WASHINGTON STATE
CORRECTIONAL INDUSTRIES

Division Update
June 2021

Financial Operations

FY 2021 Year-to-Date Activity

FY 2021 Financial Overview – April 2021

Correctional Industries (CI) continues to experience the financial impacts of the Covid-19 pandemic. Overall, April 2021 financials reflect a $6.85M Operating Loss and a $2.09M Net Loss year-to-date. The following provides a brief summary of year-to-date activity by key indicator.

Key Indicators

- **Sales**
  Through April 2021, CI has experienced $89.52M in actual sales, which exceed forecasted sales by $5.49M. This is primarily attributable to higher than anticipated sales in Textiles (+$10.79M), Incarcerated Services (+$1.39M), Food Manufacturing & Distribution (+$755K) and Communications (+$505K). These increases are partially offset by shortfalls in other industries, including Furniture (-$6.82M) and Food Service (-$651K), and Laundry (-$526K).

- **Cost of Goods Sold (COGS)**
  Through April 2021, CI has experienced $60.58M in actual COGS, which exceed forecasted COGS by $7.14M. The increase is primarily attributable to Textiles (+$7.75M), which is expected with increased sales activity (i.e., Raw Materials Used).

- **Operating Expenses**
  Through April 2021, CI has experienced $35.79M in actual operating expenses, which is about $1.93M below forecast for the fiscal year. While this is a positive trend, it should be noted year-to-date Laundry and Food Service expenses exceed forecast by about $60K and $235K, respectively.

- **Operating Income/(Loss)**
  Through April 2021, CI has experienced a $6.85M operating loss. With a forecasted Operating Loss of $7.12M through January, CI is outperforming its forecast by roughly $272K. Corrective actions to-date include Food Service (cost-per-meal) and Laundry Service (price-per-pound) adjustments in January 2021. In addition, increased Food Manufacturing raw material costs attributable to the Covid-19 pandemic are being passed-through to the agency.

- **Net Income/(Loss)**
  Through April 2021, CI has experienced a Net Loss of $2.09M. With a forecasted Net Loss of $6.26M, CI is outperforming its forecast by roughly $4.17M. This is primarily attributable to $3.51M in Fund Reimbursements, including $1.46M in Food Service (cost-per-meal) and Laundry Service (price-per-pound) adjustments applied retroactively to July 1, 2020. This is also attributable to Cost of Incarceration (COI) proceeds, which exceed forecast by about $852K. Increased COI is primarily attributable to Federal stimulus payments associated with the Covid-19 pandemic.

INCARCERATED WORKERS
FY 2021 FORECAST vs ACTUAL
By Month

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
Forecast	2,471	2,299	2,278	2,278	2,278	2,278	2,278	2,278	2,278	2,278
Actual	1,851	1,907	1,943	1,842	1,992	1,609	1,916	1,744	1,880	1,924
Variance	(620)	(392)	(335)	(436)	(286)	(669)	(362)	(534)	(398)	(354)
	-25%	-17%	-15%	-19%	-13%	-29%	-16%	-23%	-17%	-16%

CORRECTIONAL INDUSTRIES - FY 2021 APRIL FISCAL TRENDS

June 2021

YTD and Year-over-Year Comparisons by Industry

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	FY 2021 APRIL (83%)			FY 2020 APR	YR-over-YR	
INDUSTRY/PROGRAM AREA	FORECAST	ACTUAL	VARIANCE	ACTUAL	VARIANCE	
SALES	**$ 84,030,749**	**$ 89,518,453**	**$ 5,487,704**	**$ 88,067,295**	**$ 1,451,158**	**COMMENTS**
Communications	$ 3,162,489	$ 3,667,967	$ 505,478	$ 4,702,507	$ (1,034,540)	Plates +$449K, Print +$81K, Tabs -($24K)
Food Manufacturing & Distribution	$ 14,404,699	$ 15,159,910	$ 755,211	$ 14,268,178	$ 891,732	Distr +$2.47M, AHCC -($411K), CRCC -($1.3M)
Food Service	$ 28,176,245	$ 27,525,376	$ (650,869)	$ 27,917,767	$ (392,391)	MCC -($764K), CRCC -($215K), AHCC -($13K)
Furniture	$ 12,844,911	$ 6,025,867	$ (6,819,044)	$ 14,632,252	$ (8,606,385)	FY 2019 Apr YTD Sales $13.8M
Laundry	$ 2,985,662	$ 2,459,501	$ (526,161)	$ 2,965,775	$ (506,274)	Population (Forecast vs. Actual) and Modified Service
Incarcerated Services	$ 9,454,652	$ 10,840,813	$ 1,386,161	$ 9,470,221	$ 1,370,592	
Optical	$ 3,674,500	$ 3,656,852	$ (17,648)	$ 3,784,874	$ (128,022)	
Textiles	$ 9,072,900	$ 19,865,337	$ 10,792,437	$ 9,561,573	$ 10,303,764	CDC - November +$4.8M and December +$6.3M
All Other	$ 254,691	$ 316,830	$ 62,139	$ 764,148	$ (447,318)	e.g., Field Crops, Boxes, Transportation

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	FY 2021 APRIL (83%)			FY 2020 APR	YR-over-YR	
INDUSTRY/PROGRAM AREA	FORECAST	ACTUAL	VARIANCE	ACTUAL	VARIANCE	
COGS (Primarily Raw Material Usage)	**$ 53,431,434**	**$ 60,575,451**	**$ 7,144,017**	**$ 57,421,043**	**$ 3,154,408**	**COMMENTS**
Communications	$ 1,906,220	$ 2,258,515	$ 352,295	$ 2,654,389	$ (395,874)	**Incarcerated Direct Labor Down Across CI ($1.11M)**
Food Manufacturing & Distribution	$ 10,569,071	$ 12,102,251	$ 1,533,180	$ 10,842,575	$ 1,259,676	Distrib +$2.77M, AHCC -($333K), CRCC -($904K)
Food Service	$ 19,490,722	$ 20,605,138	$ 1,114,416	$ 18,953,387	$ 1,651,751	RMU +$1.14M, DC +$412K, iiDL -($437K)
Furniture	$ 7,569,515	$ 3,427,629	$ (4,141,886)	$ 10,043,510	$ (6,615,881)	
Laundry	$ 661,794	$ 569,717	$ (92,077)	$ 657,006	$ (87,289)	
Incarcerated Services	$ 5,772,542	$ 6,445,494	$ 672,952	$ 5,719,118	$ 726,376	
Optical	$ 1,412,740	$ 1,398,371	$ (14,369)	$ 1,417,198	$ (18,827)	
Textiles	$ 5,974,504	$ 13,725,462	$ 7,750,958	$ 6,667,978	$ 7,057,484	CDC RMU - Nov +$2.95M and Dec +$4.8M
All Other	$ 74,326	$ 42,874	$ (31,452)	$ 465,882	$ (423,008)	**Incarcerated Direct Labor Down Across CI ($1.11M)**

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INDUSTRY/PROGRAM AREA	FORECAST	ACTUAL	VARIANCE	ACTUAL	VARIANCE	
OPERATING EXP (Primarily Salary & Ben)	**$ 37,717,191**	**$ 35,789,015**	**$ (1,928,176)**	**$ 39,748,616**	**$ (3,959,601)**	**COMMENTS**
Communications	$ 1,217,540	$ 1,156,022	$ (61,518)	$ 1,130,177	$ 25,845	**Personnel Exp Variance -($10K); -($2.15M) Yr-over-Yr**
Food Manufacturing & Distribution	$ 4,793,419	$ 4,492,277	$ (301,142)	$ 5,383,210	$ (890,933)	
Food Service	$ 10,329,772	$ 10,564,524	$ 234,752	$ 9,975,759	$ 588,765	Overtime +$279K, Comp Time Payout +$110K
Furniture	$ 5,404,676	$ 4,008,013	$ (1,396,663)	$ 5,875,877	$ (1,867,864)	
Laundry	$ 2,020,931	$ 2,081,159	$ 60,228	$ 2,129,791	$ (48,632)	ii Indirect Labor +$25K, Personnel Exp +$20K
Incarcerated Services	$ 3,052,671	$ 2,939,009	$ (113,662)	$ 2,879,049	$ 59,960	
Optical	$ 1,511,696	$ 1,390,485	$ (121,211)	$ 1,389,948	$ 537	
Textiles	$ 2,466,992	$ 2,323,622	$ (143,370)	$ 2,585,566	$ (261,944)	
Site and Administration	$ 5,328,796	$ 5,019,499	$ (309,297)	$ 5,401,061	$ (381,562)	Cost Allocated Expenses Down
Fund Level	$ 413,130	$ 486,591	$ 73,461	$ 1,326,679	$ (840,088)	BLT Project, Accrued Leave
All Other	$ 1,177,568	$ 1,327,814	$ 150,246	$ 1,671,499	$ (343,685)	Field Crops, Boxes, Transp, Program Areas COI Funded

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June 2021

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INDUSTRY/PROGRAM AREA	FORECAST	ACTUAL	VARIANCE	ACTUAL	VARIANCE	
OPERATING INCOME/(LOSS)	**$ (7,117,876)**	**$ (6,846,013)**	**$ 271,863**	**$ (9,102,365)**	**$ 2,256,352**	**COMMENTS**
Communications	$ 38,729	$ 253,431	$ 214,702	$ 917,941	$ (664,510)	Performing
Food Manufacturing & Distribution	$ (957,791)	$ (1,434,618)	$ (476,827)	$ (1,957,607)	$ 522,989	Covid Costs passed to DOC; Pricing for RM
Food Service	$ (1,644,249)	$ (3,644,286)	$ (2,000,037)	$ (1,011,380)	$ (2,632,906)	January CPM Adjustment ($1.34M Retro Fund Reimb)
Furniture	$ (129,280)	$ (1,409,775)	$ (1,280,495)	$ (1,287,135)	$ (122,640)	Corrective Actions: Pricing, Cost Avoid, Expand Sales
Laundry	$ 302,937	$ (191,374)	$ (494,311)	$ 178,978	$ (370,352)	January CPP Adjustment ($120K Retro Fund Reimb)
Incarcerated Services	$ 629,438	$ 1,456,310	$ 826,872	$ 872,054	$ 584,256	Performing
Optical	$ 750,064	$ 867,996	$ 117,932	$ 977,728	$ (109,732)	Performing
Textiles	$ 631,404	$ 3,816,253	$ 3,184,849	$ 308,209	$ 3,508,044	Performing; CDC - Nov +$1.65M and Dec +$1.48M
Site and Administration	$ (5,328,796)	$ (5,019,499)	$ 309,297	$ (5,401,061)	$ 381,562	Cost Allocated Expenses Down
Fund Level	$ (413,130)	$ (486,591)	$ (73,461)	$ (1,326,679)	$ 840,088	BLT Project, Accrued Leave
All Other	$ (997,202)	$ (1,053,860)	$ (56,658)	$ (1,373,413)	$ 319,553	Field Crops, Boxes, Transp, Program Areas COI Funded

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INDUSTRY/PROGRAM AREA	FORECAST	ACTUAL	VARIANCE	ACTUAL	VARIANCE	
NET INCOME/(LOSS)	**$ (6,259,131)**	**$ (2,088,535)**	**$ 4,170,596**	**$ (9,122,240)**	**$ 7,033,705**	**COMMENTS**
Communications	$ (121,112)	$ 92,469	$ 213,581	$ 708,022	$ (615,553)	Performing
Food Manufacturing & Distribution	$ (1,362,700)	$ (1,437,812)	$ (75,112)	$ (2,518,981)	$ 1,081,169	Monitoring; Focus - Pricing for RM; Population Impact
Food Service	$ (3,334,240)	$ (2,989,212)	$ 345,028	$ (2,643,112)	$ (346,100)	Monitoring; Focus - Pricing CPM; Population Impact
Furniture	$ (1,110,621)	$ (2,000,056)	$ (889,435)	$ (2,056,082)	$ 56,026	Monitoring; Focus - Pricing, Cost Avoid, Expand Sales
Laundry	$ (143,873)	$ (479,604)	$ (335,731)	$ (254,482)	$ (225,122)	Monitoring; Focus - Pricing CPP; Population Impact
Incarcerated Services	$ 210,618	$ 1,063,914	$ 853,296	$ 427,734	$ 636,180	Performing; Focus - Possible Pricing Reductions
Optical	$ 561,641	$ 718,125	$ 156,484	$ 722,081	$ (3,956)	Performing
Textiles	$ 195,463	$ 3,409,735	$ 3,214,272	$ (202,453)	$ 3,612,188	Performing; CDC - Nov +$1.61M and Dec +$1.44M
Site and Administration	$ -	$ -	$ -	$ -	$ -	
Fund Level (Adjusted for Forecasted COI)	$ (1,328,352)	$ (1,476,131)	$ (147,779)	$ (3,413,142)	$ 1,937,011	Fund Sweep, BLT Project, Accrued Leave, Interest
All Other	$ 174,045	$ 1,010,037	$ 835,992	$ 108,175	$ 901,862	Field Crops, Boxes, GFS, TRAC, Braille, WD (COI Funds)