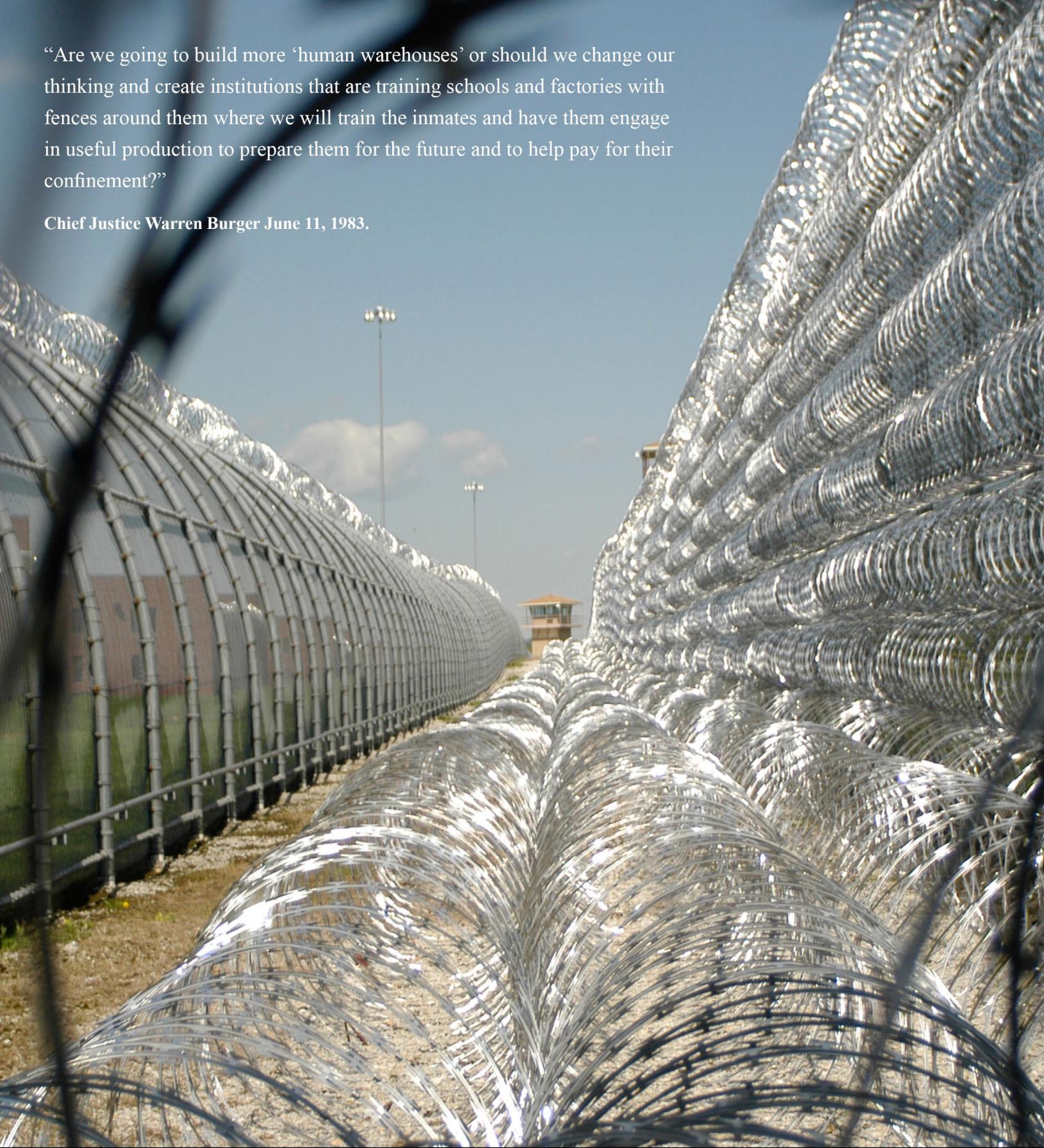


“Are we going to build more ‘human warehouses’ or should we change our thinking and create institutions that are training schools and factories with fences around them where we will train the inmates and have them engage in useful production to prepare them for the future and to help pay for their confinement?”

Chief Justice Warren Burger June 11, 1983.



Maryland Correctional Enterprises

ANNUAL REPORT

FY2014



7275 Waterloo Road, Jessup, Maryland 20794
(410) 540-5400
www.mce.md.gov

MARYLAND CORRECTIONAL ENTERPRISES

ANNUAL REPORT FY2014

Stephen M. Shiloh, CCE
Chief Executive Officer

September 1, 2014

“MAKING A DIFFERENCE IN MARYLAND”

A MESSAGE FROM THE CEO

September 2014

Maryland Correctional Enterprises (MCE) is proud of its heritage and continually strives to accomplish its mission of providing structured employment and training activities for offenders in order to improve employability upon release, to enhance safety and security, to reduce prison idleness, to produce quality, saleable goods and services, and to be a financially self-supporting State agency.

Based on FY13 data, MCE ranked 9th in the U.S. in sales and 6th in the U.S. for inmate employment, while State population and inmate population were both 19th. In FY14, revenues were \$51.8 million and 2,091 inmates were employed. MCE provided over 2.9 million hours of inmate employment and training and touched the lives of 3,132 inmate workers in FY14. Over a fifteen year study period, the recidivism rate for those inmates who were employed by MCE for at least twelve months was 22% (approximately half of the general population rate). With an annual cost of \$38,000 per incarcerated individual, lower recidivism lowers the cost to the State.

On July 1, 2008, MCE implemented CARES (Continuing Allocation of Re-Entry Services) to assist inmate employees in transitioning to civilian employment upon release. During Calendar Year 2014, MCE held graduation ceremonies for 12 former incarcerated workers. The number of CARES graduates since the program began equals 277.

MCE feels that along with returning offenders to Maryland communities with work skills and a work ethic, they should also experience the satisfaction of “giving back” by performing service for the community. MCE workers prepare food and textiles that are donated to the Special Olympics. Inmate crews cook and debone turkeys, feeding more than 35,000 families in need for the Annual Bea Gaddy Thanksgiving Dinner. Inmate workers manufactured tote bags for the House of Ruth in honor of National Crime Victims’ Rights Week and manufactured clothing donation boxes for the Children In Need charity. All of these products and services are donated by Maryland Correctional Enterprises in an effort to help our fellow citizens. Additionally, MCE had a positive economic impact on Maryland’s economy of approximately \$90.0 million in FY14.

MCE was originally “ACA Certified” on August 10, 2009 and received ACA re-accreditation on January 28, 2013.

Since 1992, MCE has been certified by the U.S. Bureau of Justice Assistance for the Prison Industry Enhancement (P.I.E.) Program which allows MCE to enter into partnerships and be a sub-contractor to private industry.

MCE publishes an annual Business Plan, which outlines what we plan to accomplish over the next several years, while our Annual Report details what we did accomplish.

MCE’s accomplishments would not be possible without the support of DPSCS Secretary Gregg L. Hershberger, Deputy Secretary Carroll A. Parrish, their respective staffs, MCE Management Council, MCE Customer Council, DPSCS Wardens, and the patronage and support of our customers.

MCE strives to Make a Difference in Maryland.

Sincerely,



Stephen M. Shiloh, CCE
Chief Executive Officer
Maryland Correctional Enterprises



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MISSION STATEMENT

The mission of
Maryland Correctional Enterprises
(MCE)

is to provide structured employment and training activities for offenders in order to improve employability upon release, to enhance safety and security, to reduce prison idleness, to produce quality, saleable goods and services, and to be a financially self-supporting State agency.



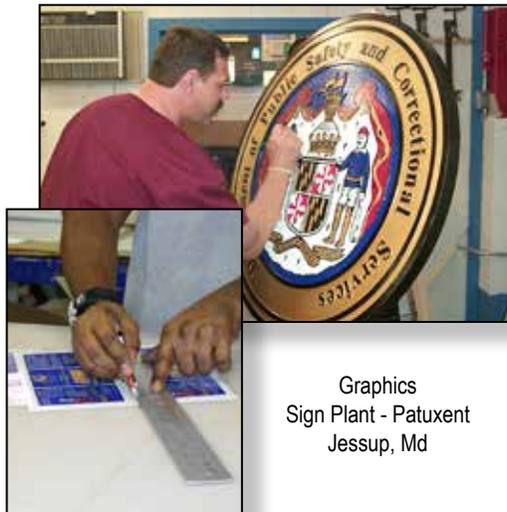
ORGANIZATION

MANAGEMENT

| | |
|--------------------------------------|---------------------|
| Chief Executive Officer | Steve Shiloh |
| Executive Assistant | Ashley Lohr |
| Chief Operating Officer | Joe Sommerville |
| Chief Administrative Officer | Mark Rowley |
| Chief Development Officer | Rick Rosenblatt |
| Director of Marketing | Lida Poole |
| Exec. Director of Management Council | David Jenkins |
| Director of Sales | Todd Deak |
| Sales Manager | Jim Hook |
| Human Resources Director | Dolores Holmes |
| Chief Financial Officer | Verona Williams |
| Operations Manager | Stephen Sanders |
| Projects Consultant | Cliff Benser |
| Customer Service Manager | Shari Hoffman |
| Design Manager | Terry Hill |
| Chief Information Officer | Karen Dullnig |
| Re-Entry Services Director | Anthony Morgan, Jr. |

REGIONAL MANAGERS

| | |
|------------------------------------|--------------|
| Hagerstown/Cumberland Institutions | Greg Haupt |
| Jessup/ECI Furniture Restoration | Dan Bickford |
| Textiles/ECI Liason | Donna Beck |
| Graphics | Mike Giuffre |
| Central Warehouse Manager | Mathew Hall |
| Hagerstown Warehouse Manager | Ron Brown |



MANAGEMENT COUNCIL

(Defined in Section 3-521 of the Correctional Services Article)

The Management Council serves in an advisory capacity on MCE issues including the establishment of new industries, inmate employment and training, reviewing occupational health and safety needs, the Prison Industry Enhancement (P.I.E.) Program, customer satisfaction, and budget review.

Management Council Members

Dr. H. David Jenkins, Executive Director

Ms. Ashley Lohr, Staff Assistant

| Name | Affiliation |
|--------------------------------------|---|
| The Honorable Joseph "Sonny" Minnick | State Delegate and Council Chair |
| The Honorable Nathaniel McFadden | State Senator |
| Mr. Carroll A. Parrish | Deputy Secretary, DPSCS |
| Mr. Stephen M. Shiloh | Chief Executive Officer, Maryland Correctional Enterprises |
| Judge Pamila J. Brown | Associate Judge, District Court of Md., District 10, Howard Co. |
| Mr. Jerome W. Klasmeier | Assistant Comptroller |
| Ms. Barbara Bice | Maryland State Department of Education |
| Ms. Sarah Myers | Governor's Office of Crime Control and Prevention |
| Ms. Alice Wirth | Department of Labor, Licensing, and Regulation |
| Mr. Joseph Evans | University System of Maryland |
| Mr. Fred D. Mason, Jr. | MD/DC AFL-CIO |
| Mr. Leonard G. (Bud) Schuler | Plumbers and Steamfitters Local 486 |
| Mr. Jack Weber | Uptown Press, Inc. |
| Mr. Philip Holmes | Center for Automotive Careers, Vehicles for Change |
| Mr. Melvin Forbes | Wilkerson Sports Enterprise |

CUSTOMER COUNCIL

(Defined in Section 3-528 of the Correctional Services Article)

The Customer Council serves in an advisory capacity on MCE issues concerning products, sales, customer satisfaction, marketing, and performing an annual review of the MCE Catalog and Business Plan.

Customer Council Members

Mr. Stephen M. Shiloh, CEO and Council Chair

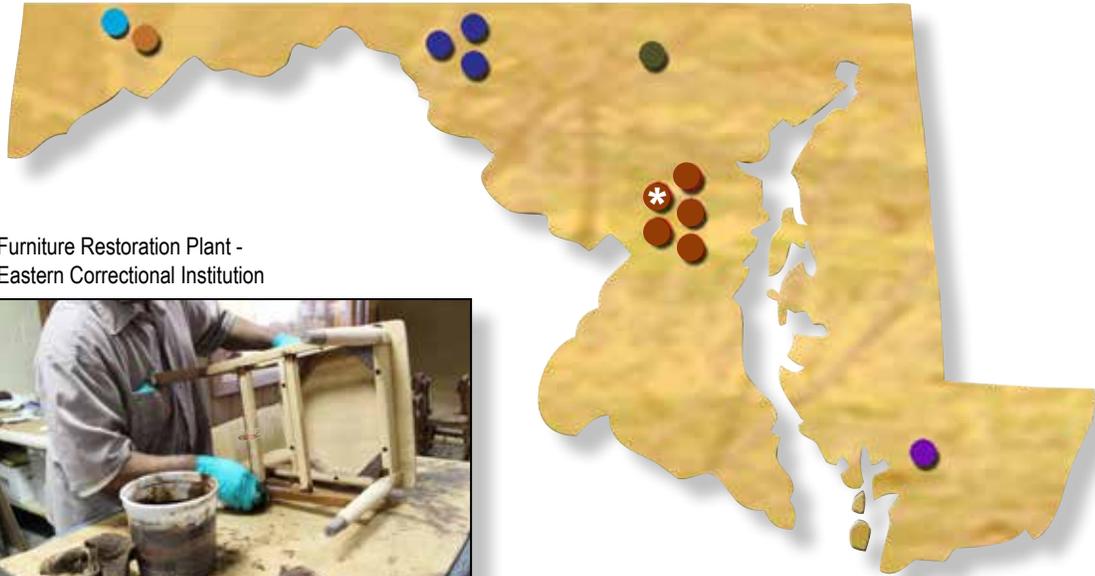
Ms. Ashley Lohr, Staff Assistant

| Name | Affiliation |
|-----------------------------|---|
| Mr. Joe Sommerville | Maryland Correctional Enterprises |
| Mr. Ken Smith | Department of Budget and Management |
| Mr. Carter Ward | Department of Business and Economic Development |
| Ms. Nancy Hevey | Department of General Services |
| Mr. Ranier Harvey, Sr. | Department of Human Resources |
| Mr. Mark Furman | Maryland Department of Transportation |
| Mr. David Beard | Maryland Higher Education Commission |
| Ms. Sandra Filippi | Montgomery College |
| Ms. Lois Whitaker | Morgan State University |
| Ms. Carlietha "Lisa" Benbow | Department of Health and Mental Hygiene |
| Mr. Todd Deak | Maryland Correctional Enterprises |
| Ms. Lida Poole | Maryland Correctional Enterprises |
| Mr. Renard Brooks | Baltimore City Mayor's Office |



FISCAL YEAR 2014

PLANT LOCATIONS



Furniture Restoration Plant -
Eastern Correctional Institution



Picture Frame Plant - Patuxent Institution



DPSCS INSTITUTIONS

North Branch Correctional Institution

Western Correctional Institution

Maryland Correctional Institution Hagerstown

Roxbury Correctional Institution

Maryland Correctional Training Center

Central Maryland Correctional Facility

Jessup Correctional Institution

Maryland Correctional Institution - Jessup

Maryland Correctional Institution - Women

Patuxent Institution

* MCE Headquarters/Central Warehouse

Eastern Correctional Institution

Metal Plant - MCI - Hagerstown



SALES AND INMATES EMPLOYED - FISCAL YEAR 2014

| Business Units | Inmates | Sales |
|--|----------------|-------------------|
| Jessup Correctional Institution | | |
| Wood – office, lounge and dormitory furniture, tables, library shelving | 205 | 4,355,382 |
| Tag – metal motor vehicle license tags, picnic furniture | 67 | 4,047,198 |
| Sew – inmate uniform items, DPSCS officer uniform items | 146 | 3,667,464 |
| Maryland Correctional Institution – Jessup | | |
| Graphics I – complete line of forms, reports, custom printing, magazines and related special products, four color printing | 119 | 1,804,274 |
| Graphics II – envelopes, business cards, name tags, letterhead, etc. | 51 | 1,851,829 |
| Quick Copy Service – digital b/w and color, high speed digital printing, binding, finishing, packaging, shipping, collating, stapling | 36 | 437,142 |
| Maryland Correctional Institution for Women | | |
| Sew/Flag – shirts, gowns, bathrobes, flags, aprons, embroidery, sweatshirts | 138 | 1,473,313 |
| Mailing and Distribution – bulk mailing, distribution service, data entry | 98 | 2,561,608 |
| Design and Planning – office design using CADD system | 14 | 0 |
| Maryland Correctional Institution – Hagerstown | | |
| Metal – shelving, beds, tables, wastebaskets, chairs, benches, lockers, storage, Flexstation office furniture | 89 | 4,311,917 |
| Metal (P.I.E.) – fabrication, painting and assembly of switchgear components | 0 | 33,726 |
| Upholstery – task seating, side chairs, lounge furniture, multi-purpose seating | 90 | 7,523,282 |
| Meat – ground beef, chopped steaks, meat loaf, roasts, chops, ribs, hotdogs, lunch meats, sausage | 83 | 6,228,029 |
| Hagerstown Warehouse – backhaul operations, shipment of products produced in Hagerstown | 31 | 87,504 |
| Roxbury Correctional Institution | | |
| RCI Graphics – file folders, interoffice envelopes, report covers, vinyl binders; production of MVA vehicle registrations and special orders | 136 | 2,001,354 |
| Recycling – recycling of aluminum and steel cans, cardboard, paper, pallets, and plastic | 84 | 242,821 |
| Agriculture – Seasonal-landscape/tree and bay grass planting | 0 | 75,683 |
| Maryland Correctional Training Center | | |
| Partition – work stations, office panels, sight screens, System XXI, PowerWorks | 34 | 2,608,809 |
| Brush & Carton – utility brushes & corrugated cartons, furniture assembly, toner remanufacturing | 23 | 931,174 |
| North Branch Correctional Institution | | |
| NBCI Upholstery– Temporarily Idled | 0 | 52,748 |
| Western Correctional Institution | | |
| WCI Furniture – laminated component parts and various furniture items (Volition, Aristotle & Darwin office furniture) | 35 | 1,039,461 |
| Eastern Correctional Institution | | |
| Furniture Restoration – refinishing/restoration of wood, metal, and upholstered furniture | 132 | 1,202,192 |
| Textiles – towels, washcloths, hats, uniform clothing/shirts, embroidery, sewn and RF Seal mattresses | 120 | 2,153,748 |
| Patuxent Institution | | |
| Sign – street signs, custom made signs to order, vehicle wraps, plaques, picture frames, laser engraving | 59 | 863,858 |
| Laundry Operations – CMCF, MCI-H, WCI, ECI | | |
| Laundry – Industrial cleaning of laundry for institutional and non-profit entities | 258 | 1,171,003 |
| Central Maryland Correctional Facility | | |
| Cleaning Products – All-purpose and germicidal cleaners | 6 | 736,129 |
| Jessup Area | | |
| Central Warehouse – shipment of all products produced at Baltimore metropolitan area prisons, moving, labor, and courier service | 37 | 337,845 |
| Totals | 2,091 | 51,799,493 |

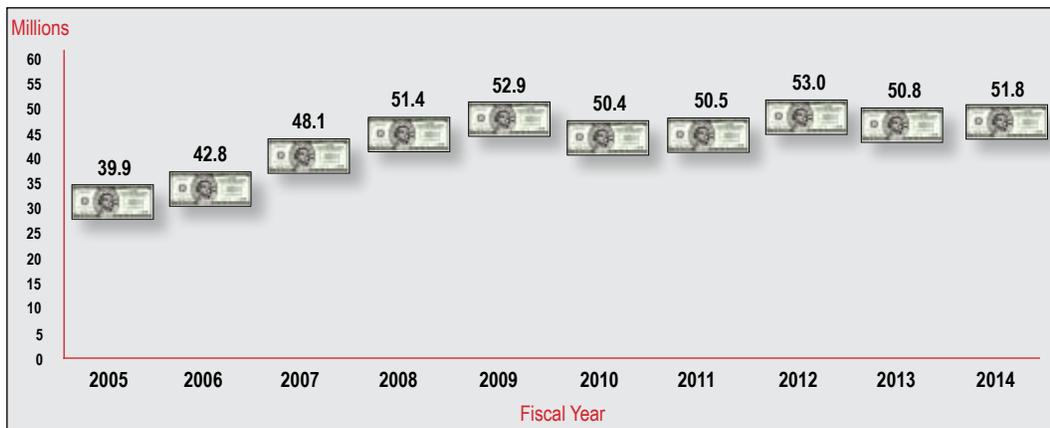
SALES - FISCAL YEAR 2014

Maryland Correctional Enterprises is prohibited by law from selling its products and services on the open market. Sales to State agencies in FY2014 represented 98% of MCE's total sales, with 2% to non-state and not-for-profit agencies.

Maintaining MCE's steady increase of sales over the years continues to be based on a commitment to quality products and services and a keen sense of urgency to satisfy customers.

HISTORICAL GROWTH

Maryland Correctional Enterprises Sales



RANKING IN U.S.

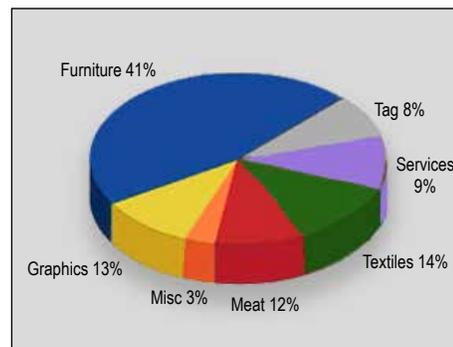
Correctional Industries Sales Ranking for 2013

From Data contained in the 2014 National Correctional Industries Association (NCIA) Directory

| Rank | State | Total Sales |
|----------|-----------------|-------------------|
| 1 | California | \$178,730,050 |
| 2 | North Carolina | 91,135,000 |
| 3 | Texas | 67,736,918 |
| * 4 | Pennsylvania | 67,602,000 |
| 5 | Florida | 64,392,122 |
| * 6 | Colorado | 63,159,981 |
| * 7 | Washington | 60,405,097 |
| 8 | Virginia | 53,601,429 |
| 9 | MARYLAND | 50,819,576 |
| * 10 | Illinois | 50,292,300 |

* Has Canteen/Commissary Operation

FY2014 SALES BY INDUSTRY GROUP



MCE has ranked in the top 10 in sales for the past 9 years

CAPITAL PROJECTS - FY2014

Maryland Correctional Enterprises worked on Capital Project specifications in FY14 that totaled \$15.4 million. \$6.9 million was delivered in FY14. In FY15 an estimated sales value of \$11.0 million for Capital Projects will be delivered.

Total value of Capital Projects Delivered in FY2014: \$6.9 million

- College of Southern Maryland (New Academic Building)
- Bowie State University (Student Union)
- Frederick Community College (Building F, Reno Ph2)
- Anne Arundel Community College (Ludlam Hall)
- Department of Public Safety & Correctional Services (Dorsey Run Correctional Facility)
- University of Maryland, College Park (Science Complex)
- Montgomery College (Science East Building, Reno, Rockville)
- Frostburg State University (Center for Communications and Information Technology)
- Towson University (West and Ward Building)
- Maryland Emergency Management Agency (Command Center)

DESIGN UNIT

As part of the MCE Sales Division, the Design Group is responsible for producing office layouts of the modular furniture line. The Design Group meets with customers to determine requirements and transfers these requirements via AutoCad, into computerized design layouts which are then reviewed and approved by the customer. The Design Unit located at Maryland Correctional Institution for Women trains inmates in space planning, office design, the use of AutoCad, and actually produces office design layouts for customer approval.

Projects developed by the Design Unit of MCE's Sales Division

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| No. of Projects | 670 | 685 | 680 | 587 | 475 | 541 | 607 | 604 | 676 |
| Sales Values (millions) | \$23.9 | \$23.3 | \$25.2 | \$30.3 | \$22.6 | \$25.6 | \$27.8 | \$26.6 | \$30.9 |

NEW PRODUCTS

Maryland Correctional Enterprises introduced the following new products in FY2014:

- Carmel Task Chair
- Delta Task Chair
- Diplomat Task Chair
- Genie Task Chair
- Seatwise Task Chair
- Graham Side Chair
- Strata Side Chair
- Assortment of Acrylic Awards
- Glass Plaque
- Assortment of laser engraved gifts
- Cremation Cases

Laser engraved gifts



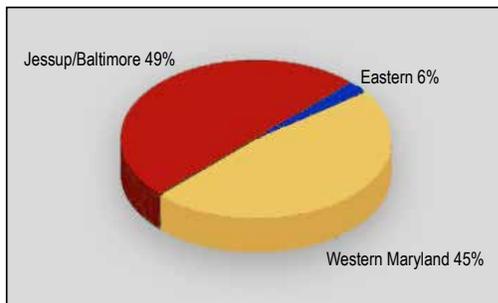
TOP 10 CUSTOMERS FY 2014

| Ranking | Name | Amount | % Sales |
|--------------|---|---------------------|--------------|
| 1 | Department of Public Safety & Correctional Services | \$13,738,145 | 26.5% |
| 2 | University System of Maryland | 12,101,121 | 23.4% |
| 3 | Department of Transportation | 9,588,159 | 18.5% |
| 4 | Department of Health & Mental Hygiene | 3,415,288 | 6.6% |
| 5 | Community Colleges of Maryland | 2,219,667 | 4.3% |
| 6 | Department of Human Resources | 2,051,138 | 4.0% |
| 7 | Department of Juvenile Services | 1,376,661 | 2.7% |
| 8 | Department of Labor, Licensing & Regulation | 849,679 | 1.6% |
| 9 | Comptroller | 663,680 | 1.2% |
| 10 | Department of Natural Resources | 554,305 | 1.1% |
| Total | | \$46,557,843 | 89.9% |

TOP 10 PLANT/SERVICE CENTERS FY 2014

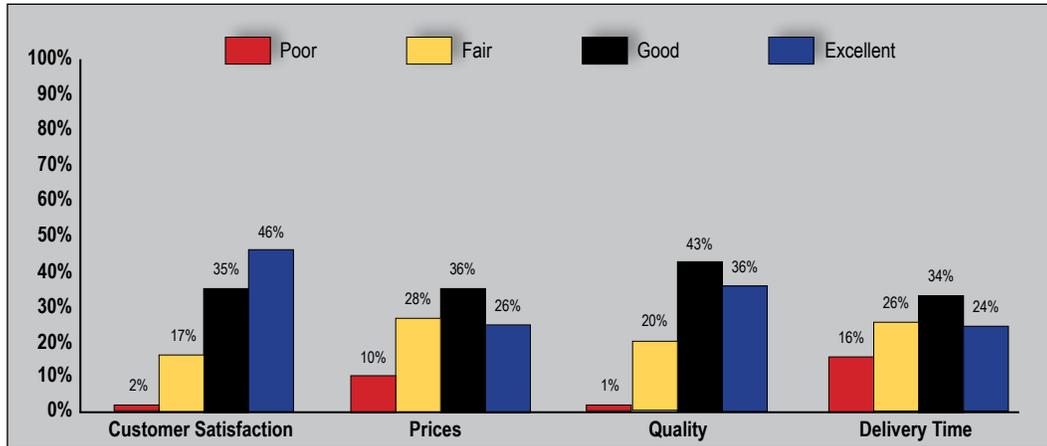
| | Plant/Services | Institution | FY2013 Sales | % Sales |
|--------------|------------------------|-------------|---------------------|-------------|
| 1 | Upholstery | MCI-H | \$7,523,282 | 14.5 |
| 2 | Meat | MCI-H | 6,228,029 | 12.0 |
| 3 | Wood | JCI | 4,355,382 | 8.4 |
| 4 | Metal | MCI-H | 4,311,917 | 8.3 |
| 5 | Tag | JCI | 4,047,198 | 7.8 |
| 6 | Sew | JCI | 3,667,464 | 7.1 |
| 7 | Partition | MCTC | 2,608,809 | 5.0 |
| 8 | Mailing & Distribution | MCI-W | 2,561,608 | 5.0 |
| 9 | Textiles | ECI | 2,153,748 | 4.2 |
| 10 | Graphics | RCI | 2,001,354 | 3.9 |
| Total | | | \$39,458,791 | 76.2 |

FY 2014 SALES BY REGION



CUSTOMER SATISFACTION

Overall Customer Ratings for MCE Products and Services - Fiscal Year 2014



The majority of respondents rated MCE **GOOD** overall in Customer Satisfaction, Prices, Quality and Delivery Time.

Delivery Time Report - Period Ending June 30, 2014

| | 1 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Average Delivery Time | |
|---------------|----------------------|-------------|----------------------|-------------|----------------------|------------|----------------------|------------|-----------------------|-------------|
| | Number of Deliveries | % | Number of Deliveries | % | Number of Deliveries | % | Number of Deliveries | % | Number of Deliveries | Days |
| Totals | 5,596 | 67.9 | 1,507 | 18.3 | 624 | 7.6 | 510 | 6.2 | 8,237 | 31.3 |

“QUICK SHIP”

In response to customer wishes to have a swifter delivery time of certain products, beginning July 1, 2002 MCE initiated a “Quick Ship” program. This program was available to all MCE customers and offered two types of desks, a bookcase, and two choices of chairs. Delivery time is within 15 business days, with a maximum quantity of five for any item. The “Quick Ship” program was placed on eMaryland Marketplace on November 1, 2002.

The program was greatly expanded since January 2005 and currently includes the following items:

- Canton Collection Furniture
- File cabinets
- Bookcases
- Wastebasket
- MD & US Flags
- Flexstation
- Bed Sheets, Pillowcases & Blankets
- Record Storage Boxes & File Folders
- Print on Demand Garment Printing
- Portfolios & Pad Holders
- Harbor Line Furniture
- Task & Side Seating
- Mattresses & Pillows
- Towels & Washcloths
- GP66 Cleaner
- Systems XXI

INMATE EMPLOYMENT AND TRAINING

HISTORICAL GROWTH



Notes:

In August 2006 a Correctional Officer lost his life in the line of duty during a disturbance at the Maryland House of Correction (MHC). This tragedy along with other incidents at the institution led to a “lock-down” situation which negatively affected MCE’s production, revenues, and inmate employment. Incidents and lock-downs continued until the Maryland House of Correction was closed on March 17, 2007. As FY2007 ended, incidents and lock-downs affected the Maryland Correctional Institution – Hagerstown (MCI-H) where only skeleton inmate crews were working.

During FY2011, elimination of PINS via budget cuts and MCE’s forced participation in the VSP negatively affected inmate employment.

In FY2014, MCE provided over 2.9 million hours of inmate employment/training and touched the lives of 3,132 inmates.

RANKING IN U.S.

Correctional Industries Inmate Employment Rank for 2013

From Data contained in the 2014 National Correctional Industries Association (NCIA) Directory

Maryland ranks 19th in correctional population and 19th in state population.

MCE has ranked in the top 10 in inmate employment since 2008 and has increased inmate employment over 50% since 2004.

| Rank | State | Inmates Employed |
|----------|-----------------|------------------|
| 1 | Texas | 4,972 |
| 2 | California | 4,437 |
| 3 | Florida | 2,435 |
| 4 | Arizona | 2,302 |
| 5 | North Carolina | 2,142 |
| 6 | MARYLAND | 2,038 |
| 7 | New York | 1,988 |
| 8 | Indiana | 1,834 |
| 9 | Colorado | 1,647 |
| 10 | Ohio | 1,531 |

MCE’S LEARNING FOR LIFE

MCE’s “Learning for Life” core principles focus on performance based job skill training and educational programs structured for our inmate workers. A large part of our mission is to teach strong work ethics, increased responsibility and self esteem to create positive personal change. Our programs produce significantly lower recidivism rates, which ultimately contributes to more productive citizens and safer communities. MCE strives to provide our 31 business units with industry standard production equipment and an environment that closely mirrors society’s workforce. Among these business units is MCE’s Design Plant, located at Maryland Correctional Institution for Women (MCI-W). The Design Plant started in January 2001. This business unit offers design services to meet architectural needs for both general and capital projects. Some of the plant’s satisfied customers include Maryland state universities, community colleges, Maryland State Police and Department of Health and Mental Hygiene. The Plant utilizes and provides training on industry standard

computer software such as AutoCAD, a drafting program that enables users to create precise 2 and 3 dimensional drawings used in construction and manufacturing. The plant also provides training on scanning and duplicating files, converting blue prints to electronic files and converting electronic files to blue prints, organizational skills, computer skills, customer service, billing, analytical thinking and teamwork.

MCE's Meat Plant provides inmates with valuable meat cutting training and experience that helps them prepare for employment in the Meat industry upon release. Located at Maryland Correctional Institution - Hagerstown, the Meat Plant is led by Thomas Rice. Throughout the years, many inmates have received training through a Meat Apprenticeship program certified by Hagerstown Community College and facilitated by MCE personnel. Several of the men who have gone through the program have obtained employment as Meat Cutters at local supermarkets throughout the state. Some workers have also found warehouse employment in the shipping and packing departments, which are major parts of the Meat Plant's operation.

Our inmate workforce allows MCE to maintain a self-supporting status and to increase the number of offenders we can employ while instilling transferable job skills, positive work ethics and a sense of accomplishment. On a daily basis we continue to build positive pathways with job skills training and our evolving line of quality goods and services to make MCE's Learning for Life core principles a reality. At MCE we offer more than just products and services - we offer a changed life, a positive economic impact and a better future.

PRISON INDUSTRY ENHANCEMENT (PIE) PROGRAM

Prison Industry Enhancement allows Maryland Correctional Enterprises to enter into partnerships and be a sub-contractor to private industry by producing goods and/or services using inmate labor. Inmates under the PIE program must be paid the prevailing wage and no less than the Federal Minimum Wage. Deductions are allowed from the inmates' wages for taxes, room and board, family support and contributions to a victims' compensation program, (the DPSCS Criminal Injuries Compensation Board). Benefits to the private sector include a stable and motivated work force, reduced overhead, production availability, an alternative to "off-shore" operations, and a label affixed to the product which can state "Made in the USA".

Effective August 28, 1992, Maryland Correctional Enterprises was granted "provisional" certification from the Bureau of Justice Assistance for the Prison Industry Enhancement (PIE) Program. Upon successful completion of the final piece of necessary legislation (HB 583 was signed into law on May 1, 1994), Maryland Correctional Enterprises was granted full certification on March 2, 1995 by the Bureau of Justice Assistance.

On September 18, 2012, the National Correctional Industries Association conducted a site review of MCE's PIE program. In a letter dated January 15, 2013, the Bureau of Justice Assistance stated that MCE's certified PIE project is in total compliance with all PIECP requirements.

RECIDIVISM

In FY2009, DPSCS began work on the new Offender Case Management System (OCMS) and has been unable to provide recidivism data for MCE since FY2007. Therefore, until the Offender Case Management System (OCMS) produces recidivism data, DPSCS recommends utilization and reference to MCE's historical and consistent recidivism rates. Over a 15 year study period MCE recidivism rates are 7.6% in the first year, 15.7% in the second year, and 22.0% in the third year

The following has been excerpted from the RISC (Repeat Incarceration Supervision Cycle) Report issued in August 2012:

"A recidivism component is planned as an integral program in OCMS. Because the new recidivism program will conform to counting rules for release cohorts and returns established by the Association of State Correctional Authorities (ASCA) for its Performance-Based Measures System (PBMS), it can be expected that future recidivism outcomes will not be directly comparable to the RISC outcomes. Given the long-term nature of recidivism measurements, it will be several years until OCMS will be capable of producing three-year recidivism data similar to that produced by RISC. But at that time, given the advantages provided by a state-of-the-art system, it is expected that the new recidivism program will provide more accurate, specific, and relevant recidivism data than has been possible with the nearly 30-year-old RISC program."

The Offender Case Management System (OCMS) became operational on July 1, 2014. It is MCE's understanding that the recidivism component is being worked on and may be operational in 2015.

Note: In addition to Maryland, only eight other states in the U.S. track correctional industry recidivism rates.

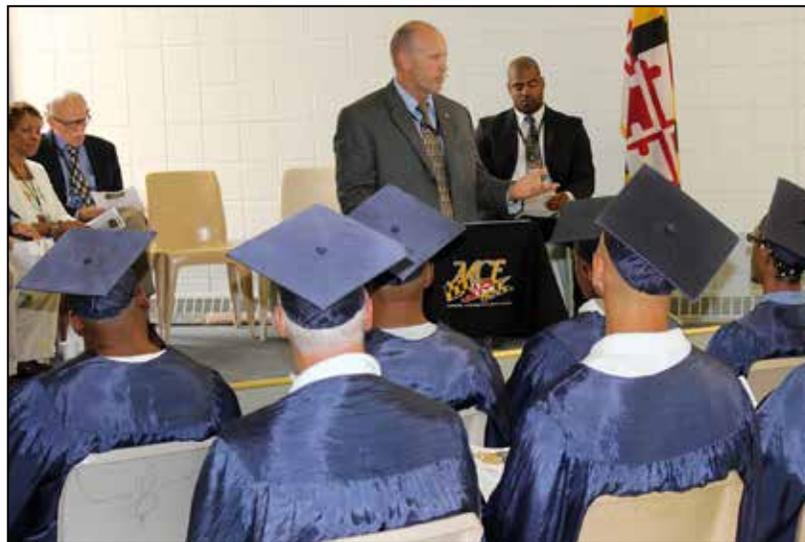
RE-ENTRY & EMPLOYMENT OF EX-OFFENDERS

Maryland Correctional Enterprises (MCE) has taken the lead in offender re-entry by not only providing a six month re-entry course – Continuing Allocation of Re-Entry Services (CARES), but also by hiring ex-offenders who have the skills and work habits needed by MCE to be a successful employee and productive citizen.



Currently, eleven ex-offenders are employed in a variety of positions at MCE Headquarters and Central Warehouse. Given the limited size of the MCE Headquarters' workforce (60 employees) and the specific skills required for many positions, this level of ex-offender employment reflects a strong commitment in providing opportunity to deserving individuals.

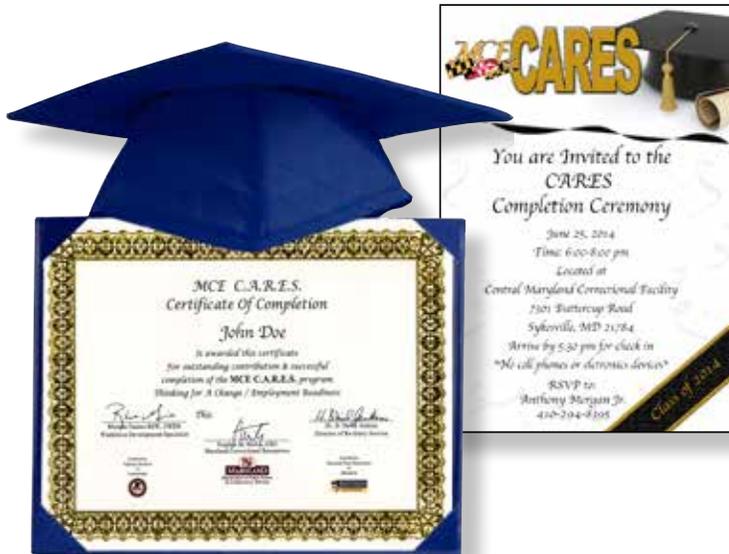
MCE Chief Executive Officer Stephen Shiloh summarizes the MCE experience of including qualified ex-offenders in the MCE workforce, stating, **“One of many goals in correctional enterprises is to give these men and women a brighter future and more positive options in life, i.e. – to make a difference.** When you can see the proof standing right in front of you, it is very rewarding. Everything that we as an organization have worked towards, everything that they as an individual have worked for has led to our mutual success – and the accomplishment of one of our most important goals.”



Joe Sommerville, MCE Chief Operating Officer, speaking to CARES graduates.

Nothing is
“Impossible”
The word itself says
“I’m possible”

CARES (Continuing Allocation of Re-Entry Services)



CARES GRADUATES

| <u>Calendar Year</u> | <u>Graduates</u> |
|----------------------|------------------|
| 2009 | 79 |
| 2010 | 61 |
| 2011 | 56 |
| 2012 | 30 |
| 2013 | 39 |
| 2014 | 12 |
| Total | 277 |

During FY2009, MCE implemented CARES (Continuing Allocation of Re-Entry Services) to provide additional assistance to inmate workers transitioning into civilian employment upon release. Flyers and other promotional literature were developed to increase awareness of the program with inmate workers and staff. MCE inmate workers nearing release who had worked for MCE for at least one year were identified and presented the opportunity to participate in CARES at the Central Maryland Correctional Facility to work in the MCE Laundry and participate in the 6-month MCE CARES program.

During FY2014, introductions were made to case management staff at several correctional facilities to make them aware of the CARES reentry program and the contribution MCE training CARES can make to a successful transition of offenders to Maryland communities.

CARES is staffed by part-time employees. The program is coordinated by the Director of Re-Entry Services. The main focus of the Director during FY2014 was to evaluate current program processes in order to see if recruitment practices and re-entry commitments could be improved in an effort to increase the overall value of the program to participants. Experienced trainers delivered two main components of CARES which include Thinking For a Change and the Employment Readiness Workshop (ERW). The ERW trainer's role was expanded to that of a job developer during downtimes from instructing the class. This is an effort to increase visibility of MCE's impact in re-entry in the surrounding communities as well as to partner with CARES participants to help secure employment.

The CARES program has quantifiable outcome measures including recidivism. Specifically, the CARES program seeks to reduce the level of recidivism of CARES participants by 20% when compared to the recidivism rate of MCE release population.

As of June 30, 2013, 148 additional graduates have been released since the last CARES recidivism survey. The cumulative chart below represents the most recent recidivism data for CARES participants.

| | <u>First Year</u> | <u>Second Year</u> | <u>Third Year</u> |
|---------------------|-------------------|--------------------|-------------------|
| Released | 20 | 86 | 148 |
| Return (N) and Rate | (2) 10% | (9) 10% | (19) 13% |

In Maryland, recidivism is defined as the return to the DPSCS as a result of a new conviction or a violation of the conditions of parole or mandatory release.

GREEN INITIATIVES

ENVIRONMENTALLY PREFERRED PURCHASING (EPP)

All State Agencies have been tasked with reporting the use of recycled content in purchases



EPP is documented in the Maryland Green Purchasing Guidelines developed to meet the Green Maryland Act of 2010 enacted in the Annotated Code of Maryland Chapter 593 (Senate Bill 693).

We want to help our customers make both purchasing and reporting easier. Almost all of our products have EPP qualities and are manufactured with recycled materials wherever possible. MCE is continually striving to reduce our negative impact to the environment with new and innovative practices and procedures.

To help identify these Environmentally Preferred Products visit our website at:

www.mce.md.gov/Environment/Buy Green Purchasing.

ENVIRONMENTALLY PREFERRED PRODUCTS

Improving Quality of Life With Products You Can Trust



MCE has a large assortment of environmentally-friendly, high quality products and services. MCE has strategically partnered with suppliers who support our vision by contributing their experience and knowledge. Incorporating sustainable fabrics and design elements which utilize recycled and recyclable materials, ergonomic benefits and superior service life, enables us to keep striving towards reducing our carbon footprint.

We help our customers to meet industry recognized certifications such as LEED (Leadership in Energy and Environmental Design) and SCS (Scientific Certification Systems), as well as comply with EPP (Environmentally Preferred Product), FSC (Forest Stewardship Council), SFI (Sustainable Forest Initiative), Green Seal and other sustainability programs.

Remanufactured Toners



Our premium black laser toner cartridges use top quality components and have been carefully engineered and tested using the latest technology and process to perform equal to or exceed OEM standards. MCE can provide the most popular brands of toner cartridges with significant cost savings and is backed by our 100% customer satisfaction guarantee.

LED Task Lights



Low profile task lights are low on energy consumption and big on features:

- Long lifecycle - 50,000 hours
- Uses 40 - 75% less energy than comparable T5 fluorescent fixture
- High recycled material content
- Easy to recycle at end of use
- Made in the USA

Cleaning Products



MCE offers a complete line of CorrectPac® cleaning products. These concentrated, pre-measured products minimize the adverse effects of chemicals on the environment. The sustainability of these products helps to protect the planet which leads to prosperous communities and strong economies. Visit the MCE website for available products.

Improving Indoor Air Quality

MCE offers a variety of superior green products including seating, systems furniture, tables, and accessories that eliminate off-gassing and reduction of hazardous toxic materials.

Indoor Air Quality Certified to SCS

Conforms to the ANSI/BIFMA Furniture Emissions Standard. Indoor Air Quality Certified to SCS-EC10.2-2007.

As a recognized member of the
SCS Global Services Indoor Air Quality Certification Program,
these products offer a more responsible choice for a healthier environment, which will increase
productivity by creating clean indoor air.

To obtain printable product certificate visit www.scsglobalservices.com.



| Seating | | Systems Furniture | Tables | Accessories |
|-------------|----------------|-------------------|---------|------------------|
| Alta | Severn | Flexstation | Venue | Power-up |
| Dorsal | Bel Air | Amberg | Barron | Venus Overhead |
| Engage | Bel Air Jr. | Powerworks | Portico | Series XXI Files |
| New Windsor | Dakota | Systems XXI | Novel | Tablet Arm |
| Pilot | Engage Stool | Volition | | |
| Preston | Rockville Cafe | Genesis | | |
| Rockville | Severn Cafe | | | |
| Sapphire | | | | |

Fresh Air Facts

MCE is committed to interconnect with our community and the environment to offer more responsible choices to our customers. By providing a variety of green products, we strive to make a healthier environment, which will increase productivity by creating clean indoor air.

Environmental Sustainability

Our goal is to raise awareness and educate consumers on the sustainability of utilizing our quality certified products, which ensure a healthy and environmentally friendly place to work and live.

MCE has also developed several programs focused on improving the world around us, including:

- Recycling services (over 1,040 tons of paper, plastic, steel, and aluminum in FY2014).
- Planting bay grasses to prevent erosion on the Chesapeake Bay shorelines.
- Building oyster cages to benefit the filtration process to maintain the cleanliness of the Chesapeake Bay and its tributaries.
- Planting trees for the reforestation of disturbed land.
- Offering "Green" or recycled fabrics.

COMMUNITY OUTREACH/MEDIA RECOGNITION

COMMUNITY OUTREACH

We are committed to creating positive social change through community outreach and stewardship. Volunteering reinforces the moral values MCE aims to instill in its inmate employees. We have participated in many volunteer programs, including:

- Preparing hundreds of turkeys annually for the Bea Gaddy Thanksgiving dinner in Baltimore
- Donating food and apparel to the Special Olympics
- Manufacturing tote bags for the House of Ruth in honor of National Crime Victims' Rights Week
- Participating in tree planting programs to restore the Antietam National Battlefield
- Donating laundry services annually for various "Bras for a Cause" events
- Manufacturing clothing donation boxes for the Children In Need charity

MCE Manufactures Emergency Tote Bags In Honor of National Crime Victims Rights' Week

As part of its volunteer initiatives, MCE recently worked with the Lifer's Conference to produce 150 emergency tote bags for the House of Ruth. These tote bags, created from spare fabric from MCE's Upholstery Plant #122 at Maryland Correctional Institution in Hagerstown, were filled with toiletries, cosmetics, washcloths, towels and other donated items from inmates and DPSCS staff. The bags were donated to the House of Ruth in honor of National Crime Victims Rights' Week, which was held April 6-12. The Lifer's Conference/Victims Rights Awareness Forum was held at MCI-H on April 6th.



All 150 tote bags were produced by MCE's inmate workforce. Many of the inmate employees enjoy volunteering with the Lifer's Conference. Community outreach and stewardship helps support the MCE mission of teaching strong work ethics, increased responsibility and self-esteem. By giving back to the community and serving others, inmates develop a sense of atonement, pride and self-worth.



MCE is committed to creating positive social change through community outreach and stewardship. Volunteering reinforces the moral values MCE aims to instill in its inmate employees. Manufacturing emergency tote bags for the House of Ruth provided a great service to the local community. MCE looks forward to volunteering its time and resources in the future.

Maryland Correctional Enterprises Receives International Attention

By Renata Seergae



It's not unusual for MCE shops to receive an occasional tour from outside visitors, including members of the media. In fact, it's a regular occurrence in the fall as the Meat Plant gets ready to process turkeys for the Bea Gaddy Thanksgiving Dinner. In 2013, MCE received an even bigger spotlight- some international attention- as the subject of a two part series by **Voice of America (VOA)**.

VOA is funded by the United States Federal Government and provides a wide range of programming for radio, TV, and internet. It is broadcast outside of the U.S. to various countries across the world and is produced in 43 different languages. The organization produces about 1,500 hours of news and feature programming each week for an estimated global audience of 123 million people. The goal of VOA is *"to promote freedom and democracy and to enhance understanding through multimedia communication of accurate, objective, and balanced news, information and other programming about America and the world to audiences overseas."*



A crew of three spent the better part of a day touring the shops at Maryland Correctional Institution at Hagerstown, getting a feel for MCE's mission and goal to provide work skills and work ethics to thousands of offenders every year. Wei Hu, reporter and producer for VOA, said she wanted to showcase MCE and the importance of active work programs, especially considering MCE is one of the most successful in the United States. Hu said, "It's really a program to educate others. There will be nothing controversial in these pieces. It's all about education."

The crew interviewed MCE Plant Managers, inmate workforce, and institution staff at MCI-H. In addition to touring the Meat, Metal, and Upholstery Plants, VOA visited inmate living quarters, the chow hall, and recreation areas to see where offenders spend their time when they are not working.

Work programs in the United States are of specific interest to international audiences because in many countries inmates have no rights, including the chance to receive an education or earn a living.



MEDIA RECOGNITION



“Behind Bars and Gaining New Skills Before Thanksgiving”

Your 4 State *November 7, 2013* *By Kristin Garriss*

“Inmates Help Give the Homeless Thanksgiving Dinner”

Your 4 State *November 19, 2013* *By Caitlin Francis*

“Maryland Correctional Enterprises Works to Keep Inmates from Returning to Jail”

WMAR-TV *December 6, 2013* *By Katrina Bush*

“Maryland Correctional Enterprises Helps Provide Thanksgiving Dinner to Local Homeless”

National Correctional Industry News *Spring 2014* *By Julian Curtis*

“Maryland Inmates Sew Flags for the State”

ABC2 News *June 13, 2014* *By Nick DiMarco*

AWARDS

ACA Reaccreditation

2012-2015

ACA Accreditation

2009-2012

LEED Silver Certification

for MCE Upholstery Plant at North Branch C. I. – November 2012

“Award of Excellence”

2011 Maryland Quality Institute

“Green-Guard” Certification

December 18, 2008

“Recognition for 30 Years of Support”

Association of School Business Officials, Maryland/D.C.

“Continued Support and Commitment to Maryland Special Olympics”

2003

“Governor’s Quality Achievement Award”

November 26, 2002

A LOOK BACK

Prison industry programs in Maryland have been authorized since at least 1916, and in the United States since the 19th century. Poor prison work conditions, inmate exploitation, and the advent of the Depression caused Congress to enact legislation making the transport of prisoner-made goods in interstate commerce a Federal criminal offense and prohibiting the use of prison labor to fulfill federal contracts in excess of \$10,000. "State Use Laws" were passed which required units of state governments to purchase products made by prison industries programs. In Maryland, this culminated in 1941 in the creation of State Use Industries (SUI) as a unit within the Maryland Division of Correction.

In the late 1970's prison populations began growing rapidly and several riots occurred throughout the country, including the disastrous 1978 Pontiac, Illinois prison riot, which led directly to Senator Charles Percy (R-Ill.) to draft the Prison Industry Enhancement (PIE) Act (Section 827 of the Justice System Improvement Act of 1979), enacted on December 27, 1979. This legislation and rising prison populations led to a gradual resurgence of correctional industries to supply items such as: clothing, beds, mattresses, etc.

Maryland State Use Industries (SUI) experienced extreme financial difficulties that constantly plagued the program into the 1980's. In fact, SUI had to borrow \$2.0 million From the State (FY1983 Operating Loan). In an effort to reverse this trend, the General Assembly enacted the State Use Industries Act in Fiscal Year 1982. Increased sales and the amelioration of the stigma associated with inmate-made goods were established as major goals by SUI. The entire line of products was completely revamped, with emphasis on production, marketing and customer service. The \$2.0 million loan from the State was paid back to the State in FY1989 and FY1990. As sales increased, SUI became self-supporting. Increased sales also permitted an expansion of SUI. Thus, the modern era of State Use Industries began in 1982 with the creation of the State Use Industries Act, Article 27, 680-681K of the Annotated Code of Maryland. In FY2000, the State Use Industries Act was rewritten as the Correctional Services Article (Sections 3-501 through 3-528).

In 2005, Senate Bill No. 136, was approved by the General Assembly changing the name of "State Use Industries" to "Maryland Correctional Enterprises" (MCE) effective October 1, 2005. The name change was necessary in order to convey the message that MCE is a business entity and is allowed to serve non-profit organizations and political sub-divisions of the State in addition to units of State government.



A LOOK AHEAD



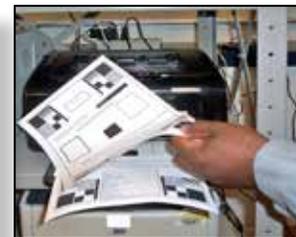
Maryland Correctional Enterprises growth in sales and inmate employment has been due to expansion, the introduction of new products and services, the upgrading of furniture lines, improved quality control, improved customer service, MCE website, development of catalogs, and expanded customer base to include county governments and schools.



EXPANSION PROJECTS - FY 2014

1. An Enterprise Resource Program (ERP) is being written. Once the RFP has been advertised and awarded, the process will then involve the purchase, installation, training and use of the new system.

2. The new Toner Re-manufacturing operation at the MCTC Brush and Carton Plant began on September 4, 2012 and currently has one clerk and three inmates producing and stocking toners. In addition, the warehouse at MCI-H has inmate workers assigned to stocking, picking, and packing toners for orders and delivery.



3. Modifications to the existing MCE Building at MCI-W were necessary due to the expansion of the Motor Vehicle Administration (MVA) "Perpetual Inventory Control System" ("PICS") Project, which aims to track MVA issued license plates from their creation through their retirement. The program for "MCI-W Building Revisions" began on October 24, 2012. A walk-thru of the building was held on December 13, 2012, the drawings and program were revised to reflect these changes, and were approved by the CEO on January 17, 2013. A Pre-Bid Conference was conducted at MCI-W on April 18, 2013. Five bids were received by May 2, 2013. J.B. Contracting was awarded the bid on May 2, 2013. A Pre-Construction Meeting was held on May 21, 2013 at MCI-W. On June 17, 2013, the contractor began work. Renovations were completed as of November 20, 2013. The six month Warranty Inspection occurred on April 2, 2014.
4. MCE expressed interest in the Department of General Services (DGS) vacant 60,000 sq. ft. State Surplus Warehouse. A letter of intent to acquire the warehouse was submitted by MCE to DGS on June 4, 2013. Approval was granted by the BPW on July 24, 2013. Deed was received and submitted to the Anne Arundel County Courthouse on September 13, 2013. Keys were turned over to MCE on September 26, 2013. The official deed to the building and property was received at MCE on October 10, 2013. Program for the renovations to the building was completed and submitted to the Division of Capital Construction on February 11, 2014. Site visit by Division of Capital Construction occurred on February 27, 2014.

The facility will undergo major renovations which will result in a MCE Warehouse, Showroom, office space, and a Conference Center. In preparation for drafting a Request for Proposal (RFP), personnel from the Division of Capital Construction (DCC) met with MCE on May 20, 2014. A "Demolition Floor Plan" and a "New Work Floor Plan" were presented by the DCC from information contained in the MCE program. Several revisions will be made prior to the RFP being finalized and MCE was requested to have asbestos and lead paint testing performed. Toward this end, MCE contracted "Jenkins Environmental, Inc." to perform both asbestos and lead paint testing in early July. On June 4th, two MCE signs and two address signs were installed at 8037 Brock Bridge Road.

SUMMARY OF MCE EXPANSION PROJECTS PLANNED FOR FY 2015 - FY 2024

1. MCE Furniture Restoration Plant Expansion at Eastern Correctional Institution. Construction Start FY 2018.

The program for a 2,500 sq. ft. addition to the MCE Furniture Restoration Plant at the Eastern Correctional Institution was completed and forwarded to the Division of Capital Construction on November 8, 2011. The pre-engineered metal building will be 2,500 sq. ft. and will allow the employment of 25 additional inmates. This new section of the building will allow for a dust-free drying area and will eliminate the "temporary" area enclosed by vinyl curtains. This will be a design/build project.

2. New 21,000 sq. ft. MCE Graphics/Textile Plant at Jessup Correctional Institution (180 inmate positions). Construction Start FY 2018.

Design Funding is anticipated in FY 2017 for a 21,000 sq. ft. pre-engineered metal building to house a Graphics Plant and a Textile Plant. A revised program was submitted to the Division of Capital Construction on October 24, 2013. The revised program reflects the transfer of the existing Sew Plant at JCI (which is currently housed in an old warehouse without temperature / humidity control) and the transfer of the Graphics Envelope operation from MCI-J.

3. New MCE Distribution Center at Eastern Correctional Institution (15 inmate positions). Construction Start FY 2019.

In order to decrease multiple handlings of items and to provide a dry, secure area to store manufactured goods, a program for a MCE Distribution Center at Eastern Correctional Institution (ECI) was prepared. This program is for a 10,000 sq. ft. pre-engineered metal MCE Warehouse building and a 20,000 sq. ft. area for truck turn-around and trailer/truck parking, to be located outside the fence at ECI. The program was completed and submitted to the Division of Capital Construction on January 31, 2012.

4. Convert Former Dormitory Spaces to Shops at Jessup Pre-Release Unit. Construction Start FY 2023.

The existing dormitory housing spaces will be converted to shop spaces for MCE. This will provide additional vocational skills training space for inmates in the Jessup region.

5. New MCE Systems Furniture/Textile at the Maryland Correctional Training Center. Construction Start FY 2024.

New 40,000 sq. ft., two-story, Systems Furniture/Textile Plant at the Maryland Correctional Training Center. The program was submitted to the Division of Capital Construction on May 6, 2005. This new building will house a Systems Furniture plant producing those items currently being made in the MCTC Partition Plant, specifically "Power Works" and "Systems 21" furniture. Not only will a larger facility allow for the storage of raw materials and for the complete production of the new system furniture lines, but will also allow for the storage of finished product and eliminate the transporting of sub-assemblies between plants. The second floor will have a 20,000 square foot Textile operation. The entire operation will employ 120 MCTC inmates.

A new MCE Business Unit will be established in the existing Partition Plant (20 inmate positions)

6. New MCE Meat Processing Plant at Maryland Correctional Training Center (80-120 inmate positions). Construction Start FY 2024.

New 25,000 sq. ft. Meat Processing Plant at the Maryland Correctional Training Center. The program was submitted to the Division of Capital Construction on June 15, 2007. Due to increasing demand and the introduction of new meat products, the existing Meat Plant lacks sufficient space and equipment to increase or maintain current production. The production area is overcrowded, more smokehouses are required, and additional freezer space is necessary. The space parameters dictated when the facility was constructed in 1992 and the proximity to MCI-H roads and perimeter fence prevent any internal or external expansion. Therefore, a new MCE Meat Processing Plant with sufficient space for production, and with sufficient smokehouses and freezer capabilities will solve this problem. The facility will employ 80-120 inmates.

The existing Meat Plant will be utilized to begin a new product line of processed fish items.

FINANCIAL

ECONOMIC IMPACT

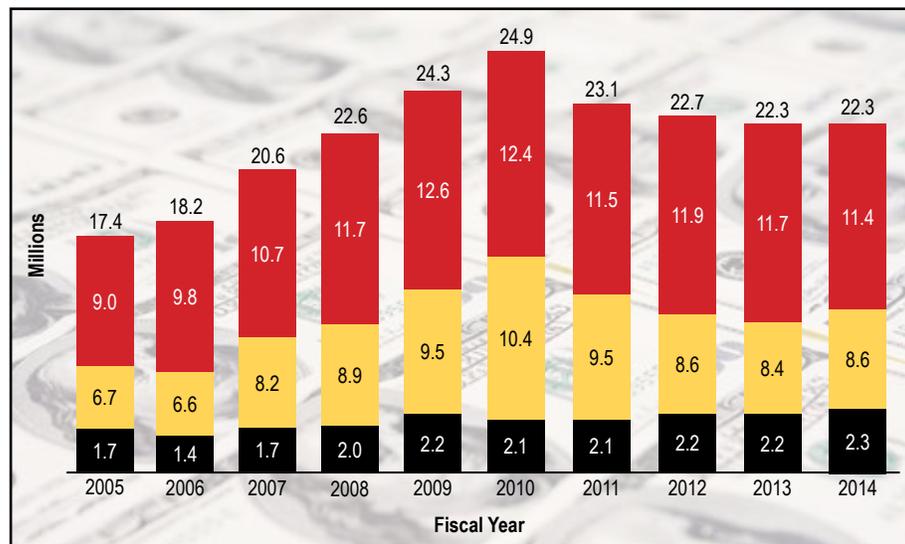
On September 12, 2012, MCE met with Dr. Charles Scott and Dr. Frederick Derrick, professors of economics at Loyola, to discuss the theory and methodology of MCE's Economic Impact on the State's economy. It was agreed by the professors that the positive economic impact that MCE has on the State of Maryland is significant. An Economic Impact Study in late September further analyzed the methodology, and provided consistent results in the determination of Total Impact.

"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".

Total Economic Impact (Direct and Indirect) for FY 2014 that MCE had on the State of Maryland was \$90 million

| AREA | GOOD AND SERVICES | EMPLOYEE PAYROLL | INMATE PAYROLL | ECONOMIC CONTRIBUTION |
|------------------------|---------------------|---------------------|--------------------|-----------------------|
| Annapolis | 348 | 0 | 0 | 348 |
| Baltimore City | 2,550,232 | 3,363,647 | 0 | 5,913,879 |
| Baltimore County | 121,049 | 628,352 | 0 | 749,401 |
| Eastern Shore | 370,458 | 1,045,027 | 234,607 | 1,650,092 |
| Hagerstown | 201,313 | 3,426,452 | 768,398 | 4,396,163 |
| Jessup | 2,609,191 | 1,855,345 | 1,271,449 | 5,735,985 |
| Montgomery County | 90,930 | 0 | 0 | 90,930 |
| Northeast Maryland | 2,324,327 | 485,105 | 0 | 2,809,432 |
| Prince George's County | 370,491 | 267,458 | 0 | 637,949 |
| Southern Maryland | 100 | 65,656 | 1,864 | 67,620 |
| Western Maryland | 85 | 216,508 | 41,652 | 258,245 |
| Maryland Total | \$8,638,524 | 11,352,550 | \$2,317,970 | 22,309,044 |
| Out of State Total | \$25,906,899 | 1,203,450 | 0 | 27,110,349 |
| Grand Total | \$34,545,423 | \$12,556,000 | \$2,317,970 | \$49,419,393 |

Economic Impact



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

OPERATING COST

This section provides operating cost for FY2014.

| | <u>Operating Cost</u> |
|--|-----------------------|
| .01 General Administration (Q00A0301) | \$50,765,189 |
| .02 Custodial Care | N/A |
| .03 Dietary Services | N/A |
| .04 Plant Operation and Maintenance | N/A |
| .05 Clinical and Hospital Service | N/A |
| .06 Classification, Recreation and Religious Service | N/A |
| Daily Per Capital Cost | N/A |
| Annual Per Capital Cost | N/A |
| Rated Capacity | N/A |
| Operating Capacity | N/A |
| Average Daily Population | N/A |
| Inmate to Staff Ratio | N/A |
| Inmate to Custody Staff Ratio | N/A |

CONCLUSION

Maryland Correctional Enterprises (MCE), the prison industry arm of the Maryland Department of Public Safety and Correctional Services (DPSCS), provides an environment for the operation of correctional industries that resembles the environment for the business operations of a private corporate entity as closely as possible. Inmates are taught job skills and are provided with constructive employment, which lead to the development of both technical and social skills, and improve the employability of the inmate upon release. The training and employment with MCE has resulted in recidivism rates which are half of the DPSCS rate. Furthermore, the training and employment of inmates reduces idleness, which is a leading cause of violence and disruptions in prisons. Even the prospect of obtaining employment with Maryland Correctional Enterprises serves as a deterrent to disruptive behavior in the prisons as the eligibility requirements for inmates are to be infraction free for the last three months and to possess a high school diploma or G.E.D. Maryland Correctional Enterprises has increased sales and inmate employment. This has been due to expansion, the introduction of new products and services, the upgrading of furniture lines, improved quality control, and improved customer service.



FINANCIAL STATEMENTS

MARYLAND CORRECTIONAL ENTERPRISES

Statements of Net Assets

As of June 30, 2013 and 2014 (unaudited)

| | 2013 | 2014 (unaudited) |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$15,140,730 | \$14,173,737 |
| Accounts Receivable | 4,788,588 | 5,383,570 |
| Inventories | 10,463,089 | 10,259,224 |
| Other Assets | 155,066 | 72,281 |
| Total Current Assets | <u>30,547,473</u> | <u>29,888,812</u> |
| Current Assets, Net of Accumulated Depreciation: | | |
| Equipment | 4,464,072 | 4,138,878 |
| Structures and Improvements | 2,353,000 | 2,905,495 |
| Infrastructure | 27,959 | 21,422 |
| Total Capital Assets, Net | <u>6,845,031</u> | <u>7,065,795</u> |
| Total Assets | <u><u>37,392,504</u></u> | <u><u>36,954,607</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Current Liabilities | | |
| Accounts Payable and Accrued Liabilities | 1,986,448 | 1,968,892 |
| Accrued Vacation and Workers Compensation Costs | 869,752 | 1,083,462 |
| Deferred Revenue | 1,211,158 | 868,327 |
| Total Current Liabilities | <u>4,067,358</u> | <u>3,920,681</u> |
| Non current Liabilities: | | |
| Accrued Vacation and Workers Compensation Costs | 549,254 | 276,315 |
| Total Liabilities | <u>4,616,612</u> | <u>4,196,996</u> |
| Net Assets: | | |
| Invested in Capital Assets | 6,845,031 | 7,065,795 |
| Unrestricted | 25,930,861 | 25,018,440 |
| Total Net Assets | <u><u>\$32,775,892</u></u> | <u><u>\$32,084,235</u></u> |

MARYLAND CORRECTIONAL ENTERPRISES

Statements Revenue, Expenses, and Change in Net Assets

For the Years Ended June 30, 2013 and 2014 (unaudited)

| | 2013 | 2014 (unaudited) |
|---|---------------------|---------------------|
| Operating Revenue: | | |
| Sales and Services | \$50,822,528 | \$51,799,493 |
| Operating Revenue: | | |
| Cost of Sales and Services | 41,700,716 | 41,356,888 |
| Selling, General, and Administrative Expenses | 6,345,052 | 5,933,095 |
| Other Selling, General, and Administrative Expenses | 1,911,409 | 2,461,089 |
| Depreciation | 1,480,383 | 927,625 |
| Total Operating Expenses | 51,437,560 | 50,678,697 |
| Operating Income | (615,032) | 1,120,796 |
| Nonoperating Revenue and Expenses: | | |
| Transfer to U.S. Department of Health & Human Services | | |
| Miscellaneous Income | 539 | 103 |
| Loss on Disposal of Assets | (27,722) | (12,556) |
| Nonoperating Expenses, Net | (27,183) | (12,453) |
| Income (Loss) Before Transfers and Contributed Capital | (642,215) | 1,108,343 |
| Transfer to State of Maryland General Fund | (500,000) | (1,800,000) |
| Change in Net Assets | (1,142,215) | (691,657) |
| Net Assets, Beginning | 33,918,107 | 32,775,892 |
| Net Assets, Ending | \$32,775,892 | \$32,084,235 |



MARYLAND CORRECTIONAL ENTERPRISES

7275 Waterloo Road
Jessup, MD 20794
410-540-5400

www.mce.md.gov



Martin O'Malley, *Governor*
Anthony G. Brown, *Lt. Governor*
Gregg L. Hershberger, *Secretary*

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