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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-FIFTH
SESSION**

HOUSE FILE No. 1393

February 26, 2007

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The bill was read for the first time and referred to the Committee on Public Safety and Civil Justice

March 19, 2007

Committee Recommendation and Adoption of Report:

To Pass and re-referred to the Committee on Finance

1.1 A bill for an act
1.2 relating to corrections; clarifying and updating law governing MINNCOR prison
1.3 industries; adjusting the date for community corrections counties to submit
1.4 expenditure and cost statements; amending Minnesota Statutes 2006, sections
1.5 16A.72; 16B.181, subdivision 2; 16C.23, subdivision 2; 241.27, subdivisions
1.6 1, 2, 3, 4; 241.278; 401.15, subdivision 1; repealing Minnesota Statutes 2006,
1.7 sections 241.021, subdivision 5; 241.85, subdivision 2.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. Minnesota Statutes 2006, section 16A.72, is amended to read:

1.10 **16A.72 INCOME CREDITED TO GENERAL FUND; EXCEPTIONS.**

1.11 All income, including fees or receipts of any nature, shall be credited to the general
1.12 fund, except:

1.13 (1) federal aid;

1.14 (2) contributions, or reimbursements received for any account of any division or
1.15 department for which an appropriation is made by law;

1.16 (3) income to the University of Minnesota;

1.17 (4) income to revolving funds now established in institutions under the control of the
1.18 commissioners of corrections or human services;

1.19 (5) investment earnings resulting from the master lease program, except that the
1.20 amount credited to another fund or account may not exceed the amount of the additional
1.21 expense incurred by that fund or account through participation in the master lease program;

1.22 (6) investment earnings resulting from any gift, donation, devise, endowment, trust,
1.23 or court ordered or approved escrow account or trust fund, which should be credited to the
1.24 fund or account and appropriated for the purpose for which it was received;

2.1 (7) receipts from the operation of patients' and inmates' stores and patients' vending
 2.2 machines, which shall be deposited in the social welfare fund, or in the case of prison
 2.3 industries in the correctional revolving fund, in each institution for the benefit of the
 2.4 patients and inmates;

2.5 (8) ~~money received in payment for services of inmate labor employed in the~~
 2.6 ~~industries carried on in the state correctional facilities which receipts shall be credited to~~
 2.7 ~~the current expense fund of those facilities~~ income to prison industries which shall be
 2.8 credited to the correctional industries revolving fund;

2.9 (9) as provided in sections 16B.57 and 85.22;

2.10 (10) income to the Minnesota Historical Society;

2.11 (11) the percent of income collected by a private collection agency and retained by
 2.12 the collection agency as its collection fee; or

2.13 (12) as otherwise provided by law.

2.14 Sec. 2. Minnesota Statutes 2006, section 16B.181, subdivision 2, is amended to read:

2.15 Subd. 2. **Public entities; purchases from corrections industries.** (a) The
 2.16 commissioner of corrections, in consultation with the commissioner of administration,
 2.17 shall prepare updated lists of the items available for purchase from Department of
 2.18 Corrections industries and annually forward a copy of the most recent list to all public
 2.19 entities within the state. A public entity that is supported in whole or in part with funds
 2.20 from the state treasury may purchase items directly from corrections industries. The bid
 2.21 solicitation process is not required for these purchases.

2.22 (b) The commissioner of administration shall develop a contract or contracts
 2.23 to enable public entities to purchase items directly from corrections industries. ~~The~~
 2.24 ~~commissioner of administration, in consultation with the commissioner of corrections,~~
 2.25 ~~shall determine the fair market price for listed items.~~ The commissioner of administration
 2.26 shall require that all requests for bids or proposals, for items provided by corrections
 2.27 industries, be forwarded to the commissioner of corrections to enable corrections industries
 2.28 to submit bids. The commissioner of corrections shall consult with the commissioner of
 2.29 administration prior to introducing new products to the state agency market.

2.30 (c) No public entity may evade the intent of this section by adopting slight variations
 2.31 in specifications, when Minnesota corrections industry items meet the reasonable needs
 2.32 and specifications of the public entity.

2.33 ~~(d) The commissioners of administration and corrections shall develop annual~~
 2.34 ~~performance measures outlining goals to maximize inmate work program participation.~~
 2.35 ~~The commissioners of administration and corrections shall appoint cochairs for a task~~

3.1 ~~force whose purpose is to determine additional methods to achieve the performance~~
 3.2 ~~goals for public entity purchasing. The task force shall include representatives from the~~
 3.3 ~~Minnesota House of Representatives, Minnesota Senate, the Minnesota State Colleges and~~
 3.4 ~~Universities, University of Minnesota, Minnesota League of Cities, Minnesota Association~~
 3.5 ~~of Counties, and administrators with purchasing responsibilities from the Minnesota state~~
 3.6 ~~Departments of Corrections, Public Safety, Finance, Transportation, Natural Resources,~~
 3.7 ~~Human Services, Health, and Employment and Economic Development. Notwithstanding~~
 3.8 ~~section 15.059, the task force created in this paragraph expires on June 30, 2003.~~

3.9 ~~(c) If performance goals for public entity purchasing are not achieved in two~~
 3.10 ~~consecutive fiscal years, public entities shall purchase items available from corrections~~
 3.11 ~~industries. The commissioner of administration shall be responsible for notifying public~~
 3.12 ~~entities of this requirement.~~

3.13 Sec. 3. Minnesota Statutes 2006, section 16C.23, subdivision 2, is amended to read:

3.14 Subd. 2. **Surplus property.** "Surplus property" means state or federal commodities,
 3.15 equipment, materials, supplies, books, printed matter, buildings, and other personal or real
 3.16 property that is obsolete, unused, not needed for a public purpose, or ineffective for current
 3.17 use. Surplus property does not include products manufactured by or held in inventory by
 3.18 prison industries for sale to the general public in the normal course of its business.

3.19 Sec. 4. Minnesota Statutes 2006, section 241.27, subdivision 1, is amended to read:

3.20 Subdivision 1. **Establishment of Minnesota correctional industries; MINNCOR**
 3.21 **industries.** For the purpose of providing adequate, regular and suitable employment,
 3.22 ~~vocational~~ educational training, and to aid the inmates of state correctional facilities,
 3.23 the commissioner of corrections may establish, equip, maintain and operate at any
 3.24 correctional facility under the commissioner's control such industrial and commercial
 3.25 activities as may be deemed necessary and suitable to the profitable employment,
 3.26 ~~vocational~~ educational training and development of proper work habits of the inmates of
 3.27 state correctional facilities. The industrial and commercial activities authorized by this
 3.28 section are designated MINNCOR industries and shall be for the primary purpose of
 3.29 sustaining and ensuring MINNCOR industries' self-sufficiency, providing ~~vocational~~
 3.30 educational training, meaningful employment and the teaching of proper work habits to
 3.31 the inmates of correctional facilities under the control of the commissioner of corrections,
 3.32 and not solely as competitive business ventures. The net profits from these activities shall
 3.33 be used for the benefit of the inmates as it relates to education, self-sufficiency skills, and
 3.34 transition services and not to fund non-inmate-related activities or mandates. Prior to the

4.1 establishment of any industrial and commercial activity, the commissioner of corrections
4.2 may consult with representatives of business, industry, organized labor, the state
4.3 Department of Education, the state Apprenticeship Council, the state Department of Labor
4.4 and Industry, the Department of Employment Security, the Department of Administration,
4.5 and such other persons and bodies as the commissioner may feel are qualified to determine
4.6 the quantity and nature of the goods, wares, merchandise and services to be made or
4.7 provided, and the types of processes to be used in their manufacture, processing, repair,
4.8 and production consistent with the greatest opportunity for the reform and ~~vocational~~
4.9 educational training of the inmates, and with the best interests of the state, business,
4.10 industry and labor.

4.11 The commissioner of corrections shall, at all times in the conduct of any industrial
4.12 or commercial activity authorized by this section, utilize inmate labor to the greatest
4.13 extent feasible, provided, however, that the commissioner may employ all administrative,
4.14 supervisory and other skilled workers necessary to the proper instruction of the inmates
4.15 and the profitable and efficient operation of the industrial and commercial activities
4.16 authorized by this section.

4.17 Additionally, the commissioner of corrections may authorize the director of any
4.18 correctional facility under the commissioner's control to accept work projects from outside
4.19 sources for processing, fabrication or repair, provided that preference shall be given to the
4.20 performance of such work projects for state departments and agencies.

4.21 Sec. 5. Minnesota Statutes 2006, section 241.27, subdivision 2, is amended to read:

4.22 Subd. 2. **Revolving fund; use of fund.** There is established in the Department
4.23 of Corrections under the control of the commissioner of corrections the Minnesota
4.24 correctional industries revolving fund to which shall be transferred the revolving funds
4.25 authorized in Minnesota Statutes 1978, sections 243.41 and 243.85, clause (f), and any
4.26 other industrial revolving funds heretofore established at any state correctional facility
4.27 under the control of the commissioner of corrections. The revolving fund established
4.28 shall be used for the conduct of the industrial and commercial activities now or hereafter
4.29 established at any state correctional facility, including but not limited to the purchase of
4.30 equipment, raw materials, the payment of salaries, wages and other expenses necessary
4.31 and incident thereto. The purchase of services, materials, and commodities used in and
4.32 held for resale are not subject to the competitive bidding procedures of section 16C.06, but
4.33 are subject to all other provisions of chapters 16B and 16C, unless otherwise identified.
4.34 When practical, purchases must be made from small targeted group businesses designated
4.35 under section 16C.16. Additionally, the expenses of inmate ~~vocational~~ educational

5.1 training, self-sufficiency skills, transition services, and the inmate release fund may be
5.2 financed from the correctional industries revolving fund in an amount to be determined
5.3 by the commissioner or the MINNCOR chief executive officer as duly appointed by the
5.4 commissioner. The proceeds and income from all industrial and commercial activities
5.5 conducted at state correctional facilities shall be deposited in the correctional industries
5.6 revolving fund subject to disbursement as hereinabove provided. The commissioner of
5.7 corrections may request that money in the fund be invested pursuant to section 11A.25;
5.8 the proceeds from the investment not currently needed shall be accounted for separately
5.9 and credited to the fund.

5.10 Sec. 6. Minnesota Statutes 2006, section 241.27, subdivision 3, is amended to read:

5.11 Subd. 3. **Disbursement from fund.** The correctional industries revolving fund
5.12 shall be deposited in the state treasury and paid out only on proper vouchers as may be
5.13 authorized and approved by the commissioner of corrections, and in the same manner and
5.14 under the same restrictions as are now provided by law for the disbursement of funds by
5.15 the commissioner. An amount deposited in the state treasury equal to six months of net
5.16 operating cash as determined by the prior 12 months of revenue and cash flow statements,
5.17 shall be restricted for use only by correctional industries as described under subdivision
5.18 2. For purposes of this subdivision, "net operating cash" means net income minus sales
5.19 plus cost of goods sold. Cost of goods sold include all direct costs of correctional industry
5.20 products attributable to their production. The commissioner of corrections is authorized
5.21 to keep and maintain at any correctional facility under the commissioner's control a
5.22 contingent fund, as provided in section 241.13; but the contingent fund shall at all times
5.23 be covered and protected by a proper and sufficient bond to be duly approved as by law
5.24 now provided.

5.25 Sec. 7. Minnesota Statutes 2006, section 241.27, subdivision 4, is amended to read:

5.26 Subd. 4. **Revolving fund; borrowing.** The commissioner of corrections is
5.27 authorized, when in the commissioner's judgment it becomes necessary in order to meet
5.28 current demands on the correctional industries revolving fund, to borrow sums of money
5.29 as may be necessary. The sums so borrowed shall not exceed, in any one year, ~~50 percent~~
5.30 ~~of the total of the net worth of correctional industries~~ six months of net operating cash as
5.31 determined by the previous 12 months of the correctional industries' revenue and cash
5.32 flow statements.

5.33 When the commissioner of corrections shall certify to the commissioner of finance
5.34 that, in the commissioner's judgment, it is necessary to borrow a specified sum of money

6.1 in order to meet the current demands on the correctional industries revolving fund, and the
 6.2 commissioner of finance may, in the commissioner's discretion, transfer and credit to the
 6.3 correctional industries revolving fund, from any moneys in the state treasury not required
 6.4 for immediate disbursement, the whole or such part of the amount so certified as they
 6.5 deem advisable, which sum so transferred shall be repaid by the commissioner from the
 6.6 revolving fund to the fund from which transferred, at such time as shall be specified by the
 6.7 commissioner of finance, together with interest thereon at such rate as shall be specified
 6.8 by the commissioner of finance, not exceeding four percent per annum. When any transfer
 6.9 shall so have been made to the correctional industries revolving fund, the commissioner
 6.10 of finance shall notify the commissioner of corrections of the amount so transferred to
 6.11 the credit of the correctional industries revolving fund, the date when the same is to be
 6.12 repaid, and the rate of interest so to be paid.

6.13 Sec. 8. Minnesota Statutes 2006, section 241.278, is amended to read:

6.14 **241.278 AGREEMENTS FOR WORK FORCE OF STATE OR COUNTY**
 6.15 **JAIL INMATES.**

6.16 The commissioner of corrections, in the interest of inmate rehabilitation or to
 6.17 promote programs under section 241.275, subdivision 2, may enter into interagency
 6.18 agreements with state, county, or municipal agencies, or contract with nonprofit agencies
 6.19 to manage, fund, or partially fund the cost of programs that use state or county jail
 6.20 inmates as a work force. The commissioner is authorized to receive funds via these
 6.21 agreements and these funds are appropriated to the commissioner for community service
 6.22 programming or when prison industries are party to the agreement, shall be deposited in
 6.23 the Minnesota correctional industries revolving fund for use as described under section
 6.24 241.27, subdivision 2.

6.25 Sec. 9. Minnesota Statutes 2006, section 401.15, subdivision 1, is amended to read:

6.26 Subdivision 1. **Certified statements; determinations; adjustments.** ~~On or before~~
 6.27 Within 60 days of the end of each calendar quarter, participating counties which have
 6.28 received the payments authorized by section 401.14 shall submit to the commissioner
 6.29 certified statements detailing the amounts expended and costs incurred in furnishing the
 6.30 correctional services provided in sections 401.01 to 401.16. Upon receipt of certified
 6.31 statements, the commissioner shall, in the manner provided in sections 401.10 and
 6.32 401.12, determine the amount each participating county is entitled to receive, making any
 6.33 adjustments necessary to rectify any disparity between the amounts received pursuant to
 6.34 the estimate provided in section 401.14 and the amounts actually expended. If the amount

7.1 received pursuant to the estimate is greater than the amount actually expended during the
7.2 quarter, the commissioner may withhold the difference from any subsequent monthly
7.3 payments made pursuant to section 401.14. Upon certification by the commissioner of
7.4 the amount a participating county is entitled to receive under the provisions of section
7.5 401.14 or of this subdivision the commissioner of finance shall thereupon issue a state
7.6 warrant to the chief fiscal officer of each participating county for the amount due together
7.7 with a copy of the certificate prepared by the commissioner.

7.8 Sec. 10. **REPEALER.**

7.9 Minnesota Statutes 2006, sections 241.021, subdivision 5; and 241.85, subdivision
7.10 2, are repealed.