

**U.S. Department of Justice
 FY 2023 Performance Budget
 Congressional Submission
 Federal Prison System
 Federal Prison Industries
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I. Overview of Federal Prison Industries

1. Introduction

The mission of Federal Prison Industries, Inc. (FPI) is to protect society and reduce crime by preparing inmates for successful reentry through job training.

FPI assists inmates with developing vital skills necessary to become law abiding citizens. Through the production of market-priced quality goods and services, FPI provides job training and work opportunities to inmates, while minimizing the impact on private industry and labor.

For FY 2023, a total of 1,950 positions and 753 workyears are requested for FPI. Further, \$2,700,000 is included as the administrative expenses limitation for the FPI program. *Electronic copies of the Department of Justice's Congressional Budget Justifications and Capital Asset Plan and Business Case exhibits can be viewed or downloaded from the Internet using the Internet address: <https://www.justice.gov/doj/fy-2021-CJ>.*

2. Background

FPI was created by Congress in 1934 and is a wholly owned Government corporation that operates at no cost to the U.S. taxpayer. The Corporation is authorized to operate industries in Federal penal and correctional institutions and disciplinary barracks (18 U.S.C. §§ 4121-4130). UNICOR is the trade name for FPI. The Director of the Federal Bureau of Prisons (BOP), who has jurisdiction over all Federal penal and correctional institutions, is the Commissioner of FPI.

FPI reduces inmate idleness by providing a full-time work program. It strives to attain the goal that thirty percent (30%) of the FPI inmate workforce will consist of inmates within thirty-six (36) months or less of their release date. FPI provides a program of constructive work and services wherein job skills can be developed and work habits acquired. Revenues from the Corporation's activities are used to defray all of its operating costs, including the purchase of raw materials and equipment, staff salaries and benefits, compensation to inmates working in the FPI program, and compensation to former inmates for injuries they sustained while employed with FPI.

A board of six Directors, appointed by the President, reviews and approves the policies of the Corporation, long-range corporate plans, establishment of new industries, bylaws, and capital investments in excess of \$500,000. The Board also submits annual reports to Congress on the conduct of the business of the Corporation and the condition of its funds. General management of the Corporation is vested in an Assistant Director of the BOP, who serves as Chief Executive Officer, and is carried out by a staff of 13 Corporate Management employees located in Washington, DC. Expenses for this administrative function are subject to Congressional limitation.

In FY 2021, 16,315 inmates worked in 63 factories and 2 farms. For FY 2022 and FY 2023, FPI projects the employment of 19,255 inmates. Inmates manufacture items such as furniture, clothing, electronics, vehicular and metal products, and provide such services as printing, data processing, call centers, laundry, farming and recycling activities. Products and services of the Corporation are sold primarily to Federal agencies. The Department of Defense (DOD),

Department of Homeland Security (DHS), Department of Justice (DOJ), and Social Security Administration (SSA) are FPI's largest customers. The large BOP inmate population and the corresponding need to increase inmate employment while minimizing FPI's effect on private labor and business continues to be FPI's major challenge.

3. Challenges

FPI is one of the BOP's most important inmate work programs, providing valuable job skills training and work experience to 16,315 federal inmates annually as of September 30, 2021. FPI directly supports the BOP's mission by keeping inmates productively occupied and by enhancing the likelihood of their successful reentry into society. Inmates who participate in the FPI program are less likely to engage in disruptive behavior, a benefit which contributes significantly to the safe and secure management of prisons, thereby reducing operating costs. Additionally, inmates participating in the FPI program are 24 percent less likely to recidivate than similar non-participating inmates, a result which reduces the future costs of enforcement and incarceration. FPI also positively impacts the U.S. economy through the raw materials purchased from its suppliers around the country and the staff salaries spent in local communities, all without additional tax burden to society.

Increasing the number of inmate opportunities for employment has been an ongoing challenge for FPI. For FY 2022, however, there is a projected increase to 19,255 inmates from the FY 2021 year-end figure of 16,315 inmates. It is anticipated that this level will hold through FY 2023.

4. Full Program Costs

FPI operates as a revolving fund and does not receive an annual appropriation. FPI maintains a proprietary, full accrual accounting system. Cash control measures implemented during FY 2009 through FY 2020 have resulted in a reduction of non-cash assets in order to preserve cash. Based on anticipated orders (Revenues), this budget reflects the associated costs to produce the products and services and maintain the facilities for manufacturing, adjusted for anticipated replenishments. FPI monitors the following program's activities: Sales Volume, Number of Factories, and Inmate Employment. These activities directly relate to FPI's goals of inmate reentry success and a safe, secure, and less costly population management.

In FY 2021, total revenue increased by \$55.2 million while total cost of revenue increased \$40.3 million. The recovery from the COVID-19 pandemic continued during FY 2021. Sales for the year increased \$40.8 million from FY 2020. Total cost of revenue increased \$40.3 million from previous year, resulting in an increase in gross profit of \$14.9 million. The increase in gross profit was offset slightly by a \$4.9 million increase in operating expenses, resulting in a net income increase of \$7.5 million in FY 2020. FPI does not anticipate an increase in its net income goal for FY 2022. However, the Net Income goal for FY 2022 and FY 2023, are \$0.4 million and \$0.4 million, respectively, based on a goal of \$534 million, and \$546 million in Sales.

Sales, Factory Earning and Net Income for Federal Prison Industries
FY 2017 – FY 2021

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Sales	453,763,000	502,838,000	466,747,000	363,224,000	404,065,000
Factory Earnings	50,142,000	54,033,000	61,166,000	34,127,000	43,732,000
Net Income/(Loss)	\$16,821,000	\$13,957,080	\$20,830,000	(\$2,995,000)	\$4,540,000

5. Performance Challenges

External Challenges

FPI does not receive appropriated funding for operations and sustains itself through its operations. Historically, FPI operates on a very low margin. The margins are much lower than that of a non-government corporation of similar size and longevity.

The delicate balancing act between self sufficiency and growth creates a sizable challenge for FPI. Additionally, FPI is faced with challenges that may impact this balance, including changes to FPI’s preferred position as a supplier to the Federal Government and increases in costs not directly controlled by FPI, such as in the Federal staff pay schedule and benefits costs.

Internal Challenges

FPI faces challenges similar to that of a non-government corporation. These challenges include: control of costs, collection of accounts receivable, control of raw materials inventory levels, and stability of sales.

During FY 2021, FPI incurred an operating income of \$4.5 million. FPI’s accounts receivable decreased by \$0.9 million; inventories decreased by \$127.4 million while operating cash increased by \$65.6 million from FY 2020. For FY 2022 and FY 2023, FPI has set an operating income goal of \$0.4 million and \$0.4 million, respectively.

Continuing Impact of COVID-19 on FPI Operations

In FY 2022, FPI will continue to work on recovering from the unprecedented disruptions to its operations due to the COVID-19 pandemic. The disruptions began at the end of March 2020, when all FPI factories were closed, except those converted to the production of personal protective equipment (PPE) and two farm operations. In FY 2021, most FPI factories were operational, but overall factory capacity operated at an average of only 68%, well below breakeven. By the end of September 2021, FPI was operating at only 80% of pre-pandemic levels due to necessary COVID-19 operational restrictions.

These restrictions had a negative impact on FPI’s ability to manufacture and ship products to customers in a timely manner. Additionally, many customers were unable to accept deliveries, as they were either working a modified schedule or non-operational due to the pandemic.

The recovery, defined as reaching pre-pandemic operational levels, is anticipated to take 6 months to 1 year from the present, though this estimate is dependent on improving pandemic conditions. Driving this recovery will continue to be the exceptional efforts of FPI staff and inmate workers under extraordinary circumstances.

FPI will continue to see sales growth as we satisfy customer demands and continue to seek opportunities to expand existing and new product lines. During FY 2021, FPI secured several new contracts or modifications to current contracts that are expected to generate more sales over the next five years. FPI continues to pursue new business leads to assist with our strategic plan of corporate growth potential of 10% per year, over the next five years.

III. Appropriations Language and Analysis of Appropriations Language

Federal Prison Industries, Incorporated

The Federal Prison Industries, Incorporated (FPI), is hereby authorized to make such expenditures, within the limits of funds and borrowing authority available, and in accord with the law, and to make such contracts and commitments, without regard to fiscal year limitations as provided by section 9104 of title 31, United States Code, as may be necessary in carrying out the program set forth in the budget for the current fiscal year for such corporation.

Limitation on Administrative Expenses, Federal Prison Industries, Incorporated

Not to exceed \$2,700,000 of the funds of the Federal Prison Industries, Incorporated shall be available for its administrative expenses, and for services as authorized by section 3109 of title 5, United States Code, to be computed on an accrual basis to be determined in accordance with the corporation's current prescribed accounting system, and such amounts shall be exclusive of depreciation, payment of claims, and expenditures which such accounting system requires to be capitalized or charged to cost of commodities acquired or produced, including selling and shipping expenses, and expenses in connection with acquisition, construction, operation, maintenance, improvement, protection, or disposition of facilities and other property belonging to the corporation or in which it has an interest.

Analysis of Appropriation Language

No substantive changes proposed.

IV. Program Activity Justification

A. Federal Prison Industries

Federal Prison Industries	Direct Pos.	Estimate FTE	Amount
2021 Enacted	1,950	753	750,493
2022 Annualized CR	1,950	753	750,493
Adjustments to Base and Technical Adjustments	0	0	14,259
2023 Current Services	1,950	753	764,752
2023 Request	1,950	753	764,752
Total Change 2022-2023	0	0	14,259

Federal Prison Industries-Information Technology Breakout (of Decision Unit Total)	Direct Pos.	Estimate FTE	Amount
2021 Enacted	93	85	20,916
2022 Annualized CR	93	85	20,916
Adjustments to Base and Technical Adjustments	0	0	397
2023 Current Services	93	85	21,313
2023 Request	93	85	21,313
Total Change 2022-2023	0	0	397

1. Program Description

Federal Prison Industries (FPI) employs many inmates who do not have marketable skills when they enter prison. FPI provides a program of constructive work wherein job skills can be developed and work habits acquired, thereby reducing the likelihood that inmates will recidivate upon release. FPI employment reduces inmate idleness by providing a diversified work program that improves prison safety and security. FPI strives to attain the goal that thirty percent (30%) of the FPI inmate workforce will consist of inmates within thirty-six (36) months or less of their release date.

FPI's operations are self-sustaining. Revenues are primarily derived from the sale of products and services to other federal departments, agencies, and government institutions that purchase products listed on FPI's Schedule of Products. FPI provides services on a non-mandatory, non-preferred-source basis. Operating expenses such as the costs of raw materials and supplies, inmate wages, staff salaries, and capital expenditures are applied against these revenues, resulting in operating income or loss, which is reapplied toward operating costs for future production.

Institution factories are operated by civilian supervisors and managers responsible for training and overseeing the work of inmates. The factories utilize raw materials and component parts purchased from the private sector to produce finished goods. FPI's major government customers include the Departments of Defense (DOD), Department of Homeland Security (DHS), Department of Justice (DOJ), and Social Security Administration (SSA). Institution factories manufacture such items as furniture, clothing, electronics, vehicle retrofit and metal products, and provide such services as printing, data processing, call centers, laundry, farming and recycling activities. Orders for goods and services are

obtained through marketing and sales efforts by civilian staff. A portion of the earnings realized by these operations is reinvested to improve and build new facilities, purchase equipment, maintain the existing equipment base, and provide working capital.

Extensive testing and product development procedures are required to operate modern factories that produce products which meet government specifications. Inmate training is also extensive because most of the inmates have no previous training, experience, or skills. Most training is on-the-job, with the civilian supervisors and experienced inmates explaining and demonstrating the work to newly assigned inmates. Where skills require more formal training, such as soldering, FPI staff provide classroom instruction.

FPI makes necessary capital investments in buildings and improvements, machinery, and equipment. Other expenses charged to the manufacturing program include payments pursuant to the Inmate Accident Compensation Act (18 U.S.C. § 4126(c)(4)).

In 1988, Congress amended FPI's statute regarding the production of new products and significant product expansion (18 U.S.C. § 4122). Before any significant product expansion or new products subject to these provisions are manufactured, a review process is conducted, which includes full notice to and input from the public and interested parties. Implementing guidelines were first promulgated in 1990 and updated in 1997, with input from the private sector.

Under 18 U.S.C. § 4122, when FPI proposes to produce a new product or expand its market share of an existing product subject to the provisions of § 4122, it first must conduct a market impact study. This study must identify and consider the number of vendors currently meeting the requirements of the Federal Government; the proportion of the federal market for the product currently served by small businesses, small disadvantaged businesses, or businesses operating in labor surplus areas; the size of the federal/non-federal markets for the product; the projected growth in the Federal Government's demand for the product; and the projected ability of the federal market to sustain both FPI and private vendors. FPI then must announce in Federal Business Opportunities (Fed Biz Opps) its proposal and invite comments from private industry. FPI must also directly notify those trade associations affected and allow them to provide comment.

FPI's Board of Directors is appointed by the President, and by statute is composed of six members representing Industry, Labor, Retailers and Consumers, Agriculture, the Secretary of Defense, and the Attorney General. The Board receives copies of the market impact study, the comments received, and FPI's recommendations. The Board holds public hearings where attendees are given the opportunity to provide testimony.

At the conclusion of this process, the Board renders its decision, which is also published in Fed Biz Opps. Parties can appeal to the Board if and when market conditions change or new facts could impact the decision.

2. Performance and Resource Tables

PERFORMANCE AND RESOURCES TABLE											
Decision Unit: Federal Prison Industries											
RESOURCES		Target		Actual		Projected		Changes		Requested (Total)	
		FY 2021		FY 2021		FY 2022		Current Services Adjustments and FY 2023 Program Changes		FY 2023 Request	
Total Costs and FTE (reimbursable FTE are included, but reimbursable costs are bracketed and not included in the total)		FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000
		753	699,105	731	708,360	753	750,493	0	14,259	753	764,752
TYPE	PERFORMANCE	FY 2021		FY 2021		FY 2022		Current Services Adjustments and FY 2023 Program Changes		FY 2023 Request	
Program Activity	Federal Prison Industries Spending Authority	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000
		753	699,105	731	708,360	753	750,493	0	14,259	753	764,752
Performance Measure: Efficiency	Number of Inmates Employed	19,255		16,315		19,255		0		19,255	
Performance Measure: Efficiency	* Number of eligible inmates employed who are within 36 months of their release date. .	30%		31%		30%		0%		30%	

* FPI inmate employment goal is that thirty percent (30%) of the FPI inmate workforce will consist of inmates within thirty-six (36) months or less of their release date. This was approved by the Board of Directors on August 20, 2020.

PERFORMANCE MEASURE TABLE									
Decision Unit: Federal Prison Industries									
Performance Report and Performance Plan Targets		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021		FY 2022	FY 2023
		Actual	Actual	Actual	Actual	Target	Actual	Target	Target
Efficiency Measure	Number of Inmates Employed Annually	16,792	17,041	16,430	16,478	19,255	16,315	19,255	19,255
Efficiency Measure	** Number of eligible inmates employed who are within 36 months of their release date.	N/A	N/A	N/A	30%	30%	31%	30%	30%
<hr/> ** FPI inmate employment goal is that thirty percent (30%) of the FPI inmate workforce will consist of inmates within thirty-six (36) months or less of their release date. This was approved by the Board of Directors on August 20, 2020.									
<hr/> N/A = Note that this new goal is not applicable to prior years.									

3. Performance, Resources, and Strategies

a. Performance Plan and Report for Outcomes

As illustrated in the preceding Performance and Resources Table, the performance measure for FPI is the percentage of inmate workers who are within thirty-six (36) months or less of their release date. FPI's annual inmate employment as of September 30, 2021 was 16,315. In FY 2015 FPI implemented considerable cost-reduction measures, which included the closing of twenty-five factories, unavoidably reducing the number of inmates it employs by 600 positions. Recent efforts to grow the business resulted in positive earnings in FY 2016 through FY 2019, with the activation of eight factory operations resulting in continued growth in FY 2019. FPI therefore expects to reach the 30 percent target in FY 2022 and FY 2023.

Due to recent legislation that has given FPI new authorities, FPI anticipates ramping up workload by offering new opportunities to inmates and will need additional staff as a result. In December 2018, the Formerly Incarcerated Reenter Society Transformed Safely Transitioning Every Person Act (First Step Act) (P.L. 115-391) provided FPI with four additional market authorities to expand inmate employment. These new authorities include the sale of FPI products to public entities for use in correctional institutions; public entities for use in disaster relief or emergency response; the D.C. government; and, except for office furniture, certain IRS-recognized non-profit organizations. FPI is now assessing and pursuing opportunities under these new authorities. The First Step Act authorities augment the authorities Congress provided to FPI earlier this decade through the Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112-55), which authorized FPI to participate in the Prison Industry Enhancement Certification Program (PIECP) and repatriate the foreign manufacture of products in certain circumstances as approved by FPI's Board of Directors.

FPI continues its renewed emphasis on the use of job-share inmate workers to increase the number of inmates participating in the FPI program while reducing the per-inmate cost of employment. This initiative will be continued through FY 2022 and FY 2023.

b. Strategies to Accomplish Outcomes

For FY 2023, a total of 1,950 positions and 753 workyears are requested for FPI. Further, \$2,700,000 is included as the Administrative Expenses limitation. FPI is expanding product lines, which will result in factory activations (in Atlanta, Beaumont, Pekin, Sheridan, Yazoo City, Hazelton, and Aliceville), pursuant to its authorities.

FPI's primary goal for population management is to proactively manage the offender population through meaningful work programs. FPI meets this objective by reducing inmate idleness, the number one cause of inmate unrest and violence in prison, through diversified work programs that provide constructive work wherein job skills can be developed and work habits acquired. At the end of FY 2023, FPI is projected to employ 19,255 inmates and provided work skills training to help ensure the safe and secure operation of BOP institutions. In this way, FPI plays a vital role in the management of inmates, and also improves the likelihood that inmates will remain law abiding after their release from BOP custody.