DEPARTMENT OF CORRECTIONS
PHEASANTLAND INDUSTRIES
1600 North Drive • P.O. Box 5911
Sioux Falls, SD 57117-5911
Phone: (605) 367-5111 • Fax: (605) 367-5102

December 11, 2006

Dear Governor Rounds and Members of the 2007 Legislature,

Pursuant to the SDCL 24-7-37, Pheasantland Industries presents its Annual Report for Fiscal Year 2006.

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 net income of $754,187 on sales of $6,008,960 for Fiscal Year 2006. This net profit is larger than normal due to the fact that we produced a main run of new license plates during the year. Profits from Pheasantland Industries are used to fund programs and services designed to enhance inmates' ability to lead productive lives upon their release from prison.

Our focus continues to be on increasing employment opportunities for inmates and on producing 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. To provide 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 savings 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 2006, the Pheasantland Industries Staff consisted of 13 FTE. The work force totaled 217 inmates in traditional industries and 70 inmates in private sector industries.

Traditional Industries

In Fiscal Year 2006, traditional prison industries consisted of 12 industries: upholstery, printing, sign, decal, bookbindery, Braille unit and tactile graphics, license plates, cabinet and custom furniture, garments and 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 policy, 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 CY2006

- 23,917-boxer shorts for Department of Corrections
- 513-mattresses and 415-pillows for Department of Corrections
- 184,236 pages of Braille, transcribed and printed
- 9,295-tactile graphics produced
- 69,161-large print pages printed
- 4,505,000-printing impressions
- 1,388-books refurbished
- 91,500-decals for boats, snowmobiles, prorate tags and housing
- 118,748-square feet of signage for DOT, local and county governments
- 136-sets of cabinets for the Governor's Housing Program and daycare centers
- 2,925,929-license plate
- 19,705-khaki pants
- 4,137-khaki shirts
- 29,763-T-shirts
- 247-kitchen pants, shirts and jackets
- 1,092-denim jackets and pants
- 44,048-garments screened ("DOC"/"Inmate") for Department of Corrections
- 321,640,050-data entry keystrokes for the Department of Social Services.
- 2,050-knitted stocking hats
- 1,893-wheelchairs refurbished

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, and pillows.

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. The Tactile Graphics Shop is setting the standards for graphics and is becoming well known nationally for its quality of work.

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, boxers and t-shirts.

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

Data Entry: Provides data entry services for 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 2006 Activities

Inmate wages paid in the private sector for FY 2006 was $711,024. Inmates employed in these industries paid $42,662 to the South Dakota Crime Victims' Compensation Fund, $213,308 for incarceration costs, $42,662 in family support obligation, $73,327 in federal taxes, and $54,393 in social security.

Private sector businesses operating during FY2006 included Metalcraft Industries, which has welding and machine tool operations at the Jameson Annex. Because Metalcraft Industries is a Prison Industries Enhanced Program they must pay their inmate employees wages that are comparable to local industry. In turn, minimum wages were paid to inmates that pre-laced window components for SD Achieve (formerly known as Sioux Vocational) and Balance Systems Incorporated. This work was previously out-sourced to China.

Pheasantland Industries' total sales and net income since FY 1994 is as follows:

FY 1994	Total sales	$ 1,624,301
	Net income	$ (34,624)
FY 1995	Total sales	$ 1,762,135
	Net income	$ 33,645
FY 1996	Total sales	$ 2,398,031
	Net Income	$ 260,372
FY 1997	Total sales	$ 1,588,700
	Net Income	$ 192,487
FY 1998	Total sales	$ 1,925,971
	Net Income	$ 312,591
FY 1999	Total sales	$ 1,901,404
	Net Income	$ 232,762
FY 2000	Total sales	$ 2,678,927
	Net Income	$ 150,774
FY 2001	Total sales	$ 2,643,707
	Net Income	$ 405,083
FY 2002	Total sales	$ 1,975,086
	Net Income	$ 303,322
FY 2003	Total sales	$ 2,312,306
	Net income	$ 148,020
FY 2004	Total sales	$ 2,471,744
	Net income	$ 97,884
FY 2005	Total sales	$ 2,778,389
	Net income	$ (354,261) *
FY2006	Total sales	$ 6,008,960
	Net Income	$ 754,187

* Transferred $525,651 to DOC for construction costs for Jameson Unit D and MDSP Barracks.

STATE OF SOUTH DAKOTA					
DEPARTMENT OF CORRECTIONS					
PHEASANTLAND INDUSTRIES					
TWELVE MONTHS ENDED 06/30/06					
	Carpentry	Upholster	Habitat	Truck	Total
Cash Flows From Operating Activities					
Receipts From Customers And Users	296,884.97	15,981.29	2,000.25		314,866.51
Receipts from Interfund Services Provided	50,587.82	94,743.39		724.06	146,055.27
Payments to Supplies	(234,316.93)	(71,347.27)		(70.00)	(305,734.20)
Payments for Employee Services	(78,597.96)	(5,725.56)			(84,323.52)
Payments for Interfund Services Used	(44,786.50)	(21,605.61)	(4,079.23)	(458.29)	(70,931.63)
Net Cash Provided by Operating Activities	(10,230.60)	12,046.24	(2,078.98)	195.77	(67.57)
Cash Flows From Capital And Related Financing					
Activities:					
Purchase of Fixed Assets					-
Construction In Progress					-
Sales of Fixed Assets	-	-	-	-	-
Net Cash	-	-	-	-	-
Cash Flows from Non capital Financing					
Residual Equity transfer Out		-	-		-
Operating Transfer in	-	-	-	-	-
Net Cash	-	-	-	-	-
Cash Flows From Investing					
Investment Income	2,525.90	2,287.06	-		4,812.96
Rent Income	-	-	-	-	-
Net Cash	2,525.90	2,287.06	-	-	4,812.96
Net increase	(7,704.70)	14,333.30	(2,078.98)	195.77	4,745.39
Beginning	180,965.65	188,642.89	2,078.98	(195.77)	371,491.75
Ending	173,260.95	202,976.19	-	-	376,237.14
Reconciliation of Operating Income To					
Net Cash Provided by Operating Activities					
Operating Income	28,057.98	34,958.20	-	-	63,016.18
Adjustments to Reconcile Operating Income to					
Net Cash Provided by Operating Activities					
Depreciation Expense	6,535.44	-	-	-	6,535.44
Increase/Decrease in Assets:					-
(Increase)/Decrease In Accounts Receivable	297.39	(360.51)	2,000.00		1,936.88
(Increase)/Decrease In Due From Other Funds	4,895.90	220.00		724.06	5,839.96
(Increase)/Decrease In Due From Component	6,353.65				6,353.65
(Increase)/Decrease In Due From other Agency	3,736.46	397.00			4,133.46
(Increase)/Decrease in Prepaid Expense					-
(Increase)/Decrease In Inventory	(27,849.97)	35,781.54			7,931.57
Increase/Decrease in Liabilities:					-
Increase/(Decrease) in Accounts Payable	(5,264.26)	(17,358.96)			(22,623.22)
Increase/(Decrease) in Empl Benefits Payable	322.50	102.74			425.24
Increase/(Decrease) in Deferred Revenue		(23,682.00)			(23,682.00)
Increase/(Decrease) in Due to other funds	(26,780.80)	(17,050.95)	(3,961.39)	(523.11)	(48,316.25)
Increase/(Decrease) in Due to Other Components	(42.08)	(209.23)	(117.59)	(5.18)	(374.08)
Increase/(Decrease) in Accrued Leave Liability	(492.81)	(751.59)	-	-	(1,244.40)
Total adjustments	(44,824.02)	(22,911.96)	(2,078.98)	195.77	(69,619.19)
Net Cash Proved by Operating Activities	(10,230.60)	12,046.24	(2,078.98)	195.77	(67.57)