

REPORT TO THE LEGISLATURE
Pursuant to P.A. 154 of 2005
Section 410
Michigan State Industries: Clothing Textile Manufacturing

Reference: Section 410. By January 1, 2006, the department shall report to the senate and house appropriations subcommittees on corrections, the senate and house fiscal agencies, and the state budget director on the potential for expansion of Michigan state industries clothing textile manufacturing and sales in the private market of clothing textiles not currently being manufactured in Michigan.

As currently written, the Michigan Correctional Industries Act limits the sale of MSI products to “institutions of this or any other state or political subdivision of this or any other state, the federal government or agencies of the federal government, a foreign government or agencies of a foreign government, a private vendor that operates the youth correctional facility, or any organization that is a tax exempt organization under section 501 © (3) of the internal revenue code.” Therefore Michigan State Industries (MSI) is not allowed to sell to the private market.

The state statute could be changed; however, federal law has an impact on MSI selling products also. Under the federal “Hawes-Cooper Act” of 1929, if MSI is allowed to sell products on the open market within Michigan, other state correctional industries could also sell their products on the open market within Michigan. Also, under the federal “Ashurst-Sumner Act” of 1935, as codified at 18 U.S.C. 1761, it is an independent federal crime to transport prison-made goods in interstate commerce unless the product(s) are exempted. This would keep Michigan made goods from being sold in interstate commerce if they contained any prison made components.

The most recent federal legislative action was the 1984 reauthorization of the Prison Industries Enhancement Program (PIE) established in 1979. It grants a waiver of the federal criminal law provisions and federal purchase restrictions. To comply, states must apply for certification, pay inmate labor prevailing wages, and pay fringe benefits comparable to those provided other workers (but not unemployment compensation). Also, inmates must agree to wage deductions not to exceed 80% of gross wages for payment of taxes, room and board charges, family support payments, victim compensation fund payments, and voluntarily participate in the program. In addition the program requires that there be consultation with local unions and no displacement of employed workers, nor a surplus in the area of skilled, available workers.

All of these laws and restrictions have negative implications for the marketing of prison-made goods by private firms. They are all directed at preventing unfair competition of prison-made goods with those made by private firms.

If these laws could be modified, to enable MSI to sell in the private market, there are many markets where MSI could joint venture with private firms to manufacture goods not presently manufactured in Michigan. One of these would be the production of textiles and the manufacturing of garments made from those textiles. Most of the US textile mills have closed and transferred this production

overseas. As a result, an MSI textile operation would have little, if any, impact on private labor in this country.