

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7035**

**BILL NUMBER: SB 490**

**NOTE PREPARED: Feb 4, 2004**

**BILL AMENDED: Jan 26, 2004**

**SUBJECT:** Goods Made by Offenders.

**FIRST AUTHOR:** Sen. Jackman

**FIRST SPONSOR:**

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill provides that furniture produced by persons in state penal institutions may be sold only to state agencies and political subdivisions.

**Effective Date:** (Amended) July 1, 2005.

**Explanation of State Expenditures:** Restricting sales to governmental agencies would result in lost jobs for offenders, requiring corrections officers to spend added time supervising offenders who would then be idle. The Department of Correction (DOC) estimates that this bill would eliminate 37 offender jobs.

**Explanation of State Revenues:** For purposes of this estimate, furniture includes the following categories:

- Office furniture, including chairs, panel systems, free-standing office furniture, tables, lounge seating, and dormitory furniture.
- Detention furniture, including metal lockers, metal shelving, metal cabinets, and metal beds.
- Hickory furniture, including tables, chairs, beds, and case goods.
- Not included in furniture sales is bedding, including mattresses and pillows.

This bill would result in a loss of \$486,676 in sales revenue based on revenue in FY 2003. Sales revenue is deposited in the Industry and Farm Products Revolving Fund.

*Prison Investment Tax Credit:* This bill would effectively reduce the amount of income tax credits taken under the Prison Investment Tax Credit. The current tax credit is allowed for investment in qualified property or wages paid to inmates as approved by an agreement with the Department of Correction. The credit is limited to the lesser of (1) the taxpayer's tax liability; (2) the sum of 50% of the investment in qualified

property plus 25% of wages paid to inmates; or (3) \$100,000. A reduction in the tax credits will increase revenue to the state General Fund and Property Tax Replacement Fund.

Under IC 11-10-7-5, the earnings offenders receive from these enterprises are distributed in the following order:

1. At least 20% of the offender's gross earnings is either given to the offender or retained in an account to be given to the offender at time of release.
2. State and federal income taxes and social security deductions.
3. Room and board expenses.
4. Support of dependents of offenders.
5. 10% of the offender's gross earnings to be deposited in the Violent Crime Victims Compensation Fund.

DOC indicates that 24 of the 37 offenders are paid under the IC 11-10-7-5 program which qualify for the Prison Investment Tax Credit. The range of their pay is between \$5.15 and \$9.63 depending on their skill level and their job title. The other 13 offenders participate in the PEN products program and receive wages of between \$0.35 and \$0.55 per hour.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Correction

**Local Agencies Affected:**

**Information Sources:** Department of Correction

**Fiscal Analyst:** Mark Goodpaster, 317-232-9852.