



Department of Public Safety and Correctional Services

Maryland Correctional Enterprises

7275 WATERLOO ROAD • JESSUP, MARYLAND 20794 • www.mce.md.gov
(410) 540-5400 • FAX (410) 540-5570 • TTY USERS (800) 735-2258

STATE OF MARYLAND

LARRY HOGAN
GOVERNOR

BOYD K. RUTHERFORD
LT. GOVERNOR

ROBERT L. GREEN
SECRETARY

RACHEL SESSA
CHIEF OF STAFF

CHRISTOPHER McCULLY
DEPUTY SECRETARY
ADMINISTRATION

WAYNE HILL
ACTING DEPUTY
SECRETARY OPERATIONS

CAROLYN J. SCRUGGS
ASSISTANT SECRETARY

GARY W. McHINNEY
ASSISTANT SECRETARY

MARYLAND CORRECTIONAL
ENTERPRISES

STEPHEN SANDERS
CHIEF EXECUTIVE OFFICER

October 1, 2020

The Honorable Larry Hogan
Governor
State House
Annapolis, Maryland 21401

The Honorable William C. "Bill" Ferguson IV
President
Senate of Maryland
State House H-107
Annapolis, MD 21401

The Honorable Adrienne A. Jones
Speaker
Maryland House of Delegates
State House, H-101
Annapolis, MD 21401

Dear Governor Hogan, President Ferguson and Speaker Jones:

Pursuant to COR § 3-522, SB 136/Ch. 124, Maryland Correctional Enterprises is required to submit an annual report on the Maryland Correctional Enterprises Management Council, to the Governor and the General Assembly. The statute specifically states:

On or before October 1 of each year, the [Maryland Correctional Enterprises] Management Council shall submit to the Governor and, subject to § 2-1246 of the State Government Article, to the General Assembly an annual report summarizing the Management Council's activities and recommendations.

I hope this letter and attachment meet with your approval. If you have any questions, please contact myself or Chief of Staff, Ms. Rachel Sessa, at 410-336-5022.

Sincerely,


STEPHEN SANDERS (Sep 30, 2020 12:48 EDT)

Stephen Sanders
Chief Executive Officer

Attachment

cc: Ms. Sarah Albert, Library Associate, Department of Legislative Services,
MSAR # 2842

MANAGEMENT COUNCIL REPORT FY 2020



MARYLAND CORRECTIONAL ENTERPRISES

www.mce.md.gov



**DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONAL SERVICES**

Maryland Correctional Enterprises
Management Council Report

OCTOBER 1, 2020

Governor Lawrence J. Hogan
Lt. Governor Boyd K. Rutherford
Secretary Robert L. Green
Acting Deputy Secretary of Operations Wayne Hill
MCE Chief Executive Officer Stephen Sanders
MCE Management Council Executive Director H. David Jenkins, PhD.





INTRODUCTION

Pursuant to § 3-522 of the Correctional Services Article of the Annotated Code of Maryland, the Department of Public Safety and Correctional Services is required to submit a report on the activities of the Maryland Correctional Enterprises Management Council. The bill language specifically states:

On or before October 1 of each year, the Management Council shall submit to the Governor and, subject to § 2-1246 of the State Government Article, to the General Assembly an annual report summarizing the Management Council's activities and recommendations.

OVERVIEW

The Management Council was established to review and monitor the operations of Maryland Correctional Enterprises (MCE), examining issues identified in its statutory mandate, and acting to consult, advise, and support the management team. The Council's oversight responsibility includes monitoring MCE's fiscal situation, sales and marketing initiatives, inmate employee concerns and issues, customer satisfaction, and competition with the private sector.

The following report provides an overview of the FY20 Management Council activities as well as recommendations for the upcoming fiscal year.





STATE OF MARYLAND

LAWRENCE J. HOGAN, JR.
GOVERNOR

BOYD K. RUTHERFORD
LT. GOVERNOR

ROBERT L. GREEN
SECRETARY

H. DAVID JENKINS
EXECUTIVE DIRECTOR

Department of Public Safety and Correctional Services

Maryland Correctional Enterprises Management Council
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October 1, 2020

Greetings!

It is with great pride that I present the Management Council's 2020 Annual Report. This year has proven to be a challenging year for Maryland Correctional Enterprises (MCE) and the state as a whole. Despite the detrimental impact of the COVID-19 Pandemic, we look forward to the successful year ahead with the guidance of our Council members.

MCE achieved revenues in excess of \$55 million while continuing to offer training and job opportunities to over 2,000 inmates over the course of FY20. Throughout the course of the year MCE provided over 2.1 million hours of work and training. By providing these men and women a work skill and work ethic, MCE is further able to assist in helping them find successes upon release from prison.

The Management Council looks forward to rebuilding the successes of MCE in the upcoming year. We are confident that the work being done at Maryland Correctional Enterprises is helping to create a stronger, safer Maryland. There is no doubt that we will overcome the obstacles faced this year.

Sincerely,

H. David Jenkins, PhD.
Executive Director
Maryland Correctional Enterprises Management Council

Management Council Overview



Background

The Maryland Correctional Enterprises Management Council was created in 1999 through legislation codified under Sections 3-517 through 3-522 of the Correctional Services Article of the Annotated Code of Maryland.

As defined in section 3-521 of the Correctional Services Article:

(a) (1) The Management Council shall:

- (i) advise Maryland Correctional Enterprises on its specific proposals to establish new industries and improve the quality and quantity of job training programs; and
- (ii) recommend the establishment and maintenance of industrial plants and service centers to be used for implementing the programs developed by the Commissioner and Chief Executive Officer under § 3-511 of this subtitle.

(2) Maryland Correctional Enterprises shall operate industrial plants and service centers recommended under paragraph (1)(ii) of this subsection primarily with inmates in a manner that benefits the State and the training of inmates by producing goods or providing services that are practical and adaptable for a prison industry.

(b) The Management Council shall:

(1) review the operation of the programs of Maryland Correctional Enterprises to determine whether:

- (i) there is undue competition with private enterprise and recommend necessary adjustments to prevent undue competition; and
- (ii) there is any negative impact on workers in the State, including wage depression or job displacement;

(2) review the standards for goods and services and the pricing schedules as recommended by the Chief Executive Officer; and

(3) review the occupational health and safety record of programs and other working conditions of inmates in the programs of Maryland Correctional Enterprises.

Management Council Overview

(c) The Management Council shall:

(1) review the success of Maryland Correctional Enterprises in:

- (i) meeting the employability development needs of inmates; and
- (ii) coordinating work programs with other rehabilitative programs;

(2) solicit and review information pertaining to concerns of participating inmates; and

(3) recommend changes as necessary to meet the goals and objectives of Maryland Correctional Enterprises.

(d) The Management Council shall:

(1) solicit ideas, proposals, and suggestions from business representatives, nonprofit organizations, government entities, and members of the public as to how Maryland Correctional Enterprises could enhance the work experience of inmates and increase the ability of inmates to obtain gainful employment after release;

(2) review and recommend opportunities with private sector employers to expand the Prison Industries Enhancement Program;

(3) review and identify ways to improve the business practices of Maryland Correctional Enterprises in its sales, marketing, inventory, warehousing, and product line operations;

(4) monitor customer satisfaction with price, quality, delivery, and after delivery service; and

(5) review and comment on the operating and capital budgets of Maryland Correctional Enterprises, including cash forecasts.

Membership

The membership, appointing authority and term of service for individuals serving on the Council have been established by statute. All members serve a term of three years and continue to serve until a successor is appointed. The following page includes the FY20 Management Council Roster, including all new appointments occurring during the fiscal year.

Meeting Format

At each meeting, members receive a briefing from MCE's CEO, the Commissioner of Correction from the Department of Public Safety and Correctional Services and the Executive Director on pertinent issues related to MCE. Public Safety related initiatives, newsworthy events, research findings, and articles and reports of significance pertaining to the Council's statutory mandate are also provided. Members of MCE's staff are invited to showcase particular industries or to make special presentations on surveys, projects, and topics that impact MCE operations. At each meeting, members provide an update or development in their organization/agency related to the Council's mission and are provided with Customer Council Meeting Minutes.



Management Council

Appointed by the Chief Judge of the
Maryland Court of Appeals
Judge Lisa Broten
District Court of Maryland
Member
Not Pictured



Ms. Danielle Cox
Department of Labor
Awaiting Appointment



Mr. Melvin Forbes
Business Representative
Wilkerson Sports Enterprise
Member



Appointed by the Chancellor of the
University System of Maryland
Mr. Tom Hickey
University System of Maryland
Member



Acting Deputy Secretary of Operations
Wayne Hill
Department of Public Safety and
Correctional Services
Ex-Officio Member



Mr. H. David Jenkins
Management Council
Executive Director



Appointed by the Comptroller of the
Treasury
Ms. Anne Klase
Comptroller's Office
Member



Mr. Fred Mason
Maryland State Department of
Education
Member



Ms. Sarah Myers
Governor's Office of
Crime Control and Prevention
Member



Appointed by the Senate President
Senator Douglas J. J. Peters
Member



Mr. Stephen Sanders
Chief Executive Officer
Maryland Correctional Enterprises
Ex-Officio Member



Mr. Jack Weber
Business Representative
Uptown Press
Member



Ms. Nikki Zaahir
Non-Profit Representative
Full Circle Service Center
Member



Thank you to former members
Joe Evans, Judge Pamela Brown
and CEO Stephen Shiloh
for all your contributions to MCE
and the Management Council.

Council Meetings

The MCE Management Council meets regularly to discuss MCE Operations. The full minutes from Fiscal Year 2020 can be found on the Maryland Correctional Enterprises website at mce.md.gov. A brief summary of each meeting has been provided below. Due to reduced operations as a result of the COVID-19 Pandemic, the Inmate Concerns Survey was postponed until the fall of calendar year 2020. A summary of the results will be available on our website with this report.

September 10, 2019

MCE Brock Bridge Road Warehouse and Showroom

The Management Council reviewed the financials, performance, and inmate employment for FY19 and toured the newly renovated Brock Bridge Road Warehouse and Showroom. The Council was also provided an update on the Department of Legislative Services audit results, financial literacy, and acquisition of a new ERP system. The Council also reviewed and approved the findings of the Inmate Concerns Survey. Recommendations for the upcoming year were approved. All members provided updates regarding their individual agencies and businesses. CEO Steve Shiloh announced his retirement after 33 years of service.

December 10, 2019

MCE Headquarters

The Management Council Executive Director announced that we were still awaiting the appointment of a Senator Representative and a member of the Comptroller's Office. Deputy Secretary Zeigler announced that a recruitment for the CEO position was started and that Stephen Sanders would be the Acting CEO until the recruitment process was completed. The Council reviewed financial, personnel, and operational reports. It was announced that a new Reentry Director would be starting in January to lead the new C.A.R.E.S. program at MCIH. Joe Evans announced his retirement and indicated that Tom Hickey would be replacing him on the Council. All members provided agency reports at the conclusion of the meeting.

March 10, 2020

Via Conference Call

The Management Council reviewed financials, ERP, inmate employment, P.I.E.C.P. and operational reports. In addition, the Council discussed plans moving forward in light of the COVID-19 Pandemic. The current progress of the legislative session was discussed including bills that may have an impact on MCE. Judge Pamela Brown announced that Judge Lisa Broten would be appointed to the Council; Anne Klase was also appointed from the Comptroller's Office. All members provided reports at the conclusion of the meeting.

June 9, 2020

Via Conference Call

The Council reviewed year to date sales and overall performance of MCE in light of the COVID-19 pandemic. Some business units remain closed, but will reopen as soon as it is safe to do so. Despite these turbulent times, MCE and DPSCS were commended for quick responses to an unprecedented situation. An update regarding MCE's impact on Maryland's manufacturing sector was discussed; no negative impacts were identified. The Council also received an update on the catalog and customer service initiatives. The Council agreed to postpone the Inmate Concerns Survey. The meeting concluded with approval of Council Recommendations and member reports.



Sales & Inmate Employment

| Business Units FY 2020 | Sales | Inmate Employment |
|--|-------------------|-------------------|
| Jessup Correctional Institution | | |
| Wood* – office, lounge and dormitory furniture, tables, library shelving | 3,798,946 | 0 |
| Tag – metal motor vehicle license tags and picnic furniture | 4,882,971 | 67 |
| Sew* – inmate uniform items and DPSCS officer uniform items | 2,627,165 | 0 |
| Maryland Correctional Institution – Jessup | | |
| Graphics I** – complete line of forms, reports, custom printing, magazines and related special products, four color printing | 1,639,200 | 95 |
| Graphics II** – envelopes, business cards, letterhead, etc. | 2,010,404 | 46 |
| Quick Copy Service** – digital b/w and color, high speed digital printing, binding, finishing, packaging, shipping, collating, stapling | 722,600 | 22 |
| Maryland Correctional Institution for Women | | |
| Sew/Flag* – shirts, gowns, bathrobes, flags, aprons, embroidery, sweatshirts | 1,014,754 | 0 |
| Mailing and Distribution* – bulk mailing, distribution service, data entry | 3,011,941 | 0 |
| Design and Planning* – office design using CADD system | 0 | 0 |
| Maryland Correctional Institution – Hagerstown | | |
| Metal ¹ – shelving, beds, tables, wastebaskets, chairs, benches, lockers, storage, Flexstation office furniture, PIECP | 5,274,492 | 25 |
| Laundry – industrial cleaning of laundry for institutional and non-profit entities | 229,811 | 11 |
| Upholstery – task seating, side chairs, lounge furniture, multi-purpose seating | 7,029,436 | 20 |
| Meat – ground beef, chopped steaks, meat loaf, roasts, chops, ribs, hotdogs, lunch meats, sausage | 8,939,081 | 24 |
| Hagerstown Warehouse – backhaul operations and shipment of products produced in Hagerstown | 85,390 | 32 |
| Roxbury Correctional Institution | | |
| RCI Graphics – file folders, interoffice envelopes, report covers, vinyl binders, production of MVA vehicle registrations and special orders | 1,917,546 | 94 |
| Recycling and Agriculture* – recycling of aluminum and steel cans, cardboard, paper, pallets, and plastic | 67,984 | 0 |
| Maryland Correctional Training Center | | |
| Partition – work stations, office panels, sight screens, System XXI, PowerWorks | 3,545,378 | 13 |
| Brush & Carton – utility brushes, corrugated cartons, and furniture assembly | 1,983,457 | 10 |
| Western Correctional Institution | | |
| WCI Furniture – laminated component parts and various furniture items (Volition, Aristotle & Darwin office furniture) | 1,716,005 | 12 |
| Eastern Correctional Institution | | |
| Furniture Restoration – refinishing/restoration of wood, metal, and upholstered furniture | 1,146,427 | 107 |
| Textiles – towels, washcloths, hats, uniform clothing/shirts, embroidery, sewn, and RF Seal mattresses | 2,331,966 | 70 |
| Laundry – industrial cleaning of laundry for institutional and non-profit entities | 193,050 | 8 |
| Patuxent Institution | | |
| Sign & Engraving– street signs, custom made signs to order, vehicle wraps, plaques, picture frames and laser engraving | 937,140 | 29 |
| Central Maryland Correctional Facility | | |
| Laundry Operations ² – industrial cleaning of laundry for institutional and non-profit entities | 490,941 | 136 |
| Jessup Area | | |
| * Central Warehouse – shipment of all products produced at Baltimore metropolitan area prisons, moving, labor, and courier service | 176,133 | 0 |
| Total Sales and Inmate Employment | 55,772,218 | 821 |

* Indicates business unit closure in response to the COVID-19 Public Health Crisis. Inmates were employed in these plants prior to the onset of the pandemic.

**Plant closed mid-June; inmates were paid during the month of June, but not working as of 6/30/2020

¹ Includes eight Prison Industry Enhancement Certification Program (PIECP) workers

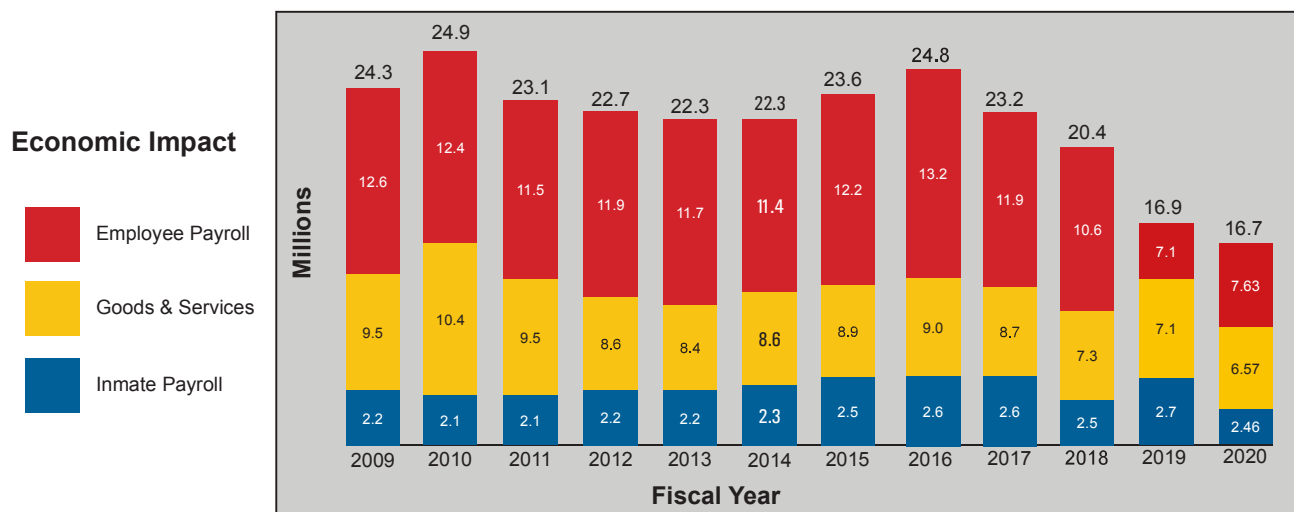
² Includes laundry collection workers from Jessup Correctional Institution

Economic Impact Report

Economic impact consists of the three major areas where Maryland Correctional Enterprises payments were made during the fiscal year. The three major areas of economic impact are: goods and services, employee payroll, and inmate payroll.

| DIRECT ECONOMIC IMPACT - FISCAL YEAR 2020 | | | | |
|---|------------------|------------------|----------------|-----------------------|
| AREA | GOODS & SERVICES | EMPLOYEE PAYROLL | INMATE PAYROLL | ECONOMIC CONTRIBUTION |
| Baltimore City | \$1,336,040.43 | \$925,862.48 | 0 | \$2,261,902.91 |
| Baltimore County | \$1,581,870.71 | \$1,405,233.96 | 0 | \$2,987,104.67 |
| Eastern Shore | \$172,336.15 | \$695,525.69 | \$279,797.00 | \$1,147,658.84 |
| Washington, Frederick & Carroll County | \$361,772.42 | \$2,209,421.080 | \$778,726.86 | \$3,349,920.36 |
| Anne Arundel & Howard County | \$1,980,545.63 | \$1,352,660.70 | \$1,342,280.45 | \$4,675,486.78 |
| Montgomery County | \$141,976.96 | \$87,318.28 | 0 | \$229,295.24 |
| Cecil and Harford County | \$811,940.27 | \$348,645.53 | 0 | \$1,160,585.80 |
| Prince George's County | \$186,316.38 | \$431,310.94 | 0 | \$617,627.32 |
| Southern Maryland | \$0 | \$51,018.26 | \$1,303 | \$51,018.26 |
| Western Maryland | \$2,152.19 | \$124,617.50 | \$61,270.14 | \$188,039.83 |
| Maryland Total | \$6,574,951.14 | \$7,631,614.42 | \$2,462,074.45 | \$16,668,640.01 |
| Out of State Total | \$32,696,615.81 | \$902,612.28 | \$0 | \$33,599,228.09 |
| Grand Total | \$39,271,566.95 | \$8,534,226.70 | \$2,462,074.45 | \$50,267,868.10 |

Total Economic Impact (Direct and Indirect) for FY 2020 that MCE had on the State of Maryland was \$67.3 million.



Note: In addition to Maryland, only seven other states in the U.S. compute Economic Impact

Financial Statement



Maryland Correctional Enterprises
Statements of Net Position
As of June 30, 2020 and 2019

| | 2020 (Unaudited) | 2019 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$12,702,968 | \$18,889,084 |
| Accounts Receivable, net | \$12,251,050 | \$6,907,518 |
| Inventories | \$14,851,461 | \$12,804,457 |
| Other Assets | \$136,470 | \$55,119 |
| Total Current Assets | \$39,941,949 | \$38,656,178 |
| Capital Assets, Net of Accumulated Depreciation: | | |
| Construction in Progress | | |
| Equipment | \$ 3,719,324 | \$3,063,836 |
| Structures and Improvements | \$4,444,674 | \$5,246,879 |
| Total Capital Assets, Net | \$ 8,163,998 | \$8,310,715 |
| Total Assets | \$48,105,947 | \$46,966,893 |
| Deferred Financing Outflows | \$3,588,712 | \$4,378,521 |
| LIABILITIES AND NET POSITION | | |
| Liabilities: | | |
| Current Liabilities | | |
| Accounts Payable and Accrued Liabilities | \$2,145,714 | \$1,537,580 |
| Accrued Vacation and Workers Compensation Costs, Net | \$777,608 | \$780,637 |
| Customer Deposits | \$10,329 | - |
| Deferred Revenue | \$302,130 | \$295,049 |
| Total Current Liabilities | 3,235,781 | 2,613,266 |
| Noncurrent Liabilities: | | |
| Net Pension Liability | \$15,513,766 | \$15,513,766 |
| Accrued Vacation and Workers Compensation Costs | \$ 788,753 | \$758,612 |
| Total Liabilities | \$19,538,300 | \$18,885,644 |
| Deferred Financing Inflows | \$336,993 | \$1,126,805 |
| Net Position: | | |
| Invested in Capital Assets | \$8,163,998 | \$8,310,715 |
| Unrestricted | \$23,655,367 | \$23,022,250 |
| Total Net Position | \$31,819,365 | \$31,332,965 |

Financial Statement (Cont'd)



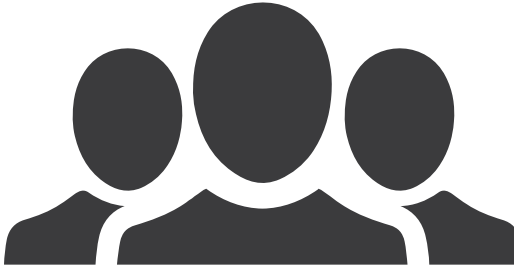
Maryland Correctional Enterprises Statements of Revenue, Expenses, and Change in Net Position

Statements of Revenue, Expenses, and Change in Net Position

For the Years Ended June 30, 2020 and 2019

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Operating Revenue: | | |
| Sales and Services | \$55,772,210 | \$52,457,139 |
| Operating Expenses: | | |
| Cost of Sales and Services | \$44,706,410 | \$40,980,139 |
| Selling, General, and Administrative Expenses | \$6,468,623 | \$6,165,466 |
| Other Selling, General, and Administrative Expenses | \$3,105,390 | \$3,113,124 |
| Depreciation | \$1,007,208 | \$1,103,698 |
| Total Operating Expenses | \$55,287,631 | \$51,362,427 |
| Operating Income | \$484,579 | \$1,094,712 |
| Nonoperating Revenue and Expenses: | | |
| Miscellaneous Income | \$1,665 | - |
| Loss on Disposal of Assets | \$153 | (218) |
| Nonoperating Expenses, Net | \$1,818 | (218) |
| Income Before Transfers and Contributed Capital | \$486,397 | \$1,094,494 |
| Transfer to State of Maryland General Fund | - | - |
| Change in net Position | \$486,397 | \$1,094,494 |
| Net Position, Beginning | \$31,332,968 | \$30,238,471 |
| Net Position, Ending | \$31,819,365 | \$31,332,965 |

Management Council Recommendations



The MCE Management Council recommends investigating further involvement in the Justice Reinvestment Act to identify where MCE can assist in the successful reintegration of returning citizens to the State of Maryland. An ability to grow training, apprenticeship and job opportunities in alignment with the Act has the potential to positively impact more lives, providing men and women with the needed work skills and work ethics that encourage successful reentry.



The MCE Management Council recommends investigating current and future Prison Industries Enhancement (P.I.E.C.P.) opportunities based on the economic climate. The program offers the potential to hire additional inmate workers and expand training opportunities for inmates participating in this program. Additionally, as the P.I.E.C.P. program provides prevailing wages this would provide inmate workers with a greater incentive to save for their release. The National Correctional Industries Association publication of participating state correctional systems and the products produced under their P.I.E.C.P. programs should be reviewed and monitored for future opportunities in Maryland.

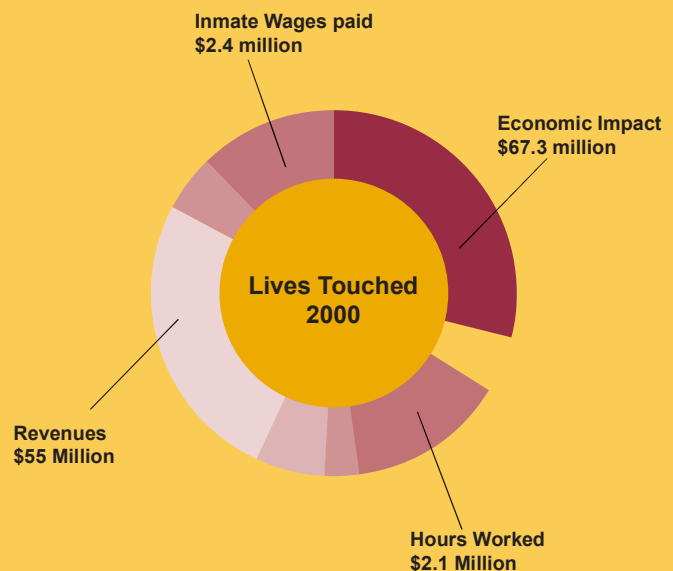


The MCE Management Council recommends the expansion of a program to improve the financial literacy of the MCE workforce in preparation for release. It is suggested that research continue to be conducted in order to find the most efficient method to share financial literacy training and materials to all offenders within the MCE workforce. The program should be continuously monitored for accessibility, functionality, and improvement.

The MCE Management Council recommends reviewing, updating, and expanding the C.A.R.E.S. curriculum in alignment with evidence based practices.

Conclusion

Despite overwhelming obstacles faced in FY2020, MCE persevered and was able to achieve revenues in excess of the Business Plan Goal. Overall, MCE was seeing positive progress until the onset of the COVID-19 pandemic. MCE is continuing to investigate strategies to adapt to the current climate so that we can continue to be successful while increasing revenues, increasing inmate employment, and maintaining institutional safety as a top priority. Despite the challenges MCE has faced in recent years, we have maintained a top ten ranking in the nation in regards to revenues and traditional correctional industry employment. We are proud to do our part in creating a better, safer Maryland for all.





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Designed & Printed by MCE

www.mce.md.gov