which had to be made up by other operations within MSI. The bill would inject a small measure of revenue into the farm's operation by allowing commodities produced by the farm, when not used within the prison system, to be sold on the open market.

Opposing Argument

Even though the bill specifies limits on the amount of prison livestock and agricultural products that could be sold to the general public in any one year, any competition by a tax-exempt State agency with the private sector as a result of this bill is of concern to farmers.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.