



U.S. Department of Justice
Federal Prison Industries, Inc.

FY 2016

Year End Summary

FY 2016 Year End Message

By every measure, 2016 was a transformative year for Federal Prison Industries (FPI). Thanks to the efforts of all our employees and inmate workers, we are reversing years of declining sales and earnings, and taking steps to grow inmate employment levels.

Widely known by its trade name, UNICOR, FPI was created in 1934 by statute and Executive Order 6917 by President Roosevelt. Its mission is “to protect society and reduce crime by preparing federal inmates for successful reentry through job training.” FPI, a component of the Federal Bureau of Prisons, is overseen by a presidentially-appointed Board of Directors and adheres to the highest level of business practices (e.g., ISO Certification, industry and environmental standards, and Lean Six Sigma methodologies). Over the last year, approximately 18,000 federal inmates experienced the benefits of FPI, developing diverse and marketable skills in federal prison factories across the country. By statute, FPI must operate in a self-sustaining manner and cover all of its costs and operating expenses with the revenues it generates. No congressional funding is appropriated to pay for its operations. Beyond its meaningful work and training opportunities, the program serves as an essential prison management tool and has earned the reputation of being one of the Bureau of Prisons’ most important reentry programs.

As background, through a combination of changing authorities from the early 2000s, coupled with the ongoing drawdown of United States military operations (which had previously provided FPI significant business), FPI sales declined 47% from a high of nearly \$900M in FY 2008, to \$472M in FY 2015. As a result of these declining sales, FPI lost \$182M in earnings during this period. Moreover, the inmate workforce during this seven year period declined by nearly 50%, diminishing FPI’s ability to meet its programmatic mission.

In early 2016, FPI implemented a new Strategic Plan to reverse the trends of declining business earnings and inmate workforce levels. The Plan’s objective is to maximize the number of federal inmates who acquire meaningful and transferrable skills to increase their prospects for reentry success. To achieve this objective requires rapidly transforming FPI into a competitive, profitable, and growing business by way of three strategies: (1) Cost Savings, (2) Inmate Workforce Growth and Development, and (3) People Development. Goals within the Strategic Plan further address sales, earnings, profit margin and annual inmate workforce metrics over a five year horizon.

Since the Strategic Plan’s rollout in April 2016, FPI has closed 25 factories, temporarily discontinued four operations and reopened three locations. Several business components have been consolidated, the

civilian workforce has been streamlined by 180 employees, and renewed attention has been placed on key strategies to attract new business. The results have been significant and encouraging. FY 2016 marked FPI’s first positive earnings (\$4.1M) in eight years. This tells us the Strategic Plan is working to help transform FPI into a competitive, sustainable, and growth-bound business to enable increased inmate employment opportunities. We look forward to an improved financial outlook for FY 2017, with an Operating Plan that forecasts earnings of \$21M, close to FPI’s long term goal of \$25-\$30M.

New business development initiatives are likewise being pursued in concert with FPI’s longstanding core government business efforts to potentially provide thousands of new inmate jobs over the next five years. Fundamental to the business growth initiatives is a renewed commitment to delivering a competitive advantage in cost, quality and service. To add to the number of inmate job opportunities from new business, FPI launched a reinvigorated Job Share Program that uses innovative morning and afternoon shift assignments to maintain productivity, while allowing two inmates to work in what has traditionally been one job. In addition, a newly created training program allows factories to add inmate training positions up to 10% above normal staffing levels, thereby increasing the number of inmates who can benefit from the FPI experience. This also has productivity benefits, as releasing inmates are replaced by already trained inmates. We also plan to enhance and add value to the inmate UNICOR experience and reentry outcomes by accelerating efforts to extend inmates’ opportunities to earn nationally recognized credentials/accreditations (e.g., Commercial Drivers Licenses, Certified Quality Improvement Associate and Welding Certifications).

We value our partnerships with both our suppliers and our customers that have led to such a successful year for FPI. We still have work ahead to maximize these relationships via improved levels of quality and service performance, and are committed to doing so. Without the support and team work of our suppliers and customers, none of this year’s outstanding results would have been possible. It is also important to note that FPI operations this year have helped support our suppliers and customers here in the US. For every \$1.00 spent to fund FPI operations, \$.75 was returned to the community. Most of this (55%) went to support small businesses, women and minority-owned businesses, service disabled veteran-owned small businesses, and veteran-owned small businesses. Additionally, UNICOR inmates contributed over \$1M in fines, court fees, victim restitution and child support payments.

FPI represents an invaluable investment in America’s future. The reality is that over 95% of all incarcerated men and women will, one

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day to be released back to our communities. Rigorous research supports the positive impact prison work programs have on future criminality. Inmates who have participated in the FPI program are 24% less likely to recidivate and 14% more likely to obtain viable employment post-release compared to similar inmates who did not participate in FPI. For this reason, and because it does not rely on appropriated funds, FPI remains one of the most important inmate programs in federal prisons.

By increasing productivity and efficiencies, carefully funding select initiatives, and investing in new growth opportunities, FPI will continue to strengthen its business position and, more importantly, its recidivism reduction impact.

As was shared in a recent National Video Conference with all FPI staff, "UNICOR is back –and we're here to stay!"

For the Board of Directors, Federal Prison Industries



David D. Spears, Chairman



Tom Kane, Acting Director, Bureau of Prisons;
Commissioner, Federal Prison Industries



Gary Simpson, Chief Executive Officer
Federal Prison Industries