

STATE OF CALIFORNIA

DEPARTMENT OF CORRECTIONS AND REHABILITATION

PRISON INDUSTRY BOARD

PUBLIC MEETING

ORIGINAL

FRIDAY, JANUARY 13, 2012

THE BOARD OF PAROLE HEARINGS

1515 K STREET

SACRAMENTO, CALIFORNIA

REPORTED BY:

ESTHER F. SCHWARTZ
CSR NO. 1564

CAPITOL REPORTERS (916) 923-5447

1 **ATTENDEES**

2 **BOARD MEMBERS:**

3 MATTHEW CATE, CHAIR

4 JIM BUTLER

5 WILLIAM DAVIDSON

6 CURTIS KELLY

7 KIRA MASTELLER

8 BRUCE SAITO

9 DARSHAN SINGH

10 RAY TRUJILLO

11 JEANNE WOODFORD

12 **STAFF:**

13 CHARLES L. PATTILLO, EXECUTIVE OFFICER

14 SCOTT WALKER

15 ERIC RESLOCK

16 PHYLLIS GUARE

17 CARLA YOUNG

18 MARISELA MONTES

19 BEN WALD

20 GARY ALARID

21 JOE ARMOR

22 PHIL SMITH

23 JIM BAUMBACH

24 RUDY REYES

25 JOHN MALONEY

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ATTENDEES (CONT.)

COUNSEL:

JEFF SLY

MACIAS GINI & O'CONNELL:

SCOTT HAMMON

PUBLIC SPEAKERS:

DAVID LYNCH

BRETT NELSON

DAVID KNIGHT

MARK NOBILI

JOE HUGHES

ROSA WILSON (With translator)

LESLIE PERDOMO (Also acted as translator)

JANET WILLIAMSON

MARIE BRISENO

VICTORIA REVERA (With translator)

LORI KAMMERER

---oOo---

1 Sacramento, California

2 FRIDAY, JANUARY 13, 2012, 10:00 A.M.

3 ---oOo---

4 CHAIR CATE: Good morning, everyone. My
5 is name Matt Cate. I am the Chair of the Prison
6 Industry Board. Welcome, everyone to this hearing
7 today. Welcome to Board Members, staff and the
8 public. It's just after 10:00. We'll call the
9 meeting to order. Ask madam secretary to call the
10 roll, please.

11 MS. GUARE: Good morning, everybody.
12 We have Secretary Cate.
13 Member Almanza.

14 MEMBER BUTLER: Jim Butler for Almanza.

15 MS. GUARE: Member Chapjian, not here.
16 Member Davidson.

17 MEMBER DAVIDSON: Here.

18 MS. GUARE: Member Kelly.

19 MEMBER KELLY: Here.

20 MS. GUARE: Member Mastellar.

21 MEMBER MASTELLAR: Here.

22 MS. GUARE: Member Saito.

23 MEMBER SAITO: Here.

24 MS. GUARE: Member Singh.

25 MEMBER SINGH: Here.

1 MS. GUARE: Member Trujillo.

2 MEMBER TRUJILLO: Good morning, Phyllis. I
3 am here.

4 MS. GUARE: Member Woodford.

5 MEMBER WOODFORD: Here.

6 MS. GUARE: Secretary, looks like we have a
7 quorum.

8 CHAIR CATE: Thanks, everyone, for being
9 here today. Why don't we begin -- as you noted, we
10 have six action items to confirm. Before we do
11 that, I invite any Board Members who plan to make
12 any opening comments today.

13 Anybody have anything to comment on before we
14 start?

15 Seeing none, then we'll move to our General
16 Manager's comments.

17 MR. PATTILLO: Morning, Mr. Chairman,
18 Members. My name is Charles Pattillo. I am the
19 General Manager of the Prison Industry Authority and
20 the Executive Officer of this Board.

21 The year just passed was probably one of the
22 toughest we've ever had, as far as financially. And
23 our audit report is in there today. Significant
24 numbers that could have been probably mitigated,
25 given a substantial reduction in net assets year

1 over year. Part of that, as we discussed, is the
2 large chunk that has to do with state furloughs and
3 pay back of those. Something we could have avoided
4 if we had gotten the Department of Personnel
5 Administration to concur with our request for an
6 exemption from furloughs. So that is going to cost
7 us upwards of \$8.7 million.

8 This fiscal year we are coming out of forced
9 us to make many tough decisions with regards to what
10 we offer inmates and what we offer staff in their
11 positions, but I think in the end our commitment to
12 the rehabilitation of offenders will be unwavering
13 as well as our commitment to our staff. As you hear
14 me many times, if it wasn't for the staff that we
15 have, we wouldn't be able to do what has to be done.
16 The program is the lowest recidivism rate of any
17 program within California's Department of
18 Corrections and Rehabilitation.

19 Our cash position is pretty strong. Revenues
20 are coming in as we expected this year, and we've
21 got some exciting new products and some pretty good
22 training that's coming along.

23 Going forward, we are well-positioned to grow
24 and continue innovating new training opportunities
25 for inmates. The biggest reality we have facing us

1 is the Governor's corrections realignment program,
2 AB 109. As for us, we're taking it head on. It's
3 impacting us in certain ways, but we know what is
4 coming. Our staff is pretty diligent in doing
5 linear programming as far as for 109; and the
6 impacts that we use, the analysis, is one that's
7 actually been adopted by the Department on how to
8 indicate what the impact of what the program will
9 be.

10 In addition, we're continuing to be a resource
11 for local governments who are recognizing that they
12 have a new influx of inmate population, and they're
13 seeking recidivism reduction solutions, including
14 the correctional industries joint venture program as
15 well as our CTE programs that can be employed at the
16 local level. And we are offering staff assistance,
17 free curriculum, anything that we have to make this
18 work for them much better.

19 At past meetings we made significant changes
20 to Board policy regarding the maintaining of
21 transcripts. Prior to our last meeting, the PIB
22 policy, adopted policy, was to take transcripts,
23 which we just started about four years ago, turn
24 those into a summary, which we gave to you. Once
25 you approved that summary, we just destroyed the

1 transcript. There were some folks that were
2 critical of what was happening.

3 So what we moved to, which you approved at the
4 last meeting, is that we keep all transcripts in
5 perpetuity, and they are posted up to our website.

6 We recently completed a public hearing
7 regarding our production of boxed lunches. And that
8 hearing was conducted to the letter, as detailed in
9 the Inspector General's Report 2007, which kind of
10 laid out how they thought we should implement the
11 Penal Code when doing public hearings. At the time
12 Mr. Cate was the Inspector General. So what he
13 wrote we followed to the letter and put in at this
14 public hearing.

15 We are going to have an opportunity to discuss
16 five action items and six information items, and at
17 the end we have a public session for folks to come
18 up to make public comments. However, the Secretary
19 after each item will offer public testimony -- folks
20 to come up.

21 So with that, does anybody have any questions
22 before we go?

23 MEMBER WOODFORD: I have just one. Have
24 you thought of getting on the schedule for a CPOC
25 meeting to talk to all the counties about how you

1 can help them with realignment?

2 MR. PATTILLO: CPOC, no. We are trying to
3 line up the sheriffs, the two sheriff groups. I'm
4 doing the two sheriff groups. I haven't gone to the
5 probation officers yet. I will get that done.

6 Before we go, I actually had an announcement.
7 Mr. Singh was re-elected as the president of the San
8 Francisco Redevelopment Agency in December. And
9 while we should congratulate him, he also reminded
10 me that they are getting rid of the redevelopment
11 agency, though. So congratulations, Mr. Singh.

12 With me today is Assistant General Manager,
13 Scott Walker, and Carla Young, Marisela Montes, my
14 other AGMs, and a host of other staff that will be
15 here to the end. I didn't want to name everybody
16 off here, but you know all who they are.

17 With that, Mr. Cate.

18 CHAIR CATE: Mr. Pattillo, I just wanted to
19 let you know that we had an agent that was injured
20 in Southern California. Headed down there early
21 this afternoon. So I have a flight to catch. I may
22 not make it through the entire meeting. Hopefully,
23 get the first two items. I may need to pass it off
24 to maybe Ms. Woodford or somebody else who has a lot
25 of experience here. Take it through to the end.

1 So with that, let's take on what I think will
2 probably be the item that takes the most time, which
3 is the item concerning the action item for
4 individual prepackaged meals.

5 Mr. Pattillo.

6 MR. PATTILLO: I'm going to turn it over to
7 Scott Walker, Assistant General Manager, to present
8 that.

9 Mr. WALKER: Good morning, Board Members.
10 My name is Scott A. Walker. I am the Assistant
11 General Manager of Operations for the Prison
12 Industry Authority. I am here today to present the
13 California Prison Industry Authority's position on
14 individually packaged meals, also referred to as
15 boxed lunches.

16 This issue goes beyond the subject of boxed
17 lunches. It is about the survival of CALPIA.
18 CALPIA needs your support and the support of our
19 parent agency, California Department of Corrections
20 and Rehabilitation. Without their support, CALPIA's
21 ability to meet our statutory goal of providing
22 inmates with real-world work training and achieving
23 self-sufficiency is simply not attainable.

24 The foundation of correctional industries is
25 that tax supported agencies support CALPIA through

1 the purchase of products and services, and thereby
2 support inmate work training programs. In return,
3 CALPIA has the responsibility to provide the highest
4 quality goods at the lowest possible price. CDCR
5 and CALPIA share a common goal and share the
6 responsibility towards those goals. As our largest
7 and most important customer, this support is vital.

8 Before I get into the presentation of this
9 item, I would like to discuss a recent survey on
10 food products conducted by CDCR. While CALPIA
11 values customer feedback as an essential component
12 of customer service, unfortunately the summary
13 provided to CALPIA fails to identify specific
14 orders and locations. Without those critical data
15 elements, CALPIA is unable to address most of the
16 specific concerns raised by the respondents. Where
17 issues have been raised with enough specificity,
18 CALPIA has remedied them. We are, however, taking
19 proactive steps to identify issues as best we can
20 and have asked CDCR for additional background that
21 will help CALPIA identify and resolve any issues or
22 concerns.

23 If there is anyone who feels that CALPIA or a
24 CALPIA staff member is not responsive to their needs
25 as discussed in the survey, then that behavior is

1 not consistent with the mission, vision and values
2 of CALPIA and will be corrected. It should be noted
3 that CALPIA has offered to fund a specific third
4 party independent food survey that can be conducted
5 with appropriate survey protocol, including
6 correlation and referencing so that the most
7 actionable and accurate data is collected. I'll go
8 on to this item.

9 CALPIA was approached in 2010 by then DGS
10 Chief Deputy Director, Stephen Amos, to determine if
11 prepackaged meals, i.e., boxed lunches, were a
12 product that CALPIA could produce. DGS stated that
13 while there was a current contract in place for its
14 boxed lunch product, that there was a lack of
15 responsive bidders during the bid process. In
16 addition, DGS had concerns about the manner in which
17 the contract was being utilized.

18 Given the request by DGS and the fact it was
19 well within CALPIA's core competencies, CALPIA began
20 the product development process for a boxed lunch
21 product. In September of 2010, CALPIA started
22 providing boxed lunches to a number of CALPIA
23 inmates as a pilot. CALPIA is currently positioned
24 to start servicing the needs of CDCR with Type II
25 peanut butter and jelly boxed lunches on February

1 1st of 2012. CALPIA anticipates that our product
2 offering will be approximately 10 percent less than
3 the current product being procured by CDCR. Our
4 price will be approximately 84 to 90 cents each,
5 depending on the make-up of the lunch.

6 CALPIA has engaged CDCR in an attempt to
7 identify the Department's need for boxed lunch
8 product. To date the needs of CDCR, as well as
9 product specifications and nutritional content for
10 boxed lunches, have not been defined. This, in
11 effect, has created a vacuum that's increasingly
12 being filled by private vendors, and in doing so has
13 reduced CDCR's procurement of CALPIA individually
14 packaged food items. Specifically, procurement of
15 boxed lunches has increased from 1.6 million in 2008
16 to 3.1 million in 2011. Additional sales for fiscal
17 year '11-12 are expected to top \$8,000,000. They
18 are currently \$3.9 million to date for the first six
19 months of the year.

20 As a result of this increased procurement,
21 CALPIA's sales were reduced approximately \$1,000,000
22 in fiscal year '10-11 and are estimated to decrease
23 an additional 2.5 million in fiscal year '11-12. It
24 should be noted that CALPIA estimates that our
25 packaged food revenues represent approximately

1 one-quarter of 1 percent of the packaged food market
2 in California.

3 The direct impact on our staffing will be the
4 reduction of 16 civil service employees. The
5 majority of which lives in Kings County. Kings
6 County unemployment rate is currently 14.8 percent.
7 The city of Corcoran, where the facility is located,
8 has an unemployment rate of 15.3 percent. There
9 will also be an impact on California small
10 businesses, like Ludford's who supplies the juice,
11 jelly and syrup.

12 MR. PATTILLO: It is one quarter of one
13 one-thousand.

14 MR. WALKER: My math instructor over here.
15 The point there is it is a very, very small slice of
16 the available market.

17 Small businesses in California will also be
18 impacted by this reduction in CALPIA sales.
19 Ludford's who supplies the juice, jelly and syrup;
20 Traditional Baking Company who supplies the cookies.
21 I believe there is a letter submitted for the record
22 that talks about them having to lay off ten
23 employees if we get out of this or diminish this
24 market. The diminishment or demise of this product
25 line will force the small businesses to lay off

1 employees as well.

2 150 inmates will lose their opportunity to
3 work in a rehabilitative program. Not only will
4 these inmates not have an opportunity to better
5 themselves while in prison, the likelihood of them
6 becoming tax paying citizens, once released from
7 prison, will be diminished. It also should be noted
8 that 50 percent of the wages paid to inmates with a
9 restitution order goes directly to the crime
10 victims. CDCR collects 50 percent of prison wages
11 to pay restitution orders.

12 CALPIA has proven to be the most successful
13 program in the state in reducing recidivism, thereby
14 providing for a safer California. CALPIA's
15 recidivism rate is 25 percent less than the general
16 population of CDCR, thereby saving the State
17 approximately \$8,000,000 annually.

18 Harvest Farms has submitted a proposal, and I
19 have a feeling they are going to speak here to PIA.
20 The proposal was submitted to PIA via CDCR, December
21 12, 2011. The document was actually dated December
22 9th. The proposal called for CALPIA to provide food
23 products to Harvest Farms and then being included in
24 the Harvest Farms boxed lunch. There are several
25 challenges to moving forward with the proposal

1 presented by Harvest Farms.

2 One example would be that Harvest Farms has
3 chosen to not include CALPIA sliced bread product.
4 This would continue to erode the market for CALPIA
5 products. Other challenges include distribution,
6 invoicing, contract with Harvest Farms as a sole
7 source, et cetera. Given these challenges, CALPIA
8 chose to pass on the offer at that time.

9 During the public hearing on January 4th,
10 2012, the proposal was raised by Harvest Farms, at
11 which time Mr. Pattillo requested that Harvest Farms
12 submit the proposal directly to CALPIA, and CALPIA
13 would review it again. CALPIA received a second
14 proposal on January 11th via Board Member Davidson,
15 not directly as requested. While the challenges
16 listed above still remain, CALPIA will evaluate the
17 second proposal and respond to Harvest Farms.

18 CALPIA recommends that the Board concur with
19 CALPIA's request to produce and sell a limited
20 selection of individually packaged meals, boxed
21 lunches, effective February 1st, 2012.
22 Additionally, as a reminder, approval of this item
23 will not raise the existing food limit.

24 I'd be happy to answer any questions.

25 MEMBER WOODFORD: Can you repeat the last

1 part?

2 MR. WALKER: As a reminder, we don't need
3 -- the revenue limit is sufficient currently to
4 accommodate for this item.

5 CHAIR CATE: So just to help me clarify in
6 my own mind, you talk about losing existing inmate
7 work. That comes from the idea that if PIA doesn't
8 get involved in boxed lunches, then the share of --
9 and the amount of boxed lunches that CDCR purchases,
10 as it continues to rise, assuming it does, then the
11 amount of individual items that PIA sells to
12 Corrections will go down and some number of the
13 existing inmates who are working on the individual
14 product lines will no longer have jobs?

15 MR. WALKER: Right. And as I said in my
16 presentation, the fact represents that it's doubled
17 and doubled again. And with AB 109 realignment
18 plans and limited resources, the shrinking resources
19 out there, there is a very good likelihood that this
20 is going to continue to increase because sometimes
21 it's the best option for the institutions, given
22 limited resources.

23 So, actually, you're exactly right. It has
24 the direct impact on individually packaged items.
25 We have both packaged items, and the same thing

1 applies to them. As the market diminishes, the
2 economy of scale diminishes. We still have overhead
3 working in a prison, and pretty soon it becomes
4 untenable to --

5 CHAIR CATE: How many inmates are working
6 in food operations now?

7 MR. WALKER: About 150.

8 CHAIR CATE: All right. Other questions?

9 MEMBER BUTLER: You mentioned AB 109. What
10 impact will that have on your ability to -- on all
11 your operations; is it more likely to reduce the
12 number of available inmates to you?

13 MR. WALKER: Certainly going to reduce the
14 number of inmates. Currently there is no impact.
15 We are tracking about 7 percent vacancy rate. It
16 fluctuates between 6 and 7 percent. It's actually
17 down in the last quarter. The first quarter of
18 realignment our vacancy rate actually went down. I
19 don't have certainly a crystal ball, but we've been
20 able to manage it fairly effectively so far. At the
21 end of the day the Department's still going to have
22 a hundred plus, thousand inmates. We're employing
23 52-, 5,400 of those. I think we'll be able to make
24 it work.

25 It's going to be a challenge. I mean, the

1 first part of realignment usually takes those
2 inmates or did take those inmates that weren't
3 necessarily programing. So it's going to impact us
4 somewhere down the road, Jim. How bad and where?
5 We've got some feelers out there. Avenal is one of
6 the areas that we struggle with always to get
7 inmates outside the security perimeter.

8 As Chuck mentioned, we have a great staff that
9 are really adept at managing and have great
10 partnerships with the institutions and their
11 support. So it's going to be a challenge, but I
12 think we will be able to navigate it effectively so
13 it has the least amount of impact on us.

14 MEMBER BUTLER: I had a question about the
15 survey. The information prepared for us indicated
16 that about 40 percent of the respondents said
17 premade meals will be a desirable product. How did
18 that rank compared to other things that they were
19 looking for? Did that make the number one desired
20 option or the number ten?

21 MR. WALKER: I don't have that specific
22 data on which things -- what we do is a process that
23 we meet with CDCR food staff. We kind of let them
24 -- there is a smart team out there which you are
25 aware of that kind of directs our efforts. There's

1 been a lot of demand out there for a sausage patty
2 product that we are working on. There's been a lot
3 of demand for precooked items which we're looking at
4 But 40 percent of them are responding. Given AB
5 109, I would certainly rank it up towards the top.

6 MR. PATTILLO: The current usage is about
7 15 percent, current use.

8 MR. WALKER: Currently at eight
9 institutions. There were 12 institutions last
10 fiscal year using boxed lunches. This year there is
11 eight institutions using boxed lunches, but the
12 eight have gone to using them at a more dramatic and
13 regular pace. So the numbers, even though less
14 institutions using them, the numbers are doubled.

15 MEMBER BUTLER: You indicated that
16 projections for 2013, the overall consumption to
17 about eight-plus million dollars?

18 MR. WALKER: Right.

19 MEMBER BUTLER: What percentage of that
20 market, call it that, could PIA meet within existing
21 authority? Could you do 100 percent of that?

22 MR. WALKER: There is certainly room with
23 our revenue cap. I think we are down to 13.7,
24 revenue cap is 22.9. So dollars it works.
25 Realistically, how much can we do of that? Looks

