



Working on the inside...
Succeeding on the outside

LUMBER PROCESSING FACT SHEET
February 1, 2011

EXHIBIT 4
DATE 2/17/2011
HB 519

Mission Statement

Montana Correctional Enterprises provides employment and training opportunities to offenders, which enhances public safety, promotes positive change in offender behavior, reintegrates offenders into the community and supports victims of crime.

Current FTE'S/Inmate Workers

- 1.0 FTE – Lumber Processing Supervisor
- 1.0 FTE – Contractor's employee on site to provide training and quality control
- 20 offender workers

<u>Customers</u>	<u>Services</u>	<u>FY10</u> <u>% of Sales</u>	<u>FY11</u> <u>% of Sales</u>
North Slope	re-saw, cut to length, notching, ripping, assemble pallets	64.23%	65.86%
Industrial Lumber Sales	re-saw, cut to length, notching, ripping	5.43%	12.07%
Teton West Lumber	re-saw, cut to length, notching, ripping, banding groove	26.29%	9.39%
Rocky Mtn. Timber Products	moulding, circular saw, wire brushing, hand hewn	0	7.32%
Sun Mountain Lumber	cut to length, banding groove	1.03%	5.36%
Tripp Lumber	re-saw, cut to length, notching, ripping	3.02%	0

Offender Participation and Success Statistics (FY08-FY11)

- 96 offenders have been involved in lumber processing during this time period
- 6 of the 96 offenders have obtained lumber grader's certification (certifications began in FY09 – This is a nationally recognized certification)
 - 83 offenders have been released from prison
 - 53 of these offenders have verified employment in the community
 - 20 of the 53 have lumber-related jobs in the community
 - 2 offenders are attending college as full-time students
 - 4 have been returned to prison, and 3 are in the process of returning to prison (*This equates to 9% recidivism rate. Overall, MCE recidivism is ten percentage points less (or 24% lower) than the overall Department of Correction's recidivism for offenders who are involved in work and training programs for one year. The reduction in recidivism equates to \$8.2 million dollars in tax savings*)

Funding Source

100% proprietary – This program is operated under the Agricultural program, which is an enterprise fund operation. All expenses are paid from revenues received from the sale of products or services. **There are no tax dollars spent to support this program.**

Fulfilling our Mission

- 67% of those released have made positive changes and are gainfully employed or attending college full time.
- 24% of those released secured lumber-related jobs due to training opportunities they were involved in through MCE.
- 2% of those released have made a positive change in their behavior and are attending college.
- 96 offenders had the means to pay victim restitution, child support and court ordered fines and fees while incarcerated.
 - All MCE workers paid the following in FY2009 and FY2010
 - Crime Victim's Restitution or donations \$79,922
 - Family Support \$18,367
 - Room and Board \$64,824
 - Federal and State withholding taxes \$18,368

Doing the right thing

MCE Lumber Processing program provides marketable job skills, instills a work ethic and pride in workmanship. The program couples hard skills with soft skills and life skills training to assist offenders with the difficult transition from prison to the community. This program has a proven track record of success by reducing recidivism and saving tax dollars. Lower recidivism also means fewer victims and safer communities.

Regarding the Contract between MCE and Rocky Mountain Timber Products **Information Provided by Rocky Mountain Timber Products**

Background

Rocky Mountain Timber Products (RMTP) believed that the wind down and closure of Smurfit-Stone in 2009 – 2010 would leave an integral part of the infrastructure for timber harvesting (small logging and mill operations) with excess capacity and few sales outlets, particularly pertaining to rough-cut, full-dimension dead standing timber (beetle kill and fire burn).

RMTP views their company as an industry leader in understanding market trends and correspondingly have changed the business model which most remanufacturing companies utilize to distribute product. RMTP utilizes raw materials commonly viewed as waste or by-products (dead standing timber). From this raw product, RMTP has developed a differentiated and value added product, called "Ranchwood". RMTP raw material is processed in Deer Lodge and finished in the Anaconda plant. RMTP sells directly to end users who include contractors, architects, and individual consumers.

Investment

- RMTP has locations in Missoula, Helena, Deer Lodge and Anaconda
- Invested over \$100,000 into infrastructure and improvements and placed \$225,000 of equipment at the State of Montana's Correctional Enterprise location in Deer Lodge.
- Invested over \$100,000 into infrastructure and improvements at the Anaconda Facility

Employees

- Employs 7.0 FTE with annual payroll of \$360,000
 - 1.0 FTE with extensive manufacturing experience is dedicated to work daily in the MCE vocational training program to train the inmate workers, some of whom, upon release, RMTP plans to hire as employees in the company.
- Forecast to employ 15.0 FTE by end of Calendar year 2012 with annual payroll of \$500,000

Economic Impact and Support

- Received strong economic development and political support from local, state and federal representatives.
- Purchase from five (5) Montana based sawmills and re-manufacture the timber into a value added product
 - Annual purchases from mills will exceed \$500,000
 - These purchases have assisted supply partners retain and maintain thirty (30) FTE
- Contract with two local trucking firms for transportation of product
- Contribute to other components of the forest products infrastructure.
 - Estimate annual purchases from finishing supplies will exceed \$100,000 and help to retain/maintain 4.0 FTE
 - Fabrication and electrical purchases in 2010 exceeded \$200,000 and positively impacted fifteen (15) FTE

Conclusion

RMTP made a counter cyclical investment into the Montana forest products industry because they believe their company has the foresight and ability to execute during difficult economic times. RMTP views their supply and processing partnerships as integral components of their business model. The company trains inmate workers in manufacturing processes and quality control, which assists the Department of Corrections in their mission and assists inmates when they are released in finding valuable jobs to help keep them crime free. In addition, when inmates are released, there is an avenue by which RMTP or other companies in the industry can hire skilled, competent workers. Consequently, this training program has a positive impact on reducing recidivism in the State of Montana.