January 9, 2006

Dear Governor Rounds and Members of the 2006 Legislature,

Pursuant to the SDCL 24-7-37, Pheasantland Industries presents its Annual Report for Fiscal Year 2005.

This report provides a general overview of Pheasantland Industries and its mission. Summaries of activities and notable production numbers are included in this report.

Pheasantland Industries recorded operating income of $171,390 on sales of $2,778,389 for Fiscal Year 2005. Per legislative authorization, $525,651 was transferred for construction of the Jameson Unit D and the Barracks, Dining and Laundry facilities at Mike Durfee State Penitentiary.

Our focus continues to be on increasing employment opportunities for inmates and the production of high quality goods and services for South Dakota governmental entities, federal agencies and nonprofit organizations.

Sincerely,

Robert Rae
Director

Mission

To provide products and services to South Dakota governmental entities, federal agencies and non-profit organizations. Providing work opportunities for inmates, preparing them for successful return to their communities.

Unique Employment

Industries in a prison environment operate differently than businesses in a free society. Strict security procedures and scheduling are set by prison officials. Industry shops operate Monday through Friday from 7:30 a.m. to 3:30 p.m. Inmate count procedures and staff scheduling usually prohibit overtime and weekend work.

Inmates in traditional prison industries earn .25 per hour. Federal law requires that inmates working for private industry must be paid prevailing, local market wages for the type of work performed. Inmates typically use their wages to buy toiletries and foodstuffs. A percentage is also retained in an inmate worker's reserve account for use upon release or parole. Payroll deductions for inmates working at private industry jobs include, but are not limited to, incarceration fees, victim compensation and family support.

At the close of Fiscal Year 2005, the Pheasantland Industries Staff consisted of 13 employees. The work force totaled 214 inmates in traditional industries and 62 inmates in private sector industries.

Traditional Industries

In Fiscal Year 2005, traditional prison industries consisted of 14 industries: upholstery, printing, sign, decal, bookbindery, braille unit, tactile graphics, license plates, cabinet, custom furniture, garments, screen printing, data entry, wheelchair refurbishing and stocking hat knitting.

All traditional industries operate at the State Penitentiary in Sioux Falls, except the garment and screen print shops which are located at the Mike Durfee State Prison in Springfield and the data entry project which is located at the Women's Prison in Pierre. Prison industry shops are designed to meet standards established by the Occupational Safety and Health Administration. They are also inspected annually by the State Fire Marshal and must meet all standards established by that office.

By law, traditional prison industries can provide work only for government agencies, non-profit organizations and employees of the State of South Dakota.

Most notable shop production number for CY2005

- 28,083-boxer shorts for Department of Corrections
- 814-mattresses and 400-pillows for Department of Corrections
- 458-nylon mesh shower bags for Department of Corrections
- 44,314 pages of braille and tactile graphics transcribed
- 168,310-braille pages printed
- 85,002-large print pages printed
- 4,410,000-printing impressions
- 1,192-books refurbished
- 91,500-decals for boats, snowmobiles, prorate tags and housing
- 101,187-square feet of signage for DOT, local and county governments
- 133-sets of cabinets for the Governor's Housing Program and daycare centers
- 1,008,487-license plates
- 13,824-khaki pants
- 1,740-khaki shirts
- 29,124-T-shirts
- 300-kitchen pants, shirts and jackets
- 264-denim jackets and pants
- 42,204-garments screened ("DOC"/"Inmate") for Department of Corrections
- 375,084,545-data entry keystrokes for Game, Fish & Park, and Department of Social Services.

Industry Descriptions:

Custom Furniture Shop: Custom furniture including desks, credenzas, conference tables, bookshelves, chairs, bed frames and wardrobes. They also refurbish pews for churches.

Cabinet Shop: Kitchen and bathroom cabinets and vanities, counter tops, linen cabinets and trim.

Upholstery Shop: Provides a full line of office seating, reupholsters all types of furniture in fabric, vinyl and leather, manufactures mattresses, pillows and boxer shorts.

Print Shop: Business cards, envelopes, brochures, letterhead and business forms.

Sign Shop: Highway and road signs for the South Dakota Department of Transportation and other local governments. Decals for county sheriffs, city police departments, South Dakota Highway Patrol, and state and local government vehicles.

Decals: Validation tags for vehicles.

Book Bindery: Repairs and binds books, magazines and meeting minutes.

Braille Unit: Certified by the American Printing House for the Blind for transcription. Transcribes books, magazines, greeting cards, business cards, and brochures into braille or large print. The services of the Braille unit are available to the South Dakota State Library, to students and teachers nationwide. An expansion into Tactile Graphics has increased the production of maps, graphs, and science pictures for all textbooks.

License Plates: Auto and truck, motorcycle, trailer, apportioned vehicle, tribal, and state vehicle plates.

Machine Shop: Provides metal fabrication and welding services to state and federal governments and non-profit organizations. Current products include steel bed frames, belly chains, inmate clothing lockers and hazardous materials cabinets.

Garment Shop: Manufactures khaki trousers and shirts, jackets, coveralls, parkas and t-shirts.

Screen Print Shop: Prints "DOC" and "Inmate" on inmate clothing.

Data Entry: Provides data entry services for various state agencies, including Game Fish & Parks, and the Department of Social Services.

Private Industry Enhancement

As the inmate population of adult corrections system grows, so does the need to provide more work opportunities for inmates. Traditional industries also have a very limited market in which to sell its goods. These two facts prompted the decision to explore private sector industry possibilities.

In June of 1989, the Department of Corrections applied for certification in the Private Sector/Prison Industries Enhancement Program. This application was forwarded to the United States Bureau of Justice Assistance after the South Dakota Legislature passed legislation permitting private sector involvement in prison industries. South Dakota was granted certification in 1990.

In addition to the State's certification, each private sector enterprise must be approved by the federal government. The application for each enterprise must include the enterprise market, the number of inmates to be employed, the wages to be paid, and verification that the venture will not impact the local market.

FY 2005 Activities

Inmate wages paid in the private sector for FY 2005 were 477,237. Inmates employed in these industries paid $28,634 to the South Dakota Crime Victims' Compensation fund, $143,172 for incarceration costs, $28,634 in family support obligation, $43,576 in federal taxes, and $36,532 in social security.

Private sector businesses operating during FY2005 included Metalcraft Industries which has welding and machine tool operations at the Jameson Annex. Because Metalcraft Industries is a Prison Industires Enhanced Program they must pay the inmates wages that are comprable to local industry. In turn, minimum wages were paid to inmates that prelaced window components for Sioux Vocational and Balance Systems Incoporated. This work was previously outsourced to China.

FINANCIAL SUMMARIES

Since FY94, Pheasantland Industries' total sales and net income is as follows:

FY94 - - - Total sales ..... $ 1,624,301
Net income ..... $ (34,624)

FY95 - - - Total sales ..... $ 1,762,135
Net income ..... $ 33,645

FY96 - - - Total sales ..... $ 2,398,031
Net Income ..... $ 260,372

FY97 - - - Total sales ..... $ 1,588,700
Net Income ..... $ 192,487

FY98 - - - Total sales ..... $ 1,925,971
Net Income ..... $ 312,591

FY99 - - - Total sales ..... $ 1,901,404
Net Income ..... $ 232,762

FY2000 - - - Total sales ..... $ 2,678,927
Net Income ..... $ 150,774

FY2001- - - Total sales..... $2,643,707
Net Income.....$ 405,083

FY2002- - - Total sales..... $1,975,086
Net Income.....$ 303,322

FY2003 - - - Total sales ..... $ 2,312,306
Net income ..... $ 148,020

FY2004 - - - Total sales $2,471,744
Net income .....$ 97,884

FY2005 - - - Total sales $2,778,389
Net income .....$ (354,261)
Transferred $525,651 to DOC for building costs.

STATE OF SOUTH DAKOTA					
DEPARTMENT OF CORRECTIONS					
PHEASANTLAND INDUSTRIES					
TWELVE MONTHS ENDED 6/30/05					
	Carpentry	Upholstery	Habitat	Truck	Total
Cash Flows From Operating Activities					
Receipts From Customers And Users	$ 305,574	$ 10,644	$ 17,355		$ 333,573
Receipts from Interfund Services Provided	24,433	165,224	620	6,475	196,752
Payments to Supplies	(203,476)	(94,962)	(35,407)	(381)	(334,226)
Payments for Employee Services	(76,476)	(7,013)	(13,008)	(201)	(96,697)
Payments for Interfund Services Used	(66,186)	(28,461)	(3,954)	(4,155)	(102,756)
Net Cash Provided by Operating Activities	(16,130)	45,432	(34,394)	1,739	(3,353)
Cash Flows From Capital And Related Financing					
Activities:					
Purchase of Fixed Assets	(9,195)				(9,195)
Construction In Progress					-
Sales of Fixed Assets	-	-	-	-	-
Net Cash	(9,195)	-	-	-	(9,195)
Cash Flows from Non capital Financing					
Residual Equity transfer Out			85,351		85,351
Operating Transfer in	-	-	-	-	-
Net Cash	-	-	85,351	-	85,351
Cash Flows From Investing					
Investment Income	3,617	2,226			5,843
Rent Income	-	-	-	-	-
Net Cash	3,617	2,226	-	-	5,843
Net increase	(21,708)	47,659	50,957	1,739	78,646
Beginning	202,674	140,984	(48,878)	(1,934)	292,846
Ending	$ 180,966	$ 188,643	$ 2,079	$ (196)	$ 371,492
Reconciliation of Operating Income To					
Net Cash Provided by Operating Activities					
Operating Income	$ (27,791)	$ 24,734	$ (25,568)	$ -	$ (28,626)
Adjustments to Reconcile Operating Income to					
Net Cash Provided by Operating Activities					
Depreciation Expense	6,337	-	-	-	6,337
Increase/Decrease in Assets:					
(Increase)/Decrease In Accounts Receivable	1,050	956	(1,896)		110
(Increase)/Decrease In Due From Other Funds	(4,627)	9,988	620	1,950	7,931
(Increase)/Decrease In Due From Component	3,961				3,961
(Increase)/Decrease In Due From other Agency	(1,661)	(6,429)			(8,089)
(Increase)/Decrease in Prepaid Expense					
(Increase)/Decrease In Inventory	9,731	(5,696)			4,035
Increase/Decrease in Liabilities:					
Increase/(Decrease) in Accounts Payable	4,259	8,951	(6,859)		6,351
Increase/(Decrease) in Empl Benefits Payable	(187)	55	(1,405)		(1,537)
Increase/(Decrease) in Deferred Revenue	(2,460)	20,694			18,234
Increase/(Decrease) in Due to other funds	(6,620)	(7,433)	1,163	103	(12,788)
Increase/(Decrease) in Due to Other Components	(892)	(54)	(450)	(314)	(1,710)
Increase/(Decrease) in Accrued Leave Liability	2,770	(333)			2,437
Total adjustments	5,324.02	20,698.58	(8,825.79)	1,738.60	18,935.41
Net Cash Proved by Operating Activities	$ (16,130)	$ 45,432	$ (34,394)	$ 1,739	$ (3,353)