Identifying Beneficiaries of PIE Inmate Incomes

Who Benefits from Wage Earnings of Inmates Working in the Prison Industry Enhancement (PIE) Program?

The George Washington University
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For

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Executive Summary

The "Prison Industry Enhancement" (PIE) provisions of the Justice System Improvement Act of 1979 (Title 18 U.S.C. 1761(c)), at the end of 2000 engaging about 3,700 State prison inmates in open-market jobs, either created or recognized financial beneficiary groups not traditionally associated with inmate work. By paying inmates prevailing wages and then setting wage deductions, the combination of market wages and accompanying deductions produces significant monies available for an array of taxes, room and board, crime victim compensation, and family support, and for meeting other personal, family, and State-required obligations, as well as for savings and discretionary uses.

The primary purpose of this research is to identify the major financial beneficiaries of PIE inmate incomes and to measure more exactly the dollar size of those benefits. A secondary purpose is to estimate the beneficiaries and dollar size of financial benefits if U.S. State inmate populations were generally employed in open-market jobs similar to U.S. averages in skills, productivity, annual work hours, and wage levels. The information is expected to be useful (1) to the public and policy makers in considering inmate work, (2) to corrections and PIE practitioners in understanding and effecting PIE programs to the greatest benefit, and (3) to actual and potential PIE wage beneficiaries in order to assist them in recognizing and representing their stakes in inmate work.

Limits of the Research

This research is limited to financial benefits and immediate beneficiaries of PIE inmate payrolls and does not represent a comprehensive assessment of PIE; it does not account for other benefits or costs associated with PIE. It is not designed to be statistically representative of the gender, race, or other demographic, criminal justice, or employment characteristics of PIE inmates; moreover, the research is not necessarily representative of non-PIE deductions or characteristics. The research addresses State-level PIE and does not address benefits from PIE participation by local jails.

The research is funded by the U.S. Department of Justice, Bureau of Justice Assistance (BJA), through the National Correctional Industries Association (NCIA), and conducted by the George Washington University (GWU) Center for Economic Research (the Center), with participation by selected PIE State departments of corrections.

The research relies on PIE payroll and other records provided by an approximately 10-percent sample of PIE inmates who worked in PIE at any time in a selected year, from a stratified random sample of PIE participant States, along with GWU staff estimates of Federal and State income tax *liabilities* rather than reported deductions. Sampling is based on the State PIE inmate counts reported to NCIA for December 31, 2001. These reported static one-day counts for any State are assumed to have the same proportion of inmates of the U.S. total as that State's unreported share of the total number of inmates having worked at any time during the sample year 1998–2001.

The research presents State-level PIE inmate incomes plus employers' payroll tax contributions for one unspecified calendar year 1998–2001, and represents PIE inmates working in employer model (private firms) and customer model (operated by departments of corrections) settings. No personal inmate or other interviews were conducted. All inmate records are treated as confidential. While not guaranteeing confidentiality, the research does not disclose sampled States, firms, or the exact survey year. Participation by States and firms was voluntary.

The research estimates include both "inmate gross income," the gross wages and salaries paid to inmates, and "employer gross payroll," including inmate gross income plus employer payroll contributions to Social Security, workers compensation, and unemployment compensation.

Who Benefits From PIE Incomes?

Using weighted data reported by participant States, and revised by research staff to reflect employer contributions, tax liabilities, and other adjustments peculiar to the respondent States, Table XS1 presents estimated U.S. PIE incomes and their deductions for one calendar year 1998-2001.

Virtually every American belongs to a group that benefits from PIE inmate work. Non-inmate beneficiaries of PIE incomes include crime victims, State and Federal household and business taxpayers, all persons or businesses paying for Social Security and Medicare, and all persons and programs dependent upon State and Federal income tax funding or the social safety net (Social Security, Medicare, Workers Compensation, Unemployment compensation), including elementary, secondary, and college education, welfare, a wide range of State and Federal programs supporting medical and retirement services, and other goods and services.

Levels of benefits are highly dependent upon levels of income and assumptions affecting tax rates and distribution policies. Some benefits have at least dual immediate beneficiaries (for example, both taxpayers and program beneficiaries), voiding simple summing to 100 percent. Nevertheless, major beneficiary groups are relatively clear for contemporary PIE incomes:

- Taken together, others, not the inmate, are the primary beneficiaries of contemporary PIE incomes. An estimated 53 to 57 cents of every dollar earned by PIE inmates goes to non-inmate recipients via PIE deductions. A relatively small additional fraction is deducted post-PIE.

Table EXS1. Estimated Gross Employer Payouts, PIE Wages, and Deductions One Unspecified Year 1998-2001— Weighted Sample State PIE Programs Only (Revised)

Category	($Million)	Percent	Percent
Gross Employer Payout:	32.04	100.0	
Social Security (OASDI)	1.42	4.4	
Social Security (HI—Medicare)	0.33	1.0	
Federal Unemployment Insurance	0.11	0.3	
State Unemployment Insurance	0.11	0.4	
Workers Compensation	0.76	2.4	
Employer Contributions	2.74	8.6	
		Percent	Percent
Inmate Gross Income:	29.30	91.4	100.0
Room and Board	9.60	30.0	32.8
Taxes, Federal Income (Liability)	1.14	3.5	3.9
Taxes, State Income (Liability)	0.12	0.4	0.4
Social Security (OASDI)	1.42	4.4	4.9
Social Security (HI—Medicare)	0.33	1.0	1.1
Victims Compensation	2.64	8.2	9.0
Family Support*	0.23	0.7	0.8
Other PIE Deductions*	0.05	0.2	0.2
Total Inmate PIE Deductions	15.53	48.5	53.0
PIE Residual**	13.76	43.0	47.0

*Some sampled States include other court-ordered deductions, interpreting the final deduction category as “family and other court-ordered deductions.”
**Residuals are not net savings and do not equal the net amount accruing to the inmate because of post-PIE deductions not accounted by PIE.

Totals may not equal sum of components due to independent rounding.

- The single largest beneficiary of PIE income is the PIE worker, estimated receiving after PIE deductions on average 43 percent of gross employer payouts and 47 percent of his or her gross income. Moreover, total PIE deductions therefore, fall well below the 80 percent upper bound set by PIE.

- The single largest non-inmate beneficiary group benefiting from PIE incomes includes State household and business taxpayers and all State programs benefiting from State income tax payments, accounting for about one third of PIE inmate incomes. About one third of PIE incomes reduce State taxpayer costs via the PIE room and board deduction. Another 0.4 percent derives from State income taxes paid. Indirect individual lesser contributions reducing State taxpayer burdens and increasing incomes for others—to the extent State taxpayers either supplement or occasionally buttress these programs—are PIE deductions offsetting child welfare support, contributing to State crime victim compensation programs or reimbursing crime victims (or the State agencies assisting victims), and to unemployment insurance and workers' compensation programs. Using State expenditure patterns as a guide, PIE deductions for the State treasury primarily support a State's elementary, secondary, and higher education programs (one third of State spending), and Medicaid (one fifth). To the extent increased PIE incomes spell increased State tax revenues, then, the primary non-inmate beneficiaries of PIE inmate income are State business and household tax payers, education, and health care.

- Social Security taxpayers and recipients—both for Old-Age, Survivors and Disability Insurance (OASDI) and Medicare (Hospital Insurance, HI)—constitute the second largest non-inmate beneficiary groups benefiting from State inmate PIE jobholding, accounting for 6 percent of income or 11 percent of total payout, depending upon whether or not employer contributions are included. By increasing current contributions, PIE inmate earnings-based deductions strengthen the Social Security system, relieve some burden on current household and business Social Security tax payers, and at least contribute to reducing pressures for higher Social Security taxes or reduced income and health care benefits, particularly for the retired. Recognizing that Social Security taxes are a significant cost to American employers, take a larger share of lower income paychecks than do income taxes, and that about two-thirds of Americans 65 and over get more than half their income from Social Security, PIE contributions to Social Security address important American concerns and constituencies.

- Current crime victims (plus occasionally a PIE inmate's own victim), along with those households and businesses bearing the costs of crime, together constitute the third largest non-inmate beneficiary group benefiting from State inmate PIE jobholding, gaining about 9 percent of PIE inmate earnings. Because of Federal matching funds (currently contributing an additional 40 cents per State dollar gotten), this group adds an amount equal to about 13 percent of PIE earnings. Victim compensation monies contribute to State-operated crime victim compensation funds, reimbursing today's crime victims for unreimbursed direct costs of crime or income lost; in some instances, State crime victim compensation funds may be used to meet a specific restitution order, compensating the identified specific victims of the PIE inmate. PIE inmate contributions to State crime victim compensation programs appear to constitute virtually 100 percent of incarcerated offender contributions to sampled State crime victim compensation programs, at a time when all U.S. crime victim compensation programs together compensate crime victims, on average, much less than 1 percent of the $50 billion annual direct costs of violent crime. Because State taxpayers and employers also bear significant shares of crime costs—in taxpayer-provided emergency services and in employer-provided increased health insurance premiums, sick leave, and lost employer productivity—PIE inmate victim compensation deductions potentially affect important beneficiaries in addition to the crime victim.

- Federal Income Tax payers and programs dependent on the Federal budget constitute the fourth largest beneficiary groups, garnering about 4 percent of PIE inmate incomes. In addition to providing some relief to other Federal taxpayers, PIE inmate deductions for Federal income taxes can be said to support National defense, income security (Supplemental

Social Security, food stamps, Temporary Assistance to Needy Families, the earned income tax credit), and Federally supported health care (Medicaid).

- Employee Income Support, Ratepayers and Recipients, including workers compensation and State and Federal unemployment compensation programs, constitute the fifth largest beneficiaries of PIE inmate incomes, accounting for approximately 3 percent of estimated gross PIE employer payouts. Because most PIE inmates cannot collect either workers compensation or unemployment while they are incarcerated, PIE employer contributions to Federal and State unemployment and State compensation programs directly relieve a State's other employers of some tax burdens while increasing funds available for ill, injured, or unemployed workers in the State.

- Children, families, and State child welfare programs appears to constitute the sixth largest group of beneficiaries of PIE inmate incomes, garnering less than 1 percent of PIE inmate incomes via court-ordered child support payments; voluntary payments made by PIE inmates from post-PIE residuals are unknown. Child support payments responding to child-support orders appear to be the lone trigger for PIE family support deductions, and no evidence was found of PIE-induced voluntary payments where child support orders do not exist, or of voluntary PIE deductions for other family members than children, such as to spouses or significant others, to grandparent or other caregivers of inmates' children, or to other relatives or householders of the PIE inmate. Nevertheless, with estimates that PIE inmates, like other inmates, are likely to be parents of minor children about half the time, and with available evidence suggesting disproportionate likelihood of poverty or economic need in the households of children being raised in grandparent or female-headed households, children and taxpayers, the retired and elderly, and stakeholders representing the economic interests of female householders constitute critical beneficiary constituent groups for the child support deduction. State taxpayers providing income and direct services support to dependents, particularly through welfare (Temporary Assistance to Needy Families), constitute a specifically crucial beneficiary group.

What if PIE Inmates Earned Average American Salaries?

What if PIE inmates earned annual incomes more typical of average American wage earners? A secondary purpose of the research is to estimate the beneficiaries and dollar size of financial benefits if U.S. State inmate populations were generally employed in open-market jobs similar to U.S. averages in skills, productivity, annual work hours, and wage levels.

Estimating potential incomes, beneficiaries, and benefits is highly dependent upon assumptions, including assumptions for the percentage of U.S. inmates participating in the PIE program, hours worked, productivity, wage rates, and deduction policies. Assumptions about post-PIE individual and social behaviors could also play a part, for example, for State and Federal fines and other court-orders enforcement policies and voluntary purchase preferences for much higher income inmates.

For this exercise, two groups of assumptions are used to set the range of low-to-high “reasonable” incomes, benefits, and beneficiaries if PIE work were generally applied in the United States. Obviously other assumptions could be chosen as well.

Critical assumptions for the low and high cases include the following:

- In both cases, PIE includes both Federal and State prison inmates but not inmates of local jails.
- For the low case, 50 percent of PIE inmates (700,000 persons) work full-time at an annual minimum wage income, $10,500 a year, and in the high case, 75 percent (1,050,000 persons) work at the U.S. average annual wage for calendar 2000, $32,000.
- Taxes: In both cases, PIE inmates encounter the 28-percent marginal Federal income tax rate above $7,150. Because some States do not have income taxes, the low case assumes 50 percent of inmates encounter the average State income tax rate of 4.4 percent above $4,700 annual earnings, whereas the high case assumes 67 percent encounter State income taxes.
- Other low and high case assumptions are affected by the proportion of inmates assumed in employer or customer model programs (affecting payroll taxes) and deduction rates for other programs, assuming higher deduction rates in the high case.

Tables EXS2 and EXS3 summarize the results of the low and high cases, showing National-level PIE income and deductions if Federal and State inmates participated in PIE under assumed conditions:

If assumptions and outcomes occurred as depicted in either scenario, benefits could occur as follows:

First, were the United States to succeed in engaging a large share of the U.S. State and Federal inmate labor force, their gross labor contributions would likely be much greater than currently realized. Whereas PIE inmates’ annual gross incomes nationwide today total about $32 *million* per year, generalized State and Federal inmate PIE work suggests total U.S. prison inmate labor income potential ranging from about $7 *billion* to nearly $37 *billion* per year.[1]

Second, were U.S. State and Federal inmates generally successful in PIE at the assumed levels, (1) the primary beneficiaries of general PIE inmate work would be Federal and State taxpayers, Social Security contributors and beneficiaries, crime victims, families, and others than the inmate; and (2) the greater the inmates’ productivity and incomes, the greater the proportional benefits to others than the inmate. Said otherwise, the greatest beneficiaries of widespread inmate PIE work would not be inmates but others than inmates, and the most significant stakeholders negatively affected by current non-work by U.S. prison inmates are these same groups.

[1] Including 600,000 local jail inmates suggests total U.S. adult inmate income potential ranging from $10 billion to $48 billion per year.

Of course, many benefits have more than one beneficiary—such as wherever both tax payers and recipients of tax benefits are affected—suggesting a sum of beneficiary shares much greater than 100 percent. And the exact distribution of many benefits is affected by their movement through the tax and transfer system.

State taxpayers, including both households and business taxpayers, and the programs supported by State taxpayers, presumably education, Medicaid, and roads and transportation, would likely be the single greatest non-inmate beneficiary classes if PIE inmate work were generally successful, probably accounting for roughly one-third of the total benefits of general PIE inmate work. Under the assumed income levels, PIE inmates could contribute between $3,000 and about $10,000 per year (10–33 percent) toward their individual costs of incarceration, particularly if large shares of these amounts either entered the State's general fund or explicitly reduced taxpayer costs. Because many inmates are assumed to remain outside PIE, of course, the aggregate average inmate contribution would fall short of that percentage; moreover, even under very aggressive assumptions, State taxpayers would continue bearing the heavy majority of incarceration costs.

Table EXS2. Results: Low Case Assumptions, U.S. PIE Income, Benefits, and Beneficiaries, if PIE Were Generally Applied in U.S. Federal and State Prisons (Assumed Income per PIE Inmate $10,500 per Year)

Category	($Billion)	Percent	
Gross Employer Payout	7.68	100.0	
Social Security (OASDI + HI)	0.28	3.7	
Social Security (HI—Medicare)			
Federal Unemployment Insurance	0.03	0.3	
State Unemployment Insurance			
Workers Compensation	0.03	0.3	
Employer Contributions	0.33	4.3	
		Percent	Percent
Inmate Gross Income	7.35	95.7	100.0
Room and Board	2.08	27.1	28.3
Taxes, Federal Income (Liability)	0.66	8.6	8.9
Taxes, State Income (Liability)	0.09	1.1	1.2
Social Security (OASDI)	0.28	3.7	3.8
Social Security (HI—Medicare)			
Victims Compensation	0.78	10.1	10.6
Family Support*	0.15	1.9	2.0
Other PIE Deductions*	0.00	0.0	0.0
Total Inmate PIE Deductions	4.03	52.5	54.9
PIE Residual**	3.32	43.2	45.1

**Total exceeds PIE deductions limit of 80 percent.

Table EXS3. Results: High Case Assumptions, U.S. PIE Income, Benefits, and Beneficiaries, if PIE Were Generally Applied in U.S. Federal and State Prisons (Assumed Income per PIE Inmate $33,250 per Year)

Category	($Billion)	Percent	
Gross Employer Payout	36.84	100.0	
Social Security (OASDI + HI)	2.57	7.0	
Social Security (HI—Medicare)			
Federal Unemployment Insurance	0.34	0.9	
State Unemployment Insurance			
Workers Compensation	0.34	0.9	
Employer Contributions	3.24	8.8	
		Percent	Percent
Inmate Gross Income	33.60	91.2	100.0
Room and Board	10.85	29.5	32.3
Taxes, Federal Income (Liability)	7.31	19.8	21.7
Taxes, State Income (Liability)	0.85	2.3	2.5
Social Security (OASDI)	2.57	7.0	7.7
Victims Compensation	3.70	10.0	11.0
Family Support*	2.08	5.7	6.2
Other PIE Deductions*	0.07	0.2	0.2
Total Inmate PIE Deductions	27.42	74.4	81.6**
PIE Residual	6.18	16.8	18.4

**Total exceeds PIE deductions limit of 80 percent.

Nevertheless, the $2–$11 billion savings to State taxpayers from PIE inmate room and board contributions could be expected to result in either (a) lower overall State tax rates and/or (b) increased funding meeting State obligations for education, Medicaid, roads and transportation, and other State-funded programs.

State taxpayers would enjoy other cost reductions or incomes as well. As PIE workers become taxpayers and average incomes increase, nationwide, State income tax liabilities could increase from less than $1 million a year today (Table B3) to $660–$850 million a year under general inmate PIE engagement. Family support offsets—reimbursing the State for the proportion of child support payments originally funded by State taxpayers through welfare—would likely refill State coffers with tens of millions of dollars a year to a maximum near $1 billion (if virtually all family support deductions offset State-supported TANF payments, which is highly unlikely). Similarly, State taxpayers may enjoy reduced costs in funding State victim compensation programs, and in supplementing State worker and unemployment compensation programs. Repayment of court costs, along with contributions to payoff of fines, could also reduce State (and Federal) taxpayer costs of administering the criminal justice system.

The second-largest non-inmate category of beneficiaries would likely be constituted of Social Security and other social safety net wage-earner and employer payees, and retired, widowed, disabled, dependent, and other Social Security recipients. Combining employer and worker contributions, PIE inmates' total contribution potential to the Social Security—OASDI and HI (Medicare)—is between $500 million to $5 billion per year, alone absorbing between 7 and 14 percent of PIE employers' gross payouts.

Federal income tax payers, and all programs dependent upon Federal income tax collections, constitute either the second or third largest recipient group. Depending upon income assumptions for the PIE inmate population, PIE inmate Federal tax payment potential is estimated to be as little as $660 million a year (about 8 percent of PIE earnings) under minimal assumptions and as much as $7.3 billion a year to the Federal treasury (about 20 percent of PIE earnings) under the most optimistic assumptions.

Crime victim compensation funds stand to gain significantly if PIE inmate work were generally successful. Whereas inmates (with the exception of PIE workers) typically contribute nothing or almost nothing to crime victim compensation programs today, if PIE were widely applied, total contributions to U.S. crime victims compensations programs could range from about $0.8 billion to about $3.7 billion a year, an amount far greater than currently paid out nationwide each year (about $300 million) but still less than 1 percent of the estimated greater than $350 billion per year cost of violent crime alone.

Family support, including to meet child support orders, could increase substantially, particularly if a higher proportion of inmates incurred PIE deductions for family support, potentially exceeding $2 billion under the most optimistic assumptions here, reaching as much as 6 percent of total payouts.

Except under higher income scenarios, inmates likely remain the single largest beneficiaries of PIE work, retaining at the conclusion of PIE deductions somewhere between 17 (under highest income) and 43 percent (under least income) of gross annual payroll earned in PIE. Therefore, inmates appear to retain very significant proportions of earnings, at least through the PIE phase. Under the lowest assumed annual income, $10,500 per year, PIE inmates would be expected to retain 45.1 percent, more than $4,700 per year; at the high end, inmates earning $33,250 per year, could be expected to retain about $6,650 (the 20 percent minimum required by PIE), in this case a function of both the progressive tax system and the assumed higher rates of deduction in the high income case. The inference for social policy would appear to be that the rewards of inmate work under assumptions of these scenarios, both generally and as inmate incomes increase, accrue at least as much to non-inmate beneficiaries as to the PIE inmate workers.

The exercise also suggests that, at least theoretically, the 80 percent upper bound for PIE deductions could be approached if PIE inmates' saw their gross incomes reach or exceed $30,000 per year and tax and other deduction assumptions occurred. While unlikely, seeing conditions under which the bound occurs nevertheless informs policymakers about conditions under which individual PIE workers could hit limits, and of the importance of measuring tax liabilities rather than merely PIE-defined deductions or voluntary (but refunded) payroll deductions.

Caveats

While attractive, estimating potential benefits of general PIE participation is an incomplete picture of both the challenge and the potential outcomes of PIE work. Among the issues yet to be considered are the following:

- correctional changes needed to provide safe, competitive, efficient, and profitable workplaces;
- techniques providing land, buildings, equipment, and services;
- the methods by which correctional locations and PIE firms become attractive and competitive; and
- other obvious issues of widespread integration of inmate production into the civilian economy.

Accommodating public attitudes and acceptance would be critical. Issues affecting both (a) increased opportunities for U.S. domestic business expansion and additional civilian hiring and (b) relationships and conditions of competition with civilian labor would likely need to be addressed.

Nevertheless, estimating potential benefits of widespread inmate work suggests the order of magnitude of potential good that could result from inmate work; the exercise suggests that integrating inmates more fully into the American economy may yield benefits and produce beneficiaries well beyond those traditionally recognized, and spur those beneficiaries to weigh public policies in their light.

Disposition of Remainder After PIE Deductions

In order to more fully identify beneficiaries and quantify benefits, optional work for the research extended to examination of PIE inmates' prison accounts for a month during PIE and another month before PIE, identifying and quantifying other sources of income, additional mandatory deductions after PIE, and kinds of expenditures and net savings occurring with remaining monies.

Resource constraints and challenges in obtaining inmates' individual records limited available information. Nevertheless, of 968 inmates sampled for the research, PIE-month inmate account information was obtained for 462 inmates, with at least some records from every sampled State; pre-PIE month information was obtained for only 106 inmates, and not every sampled State provided pre-PIE account information. In 104 instances, matched PIE and pre-PIE accounts were obtained. Data were analyzed and accounted unweighted for this analysis.

Overall, examination of PIE inmate accounts indicates the following:

First, States do not appear to deduct additional large amounts from PIE workers' incomes after PIE deductions; the average State deduction was an additional 3 percent of inmates' gross incomes, or $14–$20 a month. The additional deductions were not able to be separately distinguished, but appear to go primarily to fines, court costs, and other State or corrections-imposed charges, with other fractions going to crime victim restitution and child support. The generally small scale of the additional deductions suggests that victim restitution and child support are not being significantly supported beyond PIE deductions.

Second, most PIE inmates do not appear to shoulder significant additional family or child support burdens beyond PIE deductions, either by court order or voluntarily. Roughly 90 percent of the 462 inmates for whom PIE-month data was available expended nothing during the observed PIE month for persons with the same last name (a possible indicator of "family"), and 77 percent sent nothing to persons with different last names. However, some PIE inmates transmitted significant amounts; the average transmittal to persons with the same last name for inmates sending money averaged $195 for the month, and $178 to persons with different last names. Overall, monthly net transmittals (payments *to* persons plus reduced receipts *from* persons) to other persons indicate additional net benefits to other persons on the order of 9 percent ($60) of inmate gross incomes; 3 percent ($20) to persons with the same last names and 6 percent ($40) to persons with different last names. Transmittals to persons, however, do not necessarily mean support to other persons, but could as well represent purchases or transfers to meet the inmate's own savings or interests.

Third, in contrast to pre-PIE inmates, who appear to save almost nothing, PIE inmates likely accumulate significant savings during PIE participation. On average, they appear to retain in savings about $97 a month, which is an estimated 14 percent of their gross incomes and almost one third of their discretionary PIE incomes after PIE and post-PIE deductions. While extensive examination of inmate records strongly supports existence of inmate savings, nevertheless the value reached in this research is a residual after estimated expenses and could be significantly affected by estimation methods.

Fourth, by and large, inmate accounts do not directly indicate any wholesale movement by PIE inmates into exercising normal financial responsibilities, such as for mortgages, insurance, transportation, utilities, health care, or other outlays typical of American wage earners. On the one hand, absence of such payments is hardly surprising, and even if they occurred, they would likely occur indirectly, via a family member. On the other hand, the lack of either extensive money outflows to "family" or to recognizable purchase categories in most instances gives the appearance of PIE inmates' continued isolation from normal economic participation or responsibilities.

Finally, there is a striking difference between inmate incomes and outlays, particularly with respect to meeting responsibilities, creating benefits and beneficiaries, and creating savings. Whereas inmates while not in PIE are observed earning virtually nothing (about $57 a month from all sources, including from family) and spending almost all of it for personal items at the prison store, PIE inmates earn substantial amounts and contribute very significant shares to taxpayers, social support programs, crime victims, to families, and for themselves. Comparison of pre-PIE and PIE incomes and outlays leaves little doubt that PIE work yields significantly larger financial benefits to important National constituencies than idleness or traditional inmate work.

I. Introduction

The “Prison Industry Enhancement” (PIE) provisions of the Justice System Improvement Act of 1979 (Title 18 U.S.C. 1761(c)) either created or recognized financial beneficiary groups not traditionally associated with inmate work. As of December 31, 2000, about 3,700 State prison inmates worked in open-market PIE jobs. The combination of market wages, deductions, and normal employer contributions produces significant monies available for an array of taxes, room and board, crime victim compensation, and family support, and for meeting other personal, family, and State-required obligations, as well as for savings and discretionary uses. The purpose of the research is to clearly identify the major financial beneficiaries of PIE inmate incomes and to measure more exactly the dollar size of those benefits. A secondary purpose is to estimate the beneficiaries and dollar size of financial benefits if U.S. State and Federal inmate populations were generally employed in open-market jobs similar to U.S. averages in skills, productivity, annual work hours, and wage levels. The research is funded by the U.S. Department of Justice, Bureau of Justice Assistance (BJA), through the National Correctional Industries Association (NCIA), and conducted by the George Washington University (GWU) Center for Economic Research (the Center), with participation by selected PIE-State departments of corrections.

The research relies on PIE payroll and other records provided by a sample of participant PIE States. It represents State-level PIE inmate incomes and employers’ payroll tax contributions for one calendar year between 1998 and 2001, and represents PIE inmates working in employer-model (private firms) and customer-model (operated by departments of corrections) settings. No personal interviews were conducted. All inmate records are treated as confidential. While not guaranteeing confidentiality, the research does not disclose sampled States, firms, or the exact survey year. Participation by States and firms was voluntary.

The research is limited to financial benefits and beneficiaries of PIE inmate payrolls. It is not a comprehensive assessment of the net benefits of PIE, and does not account for either additional financial or non-financial benefits of PIE. Nor does the research address PIE’s purported or actual costs.

The research is not designed to be statistically representative of the gender, race, or other demographic, criminal justice, or employment characteristics of PIE inmates. The research does not address PIE benefits emanating from local jails participation in PIE.

Background

In 2000, about 2 million of the Nation's 281 million persons were incarcerated in local jails and in State and Federal correctional institutions, about 1.2 million of them in State institutions (Table 1).[1] The U.S. adult inmate population in 2000, including male and female inmates,[2] was approximately as follows:

- 1.1 percent of the adult working-age population ages 16–64 (182 million persons in 2000) and 1.2 percent of the adult working-age population ages 20–64 (166 million).[3]
- 1.4 percent of the adult civilian non-institutionalized labor force age 16+ (143 million persons either employed or actively seeking employment) and 1.5 percent of the labor force age 20+ (133 million persons).[4]
- 2.6 percent of the male civilian labor force ages 16+ (74 million persons), and 2.8 percent of the male civilian labor force ages 20+ (70 million).[5]
- The nation's 807,000 black male inmate population alone equaled 10.9 percent of the black male civilian labor force aged 20+ (7.4 million persons).[6]

Relatively few inmates have work assignments, and working inmate earnings are generally meager. Despite more than 70 percent of State and Federal inmates reporting having been employed before incarceration, 55 percent of State inmates have no work assignment (Table 1). [7] The 45 percent of State inmates with work assignments are reported working an average of 32

[1] American Fact Finder, U.S. Census Bureau, "Total Population 2000." Retrieved February 7, 2003 from American Fact Finder on the World Wide Web: factfinder.census.gov.

[2] Including persons incarcerated in adult and youthful offender institutions, excluding military and juvenile facilities.

[3] American Fact Finder, "Total Population 2000."

[4] U.S. Department of Labor, Bureau of Labor Statistics (BLS), Series LNS11000000. Retrieved February 7, 2003 from the Bureau of Labor Statistics on the World Wide Web: http://www.bls.gov.

[5] Ibid.

[6] Because inmates are not enumerated in the civilian labor force, percentages are calculated excluding inmates from the labor force totals. Sources: Derived from U.S. Bureau of the Census, Bureau of Labor Statistics, and Bureau of Justice Statistics data. Sources: Black Male Civilian Labor Force Ages 20+: U.S. Department of Labor, Bureau of Labor Statistics, "The Employment Situation: December 2000," Table 2, "Employment Status of the Civilian Population by Race, Sex, Age, and Hispanic Origin (Seasonally Adjusted)," accessed February 7, 2003 on the Internet: ftp://ftp.bls.gov/pub/news.release/History/empsit.01052001.news. Black Male Inmate Population: Derived by GWU research staff from various sources: (1) Total Inmate population, see Table 1 sources. (2) Inmate distribution by race and sex, estimated from separate Federal, State, and local statistics: (a) Federal data from BOP Quick Facts (see source note to Table 1); (b) State data from U.S. Dept of Justice, Bureau of Justice Statistics and Federal Bureau of Prisons, "Survey of Inmates in State and Federal Correctional Facilities 1997," accessed February 7, 2003 on the World Wide Web: http://www.icpsr.umich.edu:8080/NCAJD-STUDY/ 02598.xml.; (c) Local data from BJS Key Facts at a Glance (see source note to Table 1, below).

[7]Source: U.S. Department of Justice, Bureau of Justice Statistics, *Special Report Incarcerated Parents and Their Children*, Table 13, "Pre-Arrest Employment, Income, and Homelessness of Inmate Parents in State or Federal Prison, by Gender, 1997," Study Number 2598, August 2000, NCJ 182335, retrieved February 7, 2003 from the World Wide Web: www.icpsr.umich.edu/nacjd/home.html.

hours a week, getting 56 cents an hour for their work.[8] In 1997, inmates working in State correctional industries averaged earning $716 that year.[9]

Table 1. U.S. Inmate Populations, by Level of Jurisdiction and Category of Work (2000)

Level of Jurisdiction	Total Inmates	Total Working	Institutional Maintenance	Agriculture	Traditional Industries	Private Sector
Federal	123,141	99,623	77,785	150	21,688	0
State	1,193,192	537,540	450,287	30,494	53,057	3,706
Local	621,149	163,983	159,635	0	4,313	35
Total	1,937,482	801,146	687,707	30,644	79,058	3,741

Sources: Inmate Populations: Federal Bureau of Prisons (BOP) populations, BOP, *Quick Facts*, “Federal Prison Population Over Time/Drug Offenders (BOP facilities only), 2000,” retrieved on July 22, 2003 from the BOP Web site: http://www.bop.gov/fact0598.html. State prison and local jail populations: U.S. Department of Justice, Bureau of Justice Statistics, *Key Facts at a Glance,* “Correctional Populations,” retrieved July 22, 2003 from the Bureau of Justice Statistics Web site: http://www.ojp.usdoj.gov/bjs/glance/tables/corr2tab.htm. State prison populations are derived from totals minus Federal populations independently obtained. Working Populations: Obtained or derived from: (1) for State and for federal except traditional industries, Criminal Justice Institute, Inc., *2001 Corrections Yearbook,* Middletown, CT: Criminal Justice Institute, Inc. 2001; (2) for Federal Bureau of Prisons traditional industries, UNICOR, *UNICOR 2000 Annual Report*, Lexington, KY: UNICOR, 2000; and (3) estimates for local jail work derived using participation rates from U.S. Department of Justice, Bureau of Justice Statistics, Special Report, *Profile of Jail Inmates 1996,* Washington, DC: Bureau of Justice Statistics April 1998, NCJRS, NCJ164620.

In general, Federal and State laws prohibit inmates from open-market jobs, and inmates are legally excluded from the U.S. labor force. The initial prohibition was the Hawes-Cooper Act of 1929 (Title 49 U.S.C. 60), which mandated that prison-made goods transported from one State to another are subject to the laws of the importing State, and permitted the importing State to prohibit the sale of prisoner-made goods. The primary Federal bar to inmate employment is the Ashurst-Sumners Act of 1935 (Title 18 U.S.C. 1761(c)), making transport of prisoner-made goods in interState commerce a Federal criminal offense. As amended, 18 U.S.C. 1761(c) provides, “Whoever knowingly transports in interState commerce … any goods, wares, or merchandise manufactured, produced, or mined, wholly or in part by convicts or prisoners … shall be fined under this title or imprisoned not more than two years, or both [herein referred to as the Ashurst-Sumners Act].” A second critical restriction, the Walsh-Healey Act of 1936, prohibits the use of inmate labor to fulfill general government contracts exceeding $10,000. State laws typically repeat and reinforce the Federal prohibitions.

Prison Industry Enhancement (PIE)

PIE stands as the primary exception to inmate work prohibitions for the open market. Under an exception to Ashurst-Summers triggered by certification by the U.S. Department of Justice,

[8] U.S. Department of Justice, Bureau of Justice Statistics, *Survey of State Prison Inmates, 1991*, Washington, DC: U.S. Department of Justice, Bureau of Justice Statistics, March 1993, NCJ-136949, 27.
[9] American Bar Association, *Inmate Labor in America’s Correctional Facilities*, Discussion Draft, April 1998, Figure 12.

Bureau of Justice Assistance (BJA), and in the presence of conforming State law, State and local corrections departments may engage inmates in open-market jobs in the "Prison Industry Enhancement Certification" program popularly called "PIE." Under PIE, State and locally PIE-certified programs may be excepted from the Federal prohibitions, and prisoner-made goods under PIE may be transported in interState commerce.[10] PIE opportunities are not available to Federal inmates or institutions.

State and local departments of corrections with certified PIE programs may either host private firms operating inside correctional institutions and managing civilians and inmates on site (employer model), or departments may establish their own corrections-operated production units, engage and manage inmates themselves under PIE requirements, and provide the inmate-produced goods to private firms for use and sale in interState markets (customer model).[11] The U.S. Department of Justice, Bureau of Justice Assistance administers PIE, with technical, marketing, assessment, and training assistance provided under grant by the National Correctional Industries Association (NCIA).

BJA PIE certification requires that programs meet certain conditions, such as voluntary inmate participation, avoiding unfair competition with private sector business and labor, hourly wage rates not less than those prevailing for similar work in the locality, and others.[12] Certification also includes States' authority—but not obligation—to deduct from inmate workers' gross wages (1) Federal, State, and local taxes, (2) reasonable charges for room and board, (3) family support, and (4) victims compensation. Total deductions, if taken, must equal at least 5 and not more than 80 percent of gross wages; after PIE-authorized deductions, the inmate must receive at least 20 percent of gross wages. However, subsequent to PIE, the inmate may encounter additional obligations, such as for court-ordered fines and victim restitution.

Since PIE employment began in 1979, through the fourth quarter of 2001, all PIE inmate gross wages (including State and local programs) have totaled more than $215.3 million dollars (Table 2).[13]

Deductions for room and board have been rising. In the fourth quarter, 2001, 3,700 State prison inmates earned nearly $8 million in gross PIE wages, averaging about $2,200 each. As a result, 58 percent of fourth quarter 2001 PIE wages were reported going to deductions, 31 percent to

[10] For more information prison labor and PIE, see either the National Correctional Industries Association Web site, http://www.nationalcia.org, *PIE Certification Program—Final Guidelines*, section II, "Background of PIECP," or the Bureau of Justice Assistance national clearinghouse for information on inmate labor, http://www.correction.org/bja.
[11] A variation of the customer model is the manpower model, in which the Department retains control of the production unit and inmate workers, but the private employer manages production unit operations
[12] U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance, *Prison Industry Enhancement Certification Program Guideline*, section III(a), "Program Guidance—PIECP Purposes," *Federal Register* 64 (66) (April 7, 1999): 17000—17014. The final guidelines are available on the World Wide Web at http://www.NationalCIA.org, under "PIE Certification Program."
[13] National Correctional Industries Association, "Prison Industry Enhancement Certification Program: Cumulative Data—1979 through Fourth Quarter (October 1 through December 31) 2001," available on the World Wide Web: http://www.nationalcia.org/pie4th01stats.pdf.

board and room, and the other deductions not greatly different from their longer term cumulative shares; the lower PIE residual of 42 percent to inmates for the fourth quarter offsets the higher share to board and room.[14]

Table 2. Cumulative PIE Wages and Deductions, 1979 Through Fourth Quarter 2001 ($Million)

Category	Cumulative $	Percent
Gross Wages	215.3	100
Room and Board	55.4	26
Taxes (All)	29.2	14
Victims' Programs	19.8	9
Family Support	12.6	6
Total PIE Deductions	117.2	54
Residual	98.1	46

Source: National Correctional Industries Association, "Prison Industry Enhancement Certification Program: Cumulative Data—1979 through Fourth Quarter (October 1 through December 31) 2001."

[14] Ibid.

II. Design of the Research

This *Identifying Beneficiaries of PIE Inmate Incomes* research was conducted by the Center for Economic Research, Department of Economics, The George Washington University (Washington, D.C.), under GWU research contract PTA24383/1/CCNS20186A with the National Correctional Industries Association. Research began in September, 2002, and the final report was delivered to NCIA in July, 2003.

Purpose

Through open-market work, nearly 4000 State prison inmates generate annual incomes appearing to average more than three times traditional prisoner earnings, and, as shown by aggregate statistics, their incomes and deductions provide substantial individual taxes, compensation, purchasing and savings power, and support.

Nevertheless, neither PIE beneficiaries nor PIE's benefits are well known, either by departments of corrections, by the actual or potential beneficiary groups, or by the public and policymakers. As a result, the PIE program may miss stakeholder and public or policymaker support available were the benefits more clearly recognized.

Difficulties in understanding PIE benefits arise for a number of reasons. First, PIE deduction categories are somewhat ambiguous, obscuring identification of beneficiaries and quantification of benefits. The extent to which "taxes" includes Federal and State income taxes is unclear, and the extent to which Social Security and Medicare deductions occur is uncertain, especially with customer model programs exempted from exacting them. "Family Support" remains undefined (Who are "family"?), and the extent to which "family support" coincides with mandatory or voluntary child support, resources provided to spouses, partners, child-care givers (like grandparents and relatives) and other required or voluntary payments to extended families or significant others is unclear. The term "victim compensation," while well defined, is likely broadly misunderstood, and "board and room," while generally descriptive, may ultimately reveal little of who profits—taxpayers or others—from the deduction.

Second, PIE firms incur significant employer payroll costs not revealed in national PIE statistics. Therefore, there are additional unrecognized beneficiaries for employer-shares of payroll taxes for Social Security, unemployment insurance, and workers' compensation programs, beneficiaries and benefits tied to PIE wages but unaccounted in the National data.

Third, *net* benefits to beneficiaries may differ substantially from the *gross* benefits identified by aggregate deductions. PIE reported income tax payroll deductions may not accurately reflect actual income tax liabilities, since inmates, like other taxpayers, may qualify for income tax refunds or owe additional taxes based on annual incomes. On the other hand, retained PIE incomes may relieve inmate families and others of needs to send monies to incarcerated families members, such that net benefits to families from PIE work exceeds gross deductions for family support.

Fourth, with nearly half (47 percent) of inmates' gross incomes left as an unspent residual and unaccounted among aggregate PIE statistics, the disposition of PIE incomes beyond PIE is of interest. Anecdotal information suggests significant post-PIE obligations, including court costs, fines, victim restitution (separate from PIE victim compensation), court-ordered child support, as well as voluntary payments to children, families, and for other purchases, and for savings.

Finally, whatever PIE inmates' current earnings, aggregate PIE statistics for a minor share of State inmates, most likely working less than full-time or for the entire year, and working with generally limited skills and in entry-level jobs, reveals little of the potential PIE beneficiaries and benefits were U.S. State prison inmates fully employed year-round in skills and jobs yielding more typical U.S. annual incomes.

The purpose of this research, then—as afforded by immediately available records—is to identify more clearly who benefits (what groups) and the magnitude of their benefits from PIE inmate incomes. To the extent beneficiary groups can be identified and benefits quantified, those beneficiaries, other stakeholders, the public, corrections departments, and policy makers will be better equipped to serve those interests, compare them with other priorities, assess PIE, and evaluate or modify PIE's contribution to the U.S. economy. Corrections departments designing, implementing, and garnering public support can better assess decisions in light of beneficiary consequences. Further, identification of beneficiaries and benefits can assist efforts modifying or improving PIE to improve the magnitude, distribution, and equity of benefits available from the PIE program.

Design

Identifying Beneficiaries of PIE Inmate Incomes implements part of the U.S. Department of Justice, Bureau of Justice Assistance-funded technical assistance and monitoring mission of the National Correctional Industries Association, and arises from 2001 proposals within the NCIA Research Advisory Board (RAB) seeking more precise information on PIE's meeting its mission of providing benefits: "Through inmate wage deductions, to increase advantages to the public by providing departments of correction with a means for collecting taxes and partially recovering inmate room and board costs, by providing crime victims with a greater opportunity to obtain compensation, as well as by promoting inmate family support."[1]

[1] U.S. Department of Justice, *Prison Industry Enhancement Certification Program Guideline.*

The research relies primarily on records and other information provided by a statistical sample of State PIE programs and PIE employers. No personal interviews were conducted.

The research focuses on identifying the direct beneficiaries and benefits of PIE inmate incomes in PIE programs operated by State-level departments of corrections representing about 99 percent of PIE inmates. For this research, "inmate gross income" means the sum of PIE inmates' PIE wages for one calendar year as reported to the IRS. A broader measure, "employer gross payout," includes inmate gross income plus any employer- or State-paid payroll taxes (Social Security including Medicare, unemployment compensation, and workers compensation) and any other benefits directly tied to PIE employment and wage-earning, such as annual and sick leave, health and retirement benefits, employee stock ownership plans (ESOPs) or other employee investment plans, or other employer or corrections provided worker benefits tied to PIE employment (such as holiday parties, good-time credits, or other privileges).[2]

"Beneficiaries" are those persons or entities who (1) directly receive the monies deducted from PIE inmates' wages, (2) by virtue of inmate's increased self-sufficiency realize immediate savings from reduced requirements for outlays to the inmate, (3) are relieved of tax burdens, or (4) can be reasonably considered ultimate users for end-use consumption. Of practical necessity, the indirect, intermediate, and secondary beneficiaries (such as increased employment in firms supplying the businesses producing goods and services for inmates' families) are not explicitly considered. Moreover, because the research relies on corrections and business records, ultimate disposition of incomes transferred from inmate payrolls and accounts to other persons and accounts remains unidentified. Thus the research offers no definitive information on who actually receives significant monies transmitted by PIE inmates during or at the end of incarceration or their uses of those monies.

Confidentiality

The *Beneficiaries* research was conducted under terms approved by the George Washington University Office of Human Research, Institutional Review Board (IRB) (Non-Medical), IRB Number U080222ER.[3] The research meets Federal requirements (including University of Michigan Inter-University Consortium for Political and Social Research standards) protecting research subjects.[4] GWU IRB approval included providing assurances and methods protecting confidentiality of human subjects, clearly notifying respondents of the purposes, voluntary nature,

[2] "Good-time credits" are days credited against a criminal sentence.
[3] The Non-Medical IRB provides oversight for all non-clinical or non-medical research in the social sciences, including research into human behavior. All research projects at GWU must be reviewed and approved by the Non-Medical Center prior to enrolling any subjects. GWU institutional review guidelines are available on the World Wide Web at http://www.gwumc.edu/research/human/nonmedical.htm.
[4] Inter-University Consortium for Political and Social Research, "Preserving Respondent Privacy/Confidentiality," located at http://www.icpsr.umich.edu/access/deposit/confidentiality.html, and "Guide to Social Science Data Preparation and Archiving," located at http://www.icpsr.umich.edu/access/dpm.html.

content, and methods of the study, being accessible to and responding to comments and questions from respondents, and obtaining documented permission from each respondent.

Inmate Confidentiality

Despite inmate information more frequently treated as public record or even available on State Web sites, the beneficiaries research includes strict and extensive confidentiality protections for inmate information. Individual inmate information is offered complete confidentiality. Identifiers (Names, Social Security Numbers, Inmate ID's) are removed from information on individual inmate records contained in publicly accessible data bases maintained by the University of Michigan Inter-University Consortium for Political and Social Research (ICPSR); other individually unique or revealing information is either generalized or removed from individual records.

To further ensure inmate confidentiality, individual inmate demographic and criminal justice information is not linked to individual's PIE work and beneficiaries information.

Firms and States

Because some information essential to this research may be unique to specific firms or States and therefore capable of revealing a State or firm to knowledgeable parties, the sampled States and firms are not guaranteed complete confidentiality. However, protecting firms and States from disclosure is a critical operational objective of the research, both for the protection of individual inmates and to protect firms and States as well. As a consequence, firm and State identifiers are removed and, to the extent possible, unique data characteristics are generalized, otherwise obscured, or deleted.

To further protect firm and State confidentiality, the number of sampled States and firms in the research is not disclosed nor is the specific year studied revealed, except that it covers one calendar year between 1998 and 2001. As a result, data and tables in the text will describe various years during the 1998–2001 time period (and occasionally other years), in part because available data may be limited to those years and in part for protection of confidences.

Anecdotes and other data—particularly descriptive of rules, customs, and outcomes—in the report may be obtained from PIE or other States whose firms and inmates were not sampled for the research. The selections are provided primarily to more fully describe relevant characteristics of PIE programs, but also in order to further obscure the sample selection. Data in research tabulations and their specific discussion, of course, emanate solely from sampled sites.

Protecting Confidences

Both GWU research staff and State respondents collaborated to protect inmate, firm, and State data. All information containing identifiers was secured. After assembly, GWU working files have removed names, Social Security numbers, inmate ID's, and firm and State identifiers. Further, GWU staff informed and frequently reminded States and firm correspondents to speak of the research and exchange information only with persons and offices whose involvement was necessary for conduct of the research, and then only under the correspondent's agreement to maintain confidentiality. Research staff typically referred to sampled States by assigned number rather than by name.

Confidentiality and the National Correctional Industries Association

For information integrity and to protect PIE States and firms from concerns about NCIA oversight, the National Correctional Industries Association was not informed of the selected States. Moreover, both participating and non-participating PIE States were asked to not disclose their GWU research relationships to NCIA or in any way inquire about, discuss, or disclose the research as part biennial PIE assessments taking place during the some of the same months as this research.

Sampling

The *Beneficiaries* research was designed as an approximately 10-percent stratified simple random sample of State-level PIE inmates. Reported total PIE inmate populations as of December 31, 2001, were used as a proxy for total PIE inmate populations and State shares of total populations in State PIE programs at any time in the one selected 1998-2001 survey year. State populations were stratified by (1) PIE model type, employer model States separate from customer or manpower model States, and (2) by size, that is, the number of inmates in each State within each model type. Stratification by PIE model reflects differences in deduction requirements for the two models; stratification by size acts as a proxy for assumed other program differences. No objective information is available on either the total number of PIE inmate workers during a year or of their distribution by individual States; hence the reliance on December 31 counts.

No objective information was readily available affording sampling by demographic (sex, race, age, prior labor force status) or criminal justice (offense, sentence) characteristics. Despite theoretical advantages of selecting 10 percent of every PIE State's inmate workers, research efficiency and resource limitations instead resulted in instead selecting a small number of PIE participant States whose PIE inmate workforces together represent approximately 10 percent of the total U.S. PIE inmate worker population. The consequence of selecting all inmates in some programs rather than some inmates in all programs, lessens the likelihood that actual samples are fully representative by demographic, criminal justice, and even PIE characteristics.

Because Federal and State income tax rates reflect *annual* incomes, the defined measurement period for the research is the calendar year.

Therefore, the actual sample for the research became all PIE inmate workers receiving a W2 during the defined calendar research year (between 1998 and 2001) in each of a randomly selected small number of State-level PIE programs whose PIE populations in total approximately equaled 10 percent of the employer-model and customer/manpower model PIE worker populations based on Nationally reported December 31, 2001, statistics.

Sampling occurred based on nationally reported PIE State-level statistics for the fourth calendar quarter, 2001. While necessary, the sampling offered two additional limitations. First, the actual survey year might not be 2001, but any single year 1998–2001; because PIE employment can vary notably from State to State and year to year (and PIE firms differ and their employment complements change as well), actual samples may or not equal 10 percent of actual numbers for the actual survey year. More significant, national statistics (against which 2001 totals could be compared for the survey year, if different) were found to represent only the number of persons employed at the end of the calendar quarter, or more properly, the number of *positions* PIE inmate workers occupied at quarter's end. Therefore, depending upon worker turnover rates—unknown for both the sampled and all other PIE States—the actual number of PIE workers receiving a W2 in the survey year, on which sampling is ostensibly based, is unknown in advance of the actual survey. While it was obvious that the actual number of PIE workers in any State in a survey year would exceed the year-end total of positions, the extent of the excess and the degree of difference in turnover rates among PIE States was unknown. Of necessity, for this research all States are assumed to experience turnover rates matching that of the sum of sampled States. A critical assumption for the research is that whatever share any one PIE State's December 31 (quarterly) PIE inmate population contributes to the U.S. December 31 total PIE inmate population is the same as its share of all PIE inmates who worked at any time during the survey year. [5]

Sampling also distinguished "small" (few PIE inmate workers on December 31, 2001) from "large" States to ensure that both were potentially included. Fourth quarter, 2001 PIE statistics indicated 3,680 State-level PIE positions at the end of 2001, 2,189 among employer-model programs and the remainder among customer/manpower or mixed PIE programs. PIE program populations in Nevada, which offers both models, were separated according to model type.

Within employer-type and size groups, and numbering the States in each group, sampled States were randomly chosen using a table of random numbers to yield approximately 400 inmate positions and an expectation of some larger number representing all inmates who worked at any time during the sampled year. Actual numbers of PIE workers among the States differed substantially from expectations in some cases, such that the actual number of sampled inmates rose to 968 rather than approximately 400.

[5] An additional practical difficulty of sampling without knowing turnover rates is the potentially significant added cost of collecting, editing, coding, formatting, and processing the unknown number of records in excess of the approximately 400 indicated by fourth-quarter stock statistics.

Procedures

Peer Reviews

The *Beneficiaries* design was first introduced to the NCIA Research Advisory Board as an informal proposal in the Spring, 2001, and refined in response to informal comments during subsequent months. After NCIA approval, the formal research design was formally circulated to the RAB in September, 2002, and comments addressed. Draft results were circulated for RAB and GWU review in early Spring, 2003.

Coordinating with PIE States

From the beginning, research staff were concerned about PIE States' voluntary cooperation. Outsiders may be seen as threatening. Rewards for assisting research are distant, small, and uncertain, and costs are immediate, potentially significant, and fairly certain. Already burdened PIE-offices take on significant additional work supporting research, in communicating with research staff, obtaining clearances, locating information, submitting data, and in providing researchers the surrounding facts and information elucidating the data, all within limited budgets and time. States must protect some inmate information, making access to inmate data potentially difficult. PIE staff must protect State and corrections' interests; moreover, PIE and other correctional programs continuously risk public wrath and potential restriction or elimination of programs, raising the possibility that cooperation could yield negative outcomes for participant States. Risks to State PIE programs increased if information provided in the research were subject to the oversight and compliance activities of NCIA.

Therefore, in order to meet PIE States' concerns, minimize their burdens, and also to communicate and work effectively with them, the beneficiaries research included the following components:

- The research was limited to essential information; nonessential items were dropped. Every requested data element was evaluated for its contribution to the research and its likely burden on providing States. Research staff especially considered the likelihood that data elements were confidential or not releasable without individual inmate permissions—and worked to avoid such data.
- The research was limited to normal record systems possessed by the corrections department or PIE firms. In particular, personal interviews—which would require obtaining individual permissions and researchers' confidential meetings with inmates (raising security issues)—were rejected.
- In order to confirm legitimacy of the research, (1) directors of correctional industries and (2) PIE representatives were introduced to the research by letter from the BJA, which endorsed the effort and recommended participation if asked, informed potential respondents of confidentiality and confidentiality measures, and provided recipients contacts at the

University. The letter also referred recipients to the NCIA Web site for corroboration of NCIA support.
- The NCIA Web site posted endorsement of the research, repeating content of the notifying letter.
- NCIA recused itself from knowing sampled States. To ensure preventing a participating State's voluntarily supplied information being diverted for PIE compliance, a firewall between NCIA and all the PIE States was constructed relative to this research. GWU research staff did not notify NCIA of selected States and all States were asked *not* to contact NCIA about the research, whether or not they were involved in it. Participating States were asked not to discuss the research with one another. And both the PIE States and the PIE assessment teams conducting biennial assessments coincident with the research were asked to not discuss the research or expose materials or other information connected to the work.
- To test and improve the collection cycle, GWU planned testing and completing one State's data collection, formatting, and analysis before proceeding to subsequent sampled States.
- GWU research staff telephoned each sampled State's correctional industries director as the GWU single point of contact, then provided detailed information outlining the research, identifying the key record systems and data elements and their uses, suggesting an approach and identifying key participants, providing easy contact information, providing each participant a State agreement to participate, and asking for State recommendations for accomplishing the task. E-mail provided the usual method of delivery to the States, with signed facsimiles constituting the most common method of transmitting signed acceptances. See Appendix B for copies of documents provided each State and firm.
- The GWU sampling design included identifying substitute States in the event of initial selections' withdrawal.

Whether through these measures or for other reasons, none of the researchers' concerns was realized. Cooperation by all sampled States, without exception, proved stellar, and emphatically contradicted research fears. Both PIE and other corrections offices proved not only cooperative, but insightful and helpful in response, particularly in locating, preparing, transmitting, and explaining requested data. States' assistance was particularly noteworthy in the extent of effort obtaining and providing inmate account information and in explaining details of inmate income and expenditure categories.

- No sampled State declined to participate; substitute States were not needed.
- No required data was missed for any participating State.
- Permissions were relatively straightforward in almost all instances.
- Some requested data was found to be of public record; all requested records were determined to be in the legal possession of the State departments of corrections and releasable without individual inmate approval.

State PIE staff addressed concerns within their departments and obtained needed data and cooperation without any intercession by GWU researchers.

Some initial bumps did occur, however, resulting in an almost immediate change in procedures. Unfortunately, the first State's permission was delayed, and first reactions by some sampled States were hesitant. Specters of denial of access were raised, and labyrinthine permission cycles loomed, prompting GWU researchers to relatively quickly scrap plans to complete the first State before contacting subsequent ones in favor of immediate and coincident collection from every State on whatever most-rapid schedule might occur.

Further, the GWU proposal of each State identifying and organizing key participants and permissions in advance—particularly with prison offices beyond PIE and correctional industries—failed to occur on any occasion. Instead, (so far as could be observed by research staff) PIE and industries staff tended to organize permissions and plans within the industries hierarchy and only later addressed outside assistance—such as from inmate records offices—thereby occasionally triggering temporary uncertainties (some concerns) and brief delays.

The Permission Process

Participation in the Beneficiaries research is voluntary for all participants. Private PIE firms' participation is voluntary and independent of the host State's participation, and the research design calls for independent contact with each group. Contact with private PIE firms was not anticipated for customer model firms, since all records on inmate work are in the possession of the departments of corrections. In fact, little contact with employer model firms was required except to confirm tax contribution rates and inmates' non-pay benefits.

The GWU human subjects requirements call for written notification of subjects, description of the research, contact information for meeting subject interests and questions, and written agreement to participate. Therefore, after introducing the research, before obtaining any survey information, GWU obtained written agreement from every participant State.

III. Income, PIE, and Deductions Defined

With few exceptions, the little money an inmate receives from outside or from traditional industries has but one major beneficiary, the inmate. Indeed, inmate accounts suggest general separation of prison inmates from normal adult financial responsibilities, both from supporting themselves, and from broader personal, family, and social obligations.

On the other hand, PIE jobholding either recognizes or establishes personal, family, and social beneficiaries, as a function of (1) normal participation in open-market jobs, (2) special obligations imposed by PIE requirements, (3) enforcement of other child support and criminal justice obligations, and (4) voluntary expenditure decisions of PIE participants. Moreover, because PIE firms incur additional tax obligations tied to wages, employer gross payouts exceed the hourly wages paid employees and inmate workers.

Published national statistics show significant reallocations of inmate incomes. In the third quarter, 2002, for example (Table 3) 58 cents of every dollar of gross PIE inmate wages was diverted to room and board (30 cents), taxes (13 cents), victims programs (9 cents) and family support (6 cents), with just 42 cents accruing to the PIE inmate workers. Thus, the primary beneficiaries of PIE inmate incomes appear to be stakeholders other than the inmate.

But who are these stakeholders and what do the PIE deduction categories mean? And what additional employer-made payments tied to inmate hourly incomes also reach beneficiaries?

Table 3. Cumulative PIE Wages and Deductions, 1979 Through Fourth Quarter 2001 and Third Quarter 2002 ($Million)

	1979 Through 4th Qtr 2001		3d Quarter 2002	
Category	Cumulative $	Percent	$	Percent
Gross Wages	215.3	100	8.25	100
Room and Board	55.4	26	2.50	30
Taxes (All)	29.2	14	1.09	13
Victims Programs	19.8	9	0.75	9
Family Support	12.6	6	0.46	6
Total PIE Deductions	117.2	54	4.80	58
Residual	98.1	46	3.45	42

Note: Data include all reported PIE wages and deductions, including from a small number of non-State level PIE programs occurring in local jurisdictions.
Source: National Correctional Industries Association, “Prison Industry Enhancement Certification Program: Cumulative Data—1979 through Fourth Quarter (October 1 through December 31) 2001.”

Income

Inmate Gross Income

For this research, "inmate gross income" means the sum of PIE inmate workers' hourly wages, including regular work hours, overtime, awards, and bonuses reported as part of annual earnings to the IRS. "Inmate gross income" does not include any other employer payouts, such as for health benefits, retirement, stock options, or benefits in kind (non-monetary gifts, awards, company picnics or parties).

Gross Employer Payout

A broader term is also used in this research, "gross employer payout," which includes all of inmate gross income plus specified employer tax and insurance contributions tied to the PIE-workers' hourly wage rates, namely all of employers' Social Security, unemployment insurance, and workers compensation payments.

Nationally reported PIE data describe inmate gross income but do not account for additional employer contributions. Therefore, where used, the employer gross payouts used in this research exceed amounts reported in national statistics by the identified and measured amount of additional employer contributions.

Defining PIE Deductions

Only a general summary of PIE rules is presented here. Persons interested in detailed understanding of PIE requirements and guidelines should consult the NCIA Web site, "PIE Overview" and "Final Guideline" at http://www.NationalCIA.org. Moreover, specific rulings applicable to individual States' PIE programs may yield specialized deduction practices.

Under 18 U.S.C. 1761 (c)(2), PIE programs are not required to take deductions from inmates' wages (Page 25, Guidelines), although other provisions of law, such as Internal Revenue Service (IRS) requirements, may apply. If programs elect to take deductions from inmate gross incomes, PIE deductions may only be withheld for purposes and not to exceed amounts specified under 18 U.S.C. 1761(c)(2), including for (a) payment of taxes—Federal, State, local, (b) reasonable charges for room and board, (c) allocations for family support pursuant to State statute, court order, or agreement by the offender, and (d) contributions to any funds established by law to compensate victims of crime. Deductions, if taken, may be no more than 80 percent of gross wages).[1] Total PIE deductions may not exceed 80 percent of inmate gross income.[2] PIE inmates must be paid, credited with, or otherwise benefit legally from, the 20 percent gross remainder,

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[1] U.S. Department of Justice, *Prison Industry Enhancement Certification Program Guideline*, 25.
[2] Ibid., 19.

although the 20 percent gross remainder may be reduced to settle other post-PIE legal obligations, including for fines and restitution.[3]

Reasonable Charges for Room and Board

Deductions for room and board constitute by far the largest single PIE deduction, equaling about half of total PIE deductions. Moreover, given that the cumulative room and board deduction averages 26 percent of inmate gross income since 1979, but 30 percent for the third quarter, 2001, the room and board deduction appears to have been substantially increasing over time as a percentage of gross inmate income (Table 3).

Room and board deductions must be used to lower taxpayer costs of inmate incarceration. “The legislative history of 18 U.S.C. 1761(c) reflects a Congressional intent to permit the use of the room and board deduction to lower costs otherwise incurred by the public for inmate incarceration.”[4]

In general, although reserving the rights to review, the Bureau of Justice Assistance defers to individual PIE State determinations (by the State’s Chief Correctional Officer) with respect to both the size and the applications of the room and board deduction. Where private prisons take the deduction, BJA requires that the agreement between the department of corrections and the private institution be documented. BJA recognizes that broader contractual arrangements between a private entity and the State represent the interests of the taxpayer and leaves to the individual State the determination that a specific use of the room and board deduction yields an ultimate consequence reducing taxpayer costs.

“Room and board” covers far more than sleeping accommodations and meals, and instead includes the costs of most necessities and some additional provisions covering most items for the security, justice, rehabilitation, and daily lives of State prison inmates. The costs of inmate confinement are borne principally by State taxpayers, although some incidental costs are also borne by outside parties, usually the spouses, parents, other family or friends of inmates, and by not-for-profit and other groups providing services to inmates. For State prisons, “room and board” can be considered encompassing almost all security, criminal justice, and living costs, covering both the capital and the operating costs of (1) structures, equipment, grounds, roads, and their maintenance, (2) security and enforcement, (3) records, court, and other legal services and support, (4) utilities, (5) food service, (6) shoes and clothing, (7) health care, (8) education, libraries, training, rehabilitation, and counseling, (9) religious, recreation, and sports support, and (10) external relations, including with family, press, and other visitors.

[3] Ibid., 26.
[4] Ibid., 26.

Taxes

The requirement to pay income taxes arises from Federal and State requirements, not PIE, but PIE inmates' income taxes are considered PIE deductions.[5] Taxes include Federal, State, and local income taxes and also Social Security contributions paid by PIE inmate workers (but not those paid by employers). Income and Social Security taxes garner 13–14 percent of PIE inmates' gross incomes, and account for one-fifth to one-fourth of taken PIE deductions.

Federal Income Taxes

Federal income tax rates are based on annual gross incomes, and tax rates are progressive. The combination of exemptions, deductions and progressive rates means that initial levels of annual income go untaxed (are exempt or excused from taxation), while annual incomes above thresholds are taxed at increasing rates. Married inmates should file "married, filing separately." Although undoubtedly some few PIE inmates file as married, and enjoy business, interest, retirement, and other incomes, and may also itemize deductions separate from PIE work, nevertheless, the overwhelmingly weight of anecdotal evidence suggests that most inmates have few, if any, other tax-affecting circumstances, and that PIE inmates file as single taxpayers. This research assumes PIE-inmates to be "single" tax filers whose only taxable annual income is PIE earnings.[6] The research also assumes that PIE inmates are normal taxpayers and therefore know about, calculate, file for, and receive refunds for Federal tax overpayments incurred as payroll deductions.

This research includes PIE earnings during one calendar year 1998–2001. During that period the combination of the Federal standard deduction, a personal exemption, and progressive tax rates yielded the following income thresholds, at or below which single taxpayers were liable for no Federal taxes, above which they incur a 28 percent marginal to a maximum of $33,263 (arithmetic mean), and finally a 31 percent marginal rate for any reasonably conceivable additional annual income.

Table 4. Federal Income Tax Rates, Single Filers Showing Annual Gross Income Thresholds

Calendar Year	0 tax Rate ($) to -	28% tax Rate ($) to -
1998	6,950	32,300
1999	7,050	32,800
2000	7,200	33,450
2001	7,450	34,500
Mean	7,163	33,263

Source: Internal Revenue Service.

[5] Ibid., 16.
[6] PIE inmate earnings from institutional support or traditional prison industries are legally considered gratuities and are not taxed.

Calculations for this research, therefore, assume PIE earners pay no Federal income taxes on the first $7,150 PIE earnings in the survey year, 28 percent for relevant gross incomes $7,151 to $33,250 per calendar year, and 31 percent above $33,250. For 2001, an intermediate 15 percent rate was introduced up to $13,450; however, because this intermediate rate was not characteristic of the overall period, it is not used here.

Earned Income Tax Credit (EITC)

Were they not inmates, inmate tax filers with relatively low incomes could be eligible for the Federal "Earned Income Tax Credit" (EITC, sometimes referenced as "EIC"), a credit for low-income working individuals and families. The EITC reduces the amount of Federal tax owed and may result in a refund, sometimes even if no taxes were paid. The EITC is designed to yield a 7.66 percent refund for incomes up to $4,750 (for a $364 refund) and then decline to nothing above $10,710.[7]

Because inmates are Federal taxpayers, usually earn less than $10,710 a year, and often have children and low-income spouses, the EITC appears opportune for increasing inmate and inmate family incomes. On the other hand, inmates already receive board and room and other in-kind benefits. In any event, PIE inmates, despite being Federal taxpayers, are explicitly excluded from the EITC: "Earnings while an inmate. Amounts received for work performed while an inmate in a penal institution are not earned income when figuring the earned income credit. This includes amounts received through a work release program or while in a halfway house."[8]

Accounting for progressive Federal income tax rates suggests that most PIE inmates' Federal tax liabilities may be closer to zero than suggested by reported data. If all 3,700 or so PIE inmates reported for the third quarter, 2002, worked all four calendar quarters at exactly the same average incomes, generating about $33 million dollars for all of 2002, each PIE inmate's *Federally taxed income* would total no more than $1400 and generate, about $400 Federal income tax liability per inmate, less than the $500 or so suggested by the reported data after accounting for estimated Social Security deductions. Given that many inmates work much less than a full year, it is conceivable that actual Federal tax liabilities for most inmates are quite small or zero, and that PIE deductions for Federal taxes often subsequently result in refunds.

State Income Taxes

State income tax structures are difficult to generalize. Income tax rates for forty-three States and the District of Columbia differ individually with respect to exemptions, deductions, and tax rates; seven States have no income taxes. This research located no standard publications yielding "average" State income tax thresholds and rates. Therefore, section VI of this research,"Benefits if PIE Participation Were Widespread," broadly assumes an overall PIE worker's State income tax structure as shown in Table 5.

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[7] U.S. Department of the Treasury, Internal Revenue Service, Publication 596, *Earned Income Credit (EIC)*, catalog number 15173A (Revision 2002).

[8] U.S. Department of the Treasury, Internal Revenue Service, Publication 596, 10.

Table 5. State Income Tax Rates, Single Filers Showing Annual Gross Income Thresholds

0 percent to	$4,700
4.4 percent above	$4,700

Source: Derived from State of Wisconsin, Fiscal Bureau, "Individual Income Tax Provisions in the States #4," Informational Paper, Madison, Wisconsin, January 2001.

State-level researchers are encouraged to apply their own State income tax regulations to estimates of PIE worker income tax liabilities.

Local Income Taxes

This research is not aware of local income taxes being levied on PIE inmate incomes, and no research on local income tax rates was done or calculations included.

Social Security

Like civilian employees, PIE inmate workers for private firms in employer model programs also pay Social Security Taxes, including both the 6.2 percent OASDI (Old-Age, Survivors, Disability Insurance) and the 1.45 percent HI (Health Insurance, Medicare) premium, together totaling 7.65 percent of gross income, to a ceiling of $84,500 (with no income limit on the HI portion).

PIE inmates in customer model programs are not obliged to pay Social Security taxes because they are considered working for State-owned entities ("Services performed in an institution by an inmate in the employ of a State, a political subdivision, or a wholly-owned instrumentality are excepted from social Security employment by 26 U.S.C. 3121(b)(7)"). Both the Social Security Administration and the Internal Revenue Service concur that inmates working for Department of Corrections-owned production units (Customer and Manpower model employers) are exempted from Social Security employment by 26 U.S.C. 3121(b)(7). Section 3121(u)(2)(B)(ii)(II) also exempts such work from the Medicare contribution.[9] Nevertheless, despite the lack of obligation, PIE inmates in customer model programs may be contributing to both Social Security and Medicare, and the contributions, when made, are considered PIE contributions. Employer contributions to Social Security, if made, are not enumerated among nationally reported PIE statistics.

Unemployment Compensation

Section 26 U.S.C. 3306(c)(21) excepts from including as employment "service performed by a person committed to a penal institution."[10] As a result, PIE employers are not obliged to contribute for unemployment compensation under either the employer or the customer/manpower models, although some do. Because statistics do not account for employer contributions, PIE

[9] U.S. Department of Justice, *Prison Industry Enhancement Certification Program Guideline*, 14.
[10] Ibid., 15.

employers' unemployment contributions, if made, are not enumerated among nationally reported PIE statistics.

Workers' Compensation

Employers, both in employer and customer model PIE programs, pay workers' compensation, either as members of authorized State workers' compensation programs or, in States denying inmates participation in their workers' compensation programs, comparable provision of such benefits as provided for public sector and private sector employee.[11]

Victims Compensation

Overall, deductions for victims compensation consume about 9 percent of PIE inmate's gross wages (Table 3).

However, the victims compensation deduction is not designed to meet individual PIE inmate's victim restitution obligations. Deductions for victims compensation contribute to Federally sanctioned State victim compensation funds compensating current crime victims; in some instances, the PIE victims compensation fund also provides restitution to the PIE inmate's specific victim, if the monies are deposited in a State fund established by law to facilitate offenders' restitution obligations.[12]

In general, three important distinctions are made in law and practice distinguishing victims assistance, victims compensation, and restitution: "Victims Assistance" refers to monies spent by States, not for offsetting victims' losses, but for providing direct services to victims and for other victim-related services, such as for crisis intervention, counseling, emergency shelters, emergency transportation, and advocacy. PIE deductions may *not* contribute to victims assistance.

"Restitution" refers to direct payment by an offender to his or her own victims. Restitution occasionally occurs via a State's crime victim compensation fund (channeled through the fund) and can qualify as a PIE deduction. However, court-ordered restitution appears to occur primarily subsequent to and separate from PIE deductions. There is no defined lower or upper bound on restitution taken separately from the victims compensation deduction.

"Victims Compensation" refers to a direct reimbursement from a State-operated crime victim compensation program to or on behalf of specific crime victims to offset victims' uncompensated direct costs of the crime, for medical, burial, mental health, and/or lost wages or support. Pain and suffering are not compensated. Specific costs must be documented. There is normally no direct connection between an offender's contribution to a crime victim compensation fund and his/her specific victim. PIE deductions contribute to State victim compensation funds.

[11] Ibid., 25.
[12] Ibid., 16.

The State crime victim compensation funds to which State PIE inmates contribute is a part of the Federal-State product of the "1984 Victims of Crime Act," (VOCA, P.L. 98-473) that established the Crime Victims Fund in the U.S. Treasury. State crime victim compensation programs get annual financial support from the Federal crime victim compensation fund financed by fines, penalty assessments, and bond forfeitures from convicted Federal offenders (not from taxpayers). VOCA's existence and its distribution of assistance and compensation funds to the States sets the framework for all 50 States' (and the District of Columbia's) victim assistance and compensation laws and programs. Beginning in fiscal year 2002, with the passage of the October, 2001, "United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA Patriot Act), the victims compensation fund can also accept gifts, bequests, or donations from private entities.

Family Support

Family support remains generally undefined, although the Guidelines specify the family support deduction for "support of family pursuant to State statute, court order, or agreement by the offender.[13] On average, family support garners 6 percent of PIE inmates' gross wages, the smallest of PIE deductions.

The Post-Deductions Residual

PIE Guidelines are explicit, stating that, "deductions, in aggregate, cannot exceed 80 percent of gross wages … PIECP workers must be paid, credited with, or otherwise benefit legally from, the 20 percent gross remainder."[14] However, this guidance only limits PIE-based deductions. In fact, the guidelines clearly permit additional post-PIE deductions, and the State "…may direct the 20 percent gross remainder to a PIECP inmate worker's expense accounts, savings accounts, or toward the settling of the worker's legal obligations, including the payment of fines and restitution."[15]

[13] Ibid., 25.
[14] Ibid., 26.
[15] Ibid., 26.

IV. Deductions and Beneficiaries Elaborated

This section provides additional information defining the content of PIE beneficiary classes, identifies more clearly *who* (what groups) constitute the beneficiaries, provides relevant quantities—monetary and otherwise—affecting them, identifies critical issues affecting the beneficiary class, and positions the PIE deductions in the context of the economic characteristics of the beneficiary group.

Of necessity, the research identifies the most immediate beneficiaries of PIE incomes, with little or no emphasis on identifying secondary or "ultimate" recipients.

Taxes

Given the ubiquity of taxation and the far-reaching influence of Federal, State, and local government expenditures, the simplest and most accurate generalization is that *every person and every business that pays taxes and every person and every business that receives a benefit from taxes to some degree benefits from increasing the number of taxpayers.* Individuals, households, and businesses pay taxes. Taxes reduce consumer purchasing power and raise business costs, in each case reducing business sales and reducing consumer well-being. On the other hand, householders and businesses share in the benefits of National security, law, and infrastructure, and in varying degrees share in the benefits of publicly provided goods and services; moreover, the huge purchasing and employment powers of government create jobs and demands for goods and services in most sectors.

Overall, taxation can be viewed as a transfer among groups, *shifting* production and purchasing power from private individuals and businesses to governments, and then from governments to selected classes of individuals and businesses. Furthermore, by and large, the progressive income tax system in the United States, coupled with social safety nets, is thought to yield a general effect of shifting benefits from higher income to lower income groups, and from the wealthy toward those with least wealth.

Given that inmates are, by and large, disproportionately (compared with the normal population) less wealthy, of lower incomes, and more dependent upon the taxpaying population, the addition of inmates as taxpayers could be viewed as in the direction of offsetting the redistribution of incomes and wealth, with inmates lessening their dependence upon other taxpayers and contributing more to their own—and their families' and communities'—well being, health care, and retirement, and increasing the funding and stability of the overall tax, income security, health care, and retirement systems.

Moreover, because adding inmates as taxpayers yields a coincident dual benefit for every dollar collected—both to other taxpayers (shared burden, proportionately less tax burden per taxpayer) and at the same time to its recipients (a larger total to be distributed), the percent distribution of benefits taken from PIE incomes could substantially exceed 100 percent and makes describing the percentage distribution of every PIE dollar less than transparent.

Federal Income Taxes

Seen from both revenue and expenditure perspectives, the beneficiaries of inmates as taxpayers include both taxpaying American households and businesses, and, as recipients, all populations dependent for retirement, income, and health support, as well as for the National defense, interest on the debt, and a range of other physical, natural resource, and other programs. Retirement, income, and health support are, of course, heavily supported by social insurance and other contributions, and supplemented by outlays from Federal income taxpayers.

Who Pays Federal Income Taxes?

Of total Federal tax revenues of about $2 trillion in 2000, Federal income taxes grossed about $1.4 trillion (Table 6); another $0.6 trillion was collected from various social insurance taxes and contributions, such as Social Security, railroad and Federal employees retirement, and the like. The Federal income tax burden is borne both by households and by businesses, and disproportionately by higher income entities.

Unfortunately, because households and many businesses (proprietorships and partnerships) use the same tax reporting vehicles, the proportion of Federal income taxes paid by households and businesses is not known.[1] For fiscal year 2000 (October, 1999—September, 2000), nevertheless, Internal Revenue Statistics clearly reveal that both households and corporate businesses each bear significant Federal income tax burdens.

Table 6. Total U.S. Gross Income Tax Collections Fiscal Year 2000

Group	($Billion)	(Percent)
Individual*	1,137	83
Corporate	236	17
Total	1,373	100

*Note: Individual returns include proprietorship and partnership businesses.
Source: Internal Revenue Service.

[1] William Ahern, The Tax Foundation, personal communication, February 26, 2003. Internal Revenue Service data, however, may be mildly indicative, given that about 2 million of 130 million individual income tax returns are filed by partnerships (without noting the dollar value of taxes paid).

Therefore, at least 17 percent and presumably a significant additional share of the remaining 83 percent of U.S. income taxes are paid by American businesses.

Individual tax burdens are not small. For 2000, the Internal Revenue Service estimates the average tax rate for the top 50 percent of income earners to have been 16.9 percent of adjusted gross income.[2] Little surprise that taxpayers typically welcome either reduced tax rates or support from additional taxpayers.

Overall statistics, moreover, indicate relatively clearly that higher income taxpayers bear a highly disproportionate share of the Federal income tax burdens (Table 7).

Table 7. Total Federal Income Tax Share, 2000—Individual Taxpayers

Taxpayer Group	Percent of Federal Taxes Paid
Top 1%	37
Top 10%	67
Top 50%	93
Bottom 50%	7

Source: Internal Revenue Service.

Who Benefits From Federal Income Taxes?

Federal government expenditures touch virtually every sector of the economy, with the primary beneficiary classes being defense, income security, and health. Overall, Federal government expenditures fall into the following categories (Table 8).

Social Security and Medicare Part A are funded separately and treated separately here (below). Part B Medicare is optional insurance available to pay benefits to elderly and disabled persons for physician and other medical outpatient services, durable medical equipment, home health care, occupational therapy, and other services; Federal taxpayers pay about three-fourths of the cost of Medicare part B, for which contemporary outlays—taxpayer plus enrollee fees combined—are approximately $100 billion a year.[3]

The largest single Federal beneficiary category is, of course, the National defense, directly absorbing 16 percent of Federal fiscal 2000 outlays, plus another $47 billion (3 percent) for veterans benefits and, in addition, accounting for a sizeable fraction of interest on the National debt, itself the third largest outlay category ($220 billion, 12 percent) of Federal outlays.

[2] Tax Foundation, "Historical Data on Federal Individual Income Tax Returns, 1980-2000," Table "Average Tax Rate," retrieved February 26, 2003 on the World Wide Web: http://www.taxfoundation.org/ prtopincometable.html.
[3] Office of Management and Budget (OMB), *Budget of the United States Government*, Fiscal Year 2001, 252.

Table 8. Federal Government Outlays, Fiscal Year 2000

Function	($Billion)	(Percent)
Defense	291	16
Human Resources	1,125	63
Social Security	407	23
Income Security	251	14
Medicare	203	11
Health	154	9
Education/Training	63	4
Veterans	47	3
Physical Resources	86	5
Net Interest	220	12
Justice	26	1
Other	85	5
Total	1,790	100

Note: Sum exceeds total because of independent rounding.
Source: OMB, *Budget of the United States Government,* FY2001.

Income Security constitutes the second largest individual category of Federal outlay for fiscal 2000 (14 percent), and includes payments for Food Stamps, Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), and the Earned Income Tax Credit, plus Low-Income Housing Credits, all supported by Federal taxpayers.

And Federal taxpayer-supported health care—other than Social Security and Medicare—constitutes the third largest beneficiary of Federal taxes (9 percent), most of which goes to Medicaid, the Federal-State taxpayer supported program providing health care to low-income Americans. Medicaid provides health services to one quarter of the Nation’s children, and is the Nation’s single largest purchaser of maternity, nursing home, and other long-term care services, covering almost two-thirds of nursing home residents. Medicaid is reported to serve at least half of all adults living with AIDS. Other Federal services for health care include health insurance for children, Indian Health Services, substance abuse and mental health services, services for the mentally ill, and other services.[4]

Contemporary Challenges in Federal Income Taxation

Although receiving incomes from government expenditures tends to be welcomed, *paying* taxes reduces household, consumer, and business income and wealth, and diminishes purchasing and investment power. Paying fewer rather than more taxes is almost universally preferred by all taxpayer groups. Increasing tax burdens (independent of spending characteristics), is more generally viewed as slowing economic growth, particularly as individual taxation rates increase. Tax burdens raise input and production costs, increase prices, leave firms less competitive (particularly in world markets), and results in paying lower wages and stockholder dividends as well. Personal income taxes reduce disposable incomes, purchasing power, and consumer well

[4] Ibid., 245–246.

being. As any year's headlines attest, taxpayers tend to welcome tax relief, and the oft-repeated line, "Don't tax you, don't tax me, tax that man behind the tree," captures the taxpayers' collective fond hope.

Medicaid is of particular interest at both the Federal and State level, as health care costs rise and numbers of persons covered increases, all the more when economic downturns increase caseloads while decreasing tax revenues.

State Income Taxes

Who Pays State Income Taxes?

At the State level, taxes tend to be borne first by consumers through sales taxes, and then by individual, business, and corporate taxpayers through State income tax systems. Of total State government expenditures approaching $1 trillion dollars in 2000, roughly one-fourth, $227 billion, was obtained from State individual and corporate income taxes.[5] Similar to shares at the Federal level, most income taxes (86 percent in 2000) are obtained from individual household and business taxpayers, and the remainder is obtained from corporate entities. Nationwide, State income taxes in 2000 cost every American about $700.[6] In addition, State governments receive significant portions of operating funds from the Federal government.

Who Benefits From State Income Taxes?

Beneficiaries of State expenditures tend to be all persons receiving or paying for education or who are employed in or provide support to elementary, secondary, and higher education, then Medicaid delivery services or its recipients, and finally transportation (Table 9).

Challenges in State Taxation

In contrast to the Federal government, State budgets legally cannot incur deficits. Economic slowdowns mean reduced revenues, reduced State expenditures, and State revenue crises. As a result, budget crises expose the primary beneficiaries of increasing or decreasing State tax revenues. According to the National Conference of State Legislatures, "State legislators face a common problem around the country. Spending needs are outpacing projected budget levels, particularly in the area of Medicaid and health costs.… Whether the decisions are to raise revenues

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[5] The National Association of State Budget Officers (NASBO) cites $945 billion dollars expended by States in fiscal 2000, of which $682 billion was obtained by funding in the States (NASBO, *2000 State Expenditure Report,* Washington, DC: NASBO, 2001). For the same period, the U.S. Census Bureau, "State Government Tax Collections: 2000," reports total individual and corporate income taxes at the State level totaling $227 billion (U.S. Bureau of the Census, "State Government Tax Collections: 2000," retrieved July 22, 2003, from the IRS Web site: http://www.census.gov/govs/www/Statetax.html. In fiscal 2000, according to NASBO, about $246 billion was provided to the States by the Federal government.

[6] U.S. Bureau of the Census, "State Government Tax Collections: 2000."

Table 9. State Spending, Fiscal 2000—Spending Shares, From All Sources*

Expenditure Group	Estimated $Billion	Percent Share
Elementary & Secondary Education	213	23
Higher Education	103	11
Public Assistance	23	2
Medicaid	184	20
Corrections	36	4
Transportation	83	9
Other	303	32
Total	945	100

*Funding includes State and Federal sources. State general funds are concentrated in education (47 percent), whereas Federal funding is disproportionately evident in Medicaid support (40 percent).
Source: NASBO, *2000 State Expenditure Report.*

or cut programs, the lives of our constituents will be profoundly affected."[7] Thus, at the State level, beneficiaries tend to be concentrated among education providers and recipients, with special sensitivity today to providers and recipients of Medicaid. Medicaid spending is of particular interest, with rapidly rising costs facing strained State budgets; increasing State Medicaid costs have been cited as the "biggest single reason that may States' budgets are out of balance."[8]

Social Security (FICA)

What is Social Security?

Social Security (or FICA, the "Federal Insurance Contributions Act") is primarily an old-age insurance program, ensuring that retired American workers have a floor of income. Social Security also provides income to the disabled and to the families of prematurely deceased workers (Table 10). Furthermore, Social Security now includes "Medicare—Part A" medical coverage.

FICA represents payments to trust funds for 3 social insurance programs:

- OASI, "Old-Age and Survivors Insurance," pays retirement and survivor benefits;
- DI, "Disability Insurance," pays disability benefits; and

[7] National Conference of State Legislatures, *New National Survey Reports State Budgets Fall $17.5 Billion Short*, November 22, 2002, retrieved from the National Conference of State Legislatures Web site: http://www.ncsl.org.
[8] "Governors Finalizing Proposal to Revamp Medicaid," *The Washington Post*, June 3, 2003, page A10.

Table 10. Social Security Beneficiaries and Benefits, 1999

Beneficiary Group	Number (Million)	(Expenditure $Billion)
Old Age	31.0	334.4*
Survivors	7.0	*
Disability	6.5	1.4
Total:	44.6	385.8
Medicare (Part A)	33.9**	128.8

*Sum, Old Age and Survivors benefits. **Number enrolled.
Source: Social Security Administration, *Annual Statistical Supplement 2000.*

- HI "Hospital Insurance" benefits constitute Part A Medicare, and are generally received by persons over age 65 getting OA or who are disabled. Part A pays for inpatient hospital care, skilled nursing and other services.[9]

"Social Security" is the combination of OASI and DI, or OASDI; HI is the part A component of Medicare; their combination constitutes contemporary FICA.

Who Benefits From Social Security (FICA)?

Social Security protects more than 150 million American workers, and is by far the largest income support program for American retirees. About two-thirds of Americans 65 and over get more than half their income from Social Security, and estimates suggest that Social Security prevents poverty for nearly half of all Americans 65 and older.[10]

In 1999, the average monthly benefit for retired workers totaled $804, and for survivors and disabled, $750–$775.[11]

Who Pays for Social Security?

Employees and employers pay equally for Social Security. In 2001, more than $668 billion dollars in total FICA taxes were collected. Year 2002 tax rates for each program and total collections are shown in Table 11.

Funds collected from Social Security contributions are deposited into four separate trust funds, (a) For OASI, into the Federal Old-Age and Survivors' Insurance Trust Fund; (b) for DI, into the Federal Disability Insurance Trust Fund; and (c) for HI, the Federal Hospital Insurance Trust Fund. A fourth trust fund, the "Federal Supplementary Medical Insurance Trust Fund," receives monies collected from premiums for medical insurance coverage. Deposits into the trust funds are used to pay for the retirement, survivors, disability, hospital, and medical insurance programs, plus administrative costs. Excess funds are invested in interest-bearing Federal securities.

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[10] Harris, Diane, "Social Security, The Good News," *My Generation* 8 (May-June 2002), 33–38.
[11] Social Security Administration, Office of Policy, *Annual Statistical Supplement 2000.* Retrieved July 26, 2003 from the World Wide Web: http://www.ssa.gov/policy/docs/Statecomps/supplement/ 2000/supp00.pdf.

Table 11. FICA, Tax Rates 2002, Contributions 2001 (Percent)

Contributor	OASI	DI	HI	Total
Employee	5.30	0.90	1.45	7.65
Employer	5.30	0.90	1.45	7.65
Total	10.60	1.80	2.90	15.30
Total Contributions 2001 (Billions):				
	OASI	DI	HI	Total
	$442	$75	$152	$668
	66%	11%	23%	100%

Source: Social Security Administration, "Summary of the 2002 Annual Social Security Report," accessed July 22, 2003 on the World Wide Web: http://www.ssa.gov/OACT/TRSUM/trsummary.html.

What Are The Most Important Social Security Issues Today?

While current retiree and other obligations are able to be met, the most important issue facing all parts of Social Security today is the threat that sufficient trust funds will not be available in future decades to meet demands by qualifying insureds; in short, the primary problem facing Social Security is that current and future income is projected to fall short of future payout needs. Future retiree coverage is at issue, with reduced services, increased taxation, or both, as options. According to the Summary of the 2002 Annual Report of the Social Security and Medicare Boards of Trustees,

- The combined OASI and DI trust fund continues to fail to meet 75-year tests for actuarial balance. Bringing Social Security into actuarial balance could be achieved either by a 13 percent decrease in benefits or a 15 percent increase in payroll tax income, or a combination of the two. When the baby-boom generation begins to retire in about 2010, financial pressure on the Social Security trust funds will rise rapidly and tax income will fall short of outlays beginning in 2017.[12]

- Medicare faces financial difficulties that come sooner—and in many ways appear to be more severe—than those facing Social Security. Health care costs per enrollee are projected to rise faster than wages. Whereas trust funds are expected to remain solvent for at least 75 years, in fact, the HI trust fund is currently projected to remain solvent only until 2030; projected tax income is projected to fall short of outlays beginning in 2016. Expressed otherwise (according to the Trustees' report), the 75-year actuarial deficit is projected to be 2 percent of taxable payroll. Bringing HI into actual balance over the next 75 years could be achieved by raising the HI payroll tax rate from 1.45 percent to 2.46 percent on both employers and employees, or by reducing outlays (benefits) 38 percent from current levels—or a

[12] Social Security Administration, 2002, *The 2002 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds,* Washington, D.C.: Social Security Administration, March 26. Retrieved from the World Wide Web April 19, 2003: http://www.ssa.gov/OACT/TR/TR02/tr02.pdf.

combination of the two.[13] The HI cost rate increases not only because of the projected increase in the number of beneficiaries per worker, but because of increases in the use and cost of health care per person. Whereas in 2000 there were an estimated 3.4 workers per beneficiary, by 2030 the ratio is expected to fall to just over 2.0, and to about 1.8 workers per beneficiary by 2070.[14]

Although the parlance of Social Security and Medicare is of trust funds fueled by enrolled firms and persons, they are in fact considered liabilities of the U.S. Treasury.[15] Shortfalls in income must be made up with (a) increased taxation, (b) increased borrowing, (c) decreased benefits, or some combination of all three.

OASI costs increase steeply between 2010 and 2030 because the number of people receiving benefits will increase rapidly as the baby-boom generation retires, while the number of workers paying payroll taxes grows more slowly because of currently low fertility rates.[16]

Workers' Compensation

"Workers' Compensation" occurs at the State level and encompasses the worker compensation statutes and programs of all fifty States and the District of Columbia. State programs differ, and they are not Federally regulated. A workers' compensation program may be a State fund, a private insurance carrier, or a firm's self-insurance certified by the State. Federal, State, and local government employees are covered by a various government workers' compensation programs.

Who Pays Workers Compensation?

Employers pay for workers compensation. In calendar year 2000, employers are estimated to have invested $56 billion dollars for workers' compensation premiums, spending, on average $442 per covered worker that year. On average, employer costs are estimated to have equaled 1.25 percent of covered wages in 2000.[17] Premiums paid by employers are based on the industries and occupational classes of workers and also on individual firms' experiences with claims in the past.

Who Benefits From Workers Compensation?

Workers' compensation programs compensate injured wage and salary workers and their dependents and survivors.

The National Academy of Social Insurance (NASI) estimates that 88 percent of the entire U.S. workforce was covered by workers' compensation in 2000, with the self-employed and firms with

[13] Ibid., 2.
[14] Ibid., 19.
[15] Ibid., 13.
[16] Ibid., 8.
[17] National Academy of Social Insurance (NASI), "Workers' Compensation: Benefits, Coverage, and Costs, 2000, New Estimates," June 2002, Washington, DC: NASI.

5 or fewer employees the major groups excluded.[18] NASI estimates that 126.6 million employees, 94 percent of all wage and salary workers, were covered by workers' compensation in 2000.[19] In 2000, $45.9 billion dollars in workers' compensation benefits were paid.[20]

Benefits to injured workers and their survivors vary, depending upon the rules of the individual States and the characteristics and duration of the injury to the worker. Workers' compensation pays for the immediate medical treatment of work-related injuries, for hospital and medical care, and for rehabilitation. Permanent disabilities result in disability payments whose magnitude depends upon the impairment, the employees' pay rate, and a State payment schedule. According to the National Council on Compensation Insurance, worker compensation claims averaged about $10,000 in 1997, with about half going to wages compensation and the remainder going to medical costs.[21]

PIE inmate workers usually do not receive compensation benefits while they are incarcerated. As a result, workers' compensation premiums obtained from PIE employers can be generally viewed as a transfer payment funding the compensation claims of injured civilian employees.

Unemployment Taxes

Unemployment taxes and benefits are the product of joint Federal and State unemployment insurance programs. Each State administers a separate unemployment insurance program meeting Federal Standards.[22]

Who Pays Unemployment?

Employers fund unemployment insurance with a combination of Federal and State taxes. Employers' insurance rates vary based on (1) the amount of wages paid, (2) the amount already contributed to the fund, and (3) the amount paid from the fund to support discharged employees from that firm. For 1998, the average employer unemployment tax rate on taxable wages was 1.92 percent, but ranged from a low of 0.32 percent in Kansas to a high of 3.85 percent in Pennsylvania.[23] Differences in State rates reflect laws, wages, unemployment rates, and economic conditions in the States. Taxes paid are usually based on wage earners' incomes up to a maximum. The higher a firm's payout rate (the more persons dismissed and the higher their wages), the higher the employer's unemployment tax rate. State taxes are credited against the

[18] NASI, "Workers Compensation, Data Fact Sheet, Workers' Compensation Coverage by State," October 2002, No. 1, retrieved July 26, 2003 from the World Wide Web: http://www.nasi.org/publications2763/publications_show.htm?doc_id=124291&name=Workers%27%20Compensation.
[19] NASI, "Workers' Compensation: Benefits, Coverage, and Costs, 2000 New Estimates," June 2002.
[20] NASI, "Workers' Compensation: Benefits, Coverage, and Costs, 2000 New Estimates," June 2002.
[21] National Council on Compensation Insurance (NCCI), "Average Claim Costs," retrieved July 26, 2003 from the NCCI Web site: http://www.ncci.com.
[22] Cornell School of Law, Legal Information Institute, "Unemployment Compensation Law: An Overview," retrieved July 22, 2003 from the Cornell Law School Web site: http://www.law.cornell.edu/topics/unemployment_compensation.html.
[23] U.S. Department of Labor, Employment and Training Administration, *ET Handbook No. 394, Data for Calendar Year 1998: Categories,* retrieved July 26, 2003 from the U.S. Department of Labor Web site: http://www.ows.doleta.gov/unemploy/content/hdbk394_99/lnk98.html#taxempwag.

Federal tax. The Federal Unemployment Tax (FUTA) rate is currently 6.2 percent. However, payment of the State tax (SUTA)—regardless of the firm's actual State tax rate—results in relief of 5.4 percentage points of the FUTA rate and therefore reduces the effective FUTA rate to 0.8 percent. The FUTA tax rate has two components, a permanent tax rate of 0.6 percent plus a surtax rate of 0.2 percent.[24] Funds collected under the Federal tax are used solely for administration of the program; compensation to unemployed persons is paid by State collections. Proceeds of the unemployment taxes are deposited in the Federally administered Unemployment Trust Fund (the Fund), in which each State has a separate account. During economic recessions, the Federal government can also transfer monies to specific States from the "Extended Unemployment Account" also funded by State programs.

Who Benefits from Unemployment Taxes?

Unemployment insurance provides workers who lose their jobs through no fault of their own income for a period of time or until they find a new job. Compensation is intended to provide the worker time to find new employment equivalent to that lost. Compensation is also justified as maintaining aggregate consumer demand during times of economic downturn. Thus both employees and their families along with the business communities and others dependent upon their spending are viewed as the normal beneficiaries of unemployment insurance. Eligibility for unemployment insurance, benefits, and length of time for benefits is determined by individual State laws. An unemployed person must have worked for wages or time worked during a previous year, must be determined by the State to be unemployed through no personal fault, and the person must likely wait a short period (a few weeks) before actually receiving compensation. Benefits can be paid to a maximum of 26 weeks in most States, but may be extended during periods of high unemployment.

PIE inmates who lose their jobs generally do not collect unemployment compensation. Therefore, unemployment insurance premiums collected from PIE employers constitute transfer payments solely to the unemployment insurance claims of civilian workers.

For the United States, unemployment premiums and payments in 1998 averaged as follows:

- average monthly covered employment: 100.2 million persons;
- average weekly wage in covered employment: $610 (taxable: $196);
- unemployment premiums in 1998: $19.8 billion (plus $3 billion interest earned on trust funds);
- benefits paid, 1998: $18.4 billion;

[24] *Almanac of Policy Issues,* "Unemployment Compensation," excerpted from the 2000 House Ways and Means Green Book, retrieved July 22, 2003 from the *Almanac of Policy Issues* Web site: http://www.policyalmanac.org/social_welfare/archive/unemployment_compensation.shtml.

- reserves 12/31/98: $48.0 billion;
- average weekly insured unemployed in 1998: 2.2 million; and
- average weekly benefit amount, 1998: $200.29 (33 percent of wages).[25]

Victims Compensation (Restitution)

Who Benefits From Victims Compensation?

The direct beneficiary of victims compensation is the current crime victim or the victim's survivors, who receive monetary compensation for documented medical, burial, and lost wages uncompensated by other sources (Table 12). Victims compensation does not compensate for property losses or for pain and suffering. Awards are limited, with maximum payments varying by State, but in the range of $25,000. Actual awards typically fall well below maximums, in 1997 averaging about $1,400. About 114,000 claimants were compensated in that year.[26]

In calendar year 2000, U.S. crime victims received more than $295 million in crime victim compensation payments from States, with most awards compensating for medical and mental health costs not otherwise compensated.

Table 12. U.S. Crime Victims Compensation, 2000

Category	$Million Paid
Medical	141.3
Mental Health	48.7
Lost Wages/Support	46.1
Funeral & Burial	39.3
Crime Scene Cleanup	3.5
Forensics & Other	16.5
Total Compensation	295.4

Source: U.S. Department of Justice, Office of Justice Programs, Office for Victims of Crime, "Crime and Victimization in America Statistical Overview," retrieved from the DOJ Web site http://www.ojp.usdoj.gov/ovc/ncvrw/2002/ncvrw2002_rg_3.html.

[25] U.S. Department of Labor, Employment & Training Administration (ETA), *ET Handbook No. 394,* retrieved July 22, 2003 from the ETA Web site: http://workforcesecurity.doleta.gov/unemploy/ content/hdbk394_99/home.asp#top.
[26] Urban Institute, Justice Policy Center, *The National Evaluation of State Victims of Crime Act Compensation and Assistance Programs, Findings and Recommendations From a National Survey of State Administrators*, Research Report, Washington, DC: Urban Institute, March, 2001, 6.

Who Pays Victims Compensation?

State victims of crime compensation funds are financed by monies from (a) a State's current offenders, and (b) the Federal victims of crime compensation fund. Both the Federal and State crime victims compensation funds are financed by fines, penalty assessments, and bond forfeitures. [27]

Compensation literature is remarkably silent on sources of victim compensation funds. Anecdotal information suggests the vast majority coming from civil and criminal fines, possibly predominantly from white-collar criminal (not civil) fines.[28] Some States also provide victims compensation funding from the State treasury. Except for PIE inmates' contributions totaling about $3 million a year, nothing suggests inmates as notable contributors to State victims compensation programs. In fiscal year 2001, the Iowa Crime Victims Assistance Division reported $6.7 million in total program revenue, but only a small share from either restitution or inmate payments. Offender compensation, presumably primarily from probationers, accounts for about 6 percent of total revenues, and inmate wages, a bit less than 2 percent (Table 13).[29] For Iowa in 2001, it appears that virtually all payments by inmates to victims compensation was provided by PIE victim compensation deductions; of $116,618 reported published in the Division's annual report, $116,518 (99.9 percent) was independently reported to NCIA as PIE deductions for the Iowa victims compensation program. Inquiries regarding inmate contributions to victims compensation in the States sampled for this research indicate that all or virtually all monies collected by those State victim compensation programs was obtained from PIE inmates, with other State and local inmates contributing nothing or almost nothing to those States victim compensation programs.[30]

In fiscal year 2002, the Minnesota Crime Reparations Board paid almost $3 million to crime victims, of which 10 percent, nearly $300,000, was obtained from offender payments, most of it from probationers. Another $208,000, 6 percent, was obtained from inmate wage deductions for victim compensation; comparison with reported PIE contributions for calendar 2000 and 2001 suggests that Minnesota's PIE inmates contribute at least 80 percent of that State's overall inmate contributions.[31] Nevertheless, in both States, inmate contributions provide a very small share of overall victim compensation.

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[27] Since passage of the USA Patriot Act in October 2001, the Federal fund can also accept gifts, bequeaths, and donations from private entities.

[28] This research located no data—and rare mention—specifying sources of funds among a number of reports by the Department of Justice, the National Association of Crime Victim Compensation Boards, or others. *Business Week*, however, suggests that portions of large corporate fines may find their way to State victim compensation programs (*Business Week,* "Crime Pays—the Treasury," December 23, 2002, 8.

[29] Iowa Department of Justice, Crime Victim Assistance Division, *Fiscal Year 2001 Annual Report,* Des Moines: Iowa DOJ, 15.

[30] Personal communications, research staff with staff of sampled States' crime victim compensation program offices, May 2003.

[31] Personal communication, research staff with Marie Bibus, Minnesota Crime Victims Reparations Board, December 12, 2002.

Table 13. Iowa Crime Victim Compensation Revenues—Fiscal Year 2001

Source	$Million
Criminal Fines	3.4
Driving Intoxicated (Civil)	1.7
Federal Grant	0.9
Offender Restitution	0.4
Subrogation*	0.2
Inmate Wages	0.1
Total Revenues	6.7

*Subrogation is reimbursement of the compensation fund.
Source: Iowa Dept. of Justice, *Fiscal Year 2001 Annual Report.*

In general, the Federal victims of crime program distributes to a State an amount equal to 40 percent of that State's expenditure for victims of crime compensation two fiscal years earlier; for example, if a State spent $1 million for crime victim compensation in FY1998, it would receive $400,000 from the Federal VOCA (Victims of Crime Act) fund for distribution in FY2000. Thus, every $1.00 collected from PIE inmates for a State's crime victim compensation fund effectively adds $1.40 to monies distributed to the State's current crime victims.

Who Benefits From Restitution?

"Restitution" refers to the direct payment by an inmate or other offender to his or her victim. Unlike compensation, restitution requires the identification of an associated convicted offender. Restitution can occur as a PIE deduction if it occurs through a crime victim compensation fund; in fact, restitution may also occur as another court-ordered deduction as part of, or subsequent to, PIE. Therefore, in contrast to victims compensation, the beneficiary of restitution is the offender or inmate's specific crime victim or the survivors of the victim.

Who Pays Restitution?

Offenders, including inmates, pay restitution. Restitution is the product of a court order setting the amount of restitution and setting a restitution payment schedule. However, in most jurisdictions the court orders restitution only when the defendant possesses some ability to pay.[32] When the offender has been ordered to pay restitution in conjunction with a prison sentence, the State department of corrections serves as the administrator of the program.[33]

This research found no data quantifying U.S. direct restitution payments.

[32] National Center for Victims of Crime (NCVC), *Get Help* Series, "Restitution Legislation," retrieved July 22, 2003 from the NCVC Web site: http://www.ncvc.org/gethelp/restitutionlegislation/.
[33] Ibid.

Issues in Crime Victim Compensation and Restitution

Despite data shortcomings, it is overwhelmingly clear that crime victims are not generally compensated by their offenders, either via crime victim compensation or by restitution. Furthermore, it is highly unlikely that inmates are major contributors to compensation, and instead it appears that payments are primarily obtained from fines, and from probationers and parolees. Finally, there is some indication that compensation/restitution requirements are not fully enforced, suggesting the need and opportunity for increased enforcement within corrections.

First, the annual cost of crime is far in excess of crime compensation payments. One estimate of the annual cost of violent crime is provided by the Children's Safety Network (CSN) Economics and Insurance Resource Center (Table 14).[34]

Table 14. U.S. Cost of Violent Crime, 1995, Including Assault, Murder, Rape, and Robbery—Selected Components

Cost Category	($1997 Billion)
Medical Spending	6.75
Mental Health	4.91
Victim Work Loss	39.72
Property Damage	1.45
Quality of Life	274.93
Criminal Justice Costs/Other	18.29
Total Cost of Violent Crime	346.05

Source: CSN Economics & Insurance Resource Center, "Cost of Violent Crime and of Alcohol-Involved and Drug-Involved Violent Crime in the USA."

In addition, the authors add about $19 billion for annual drug crime costs, and other estimates include nearly $8 billion losses to auto theft, more than $5 billion to larceny/theft, and almost $3 billion in burglary losses in 2000.[35] Altogether, $50 billion, then, would probably work as a general estimate of the annual direct costs of violent crime ($100 billion for major crime), excluding pain and suffering and quality of life.

And who primarily bears the cost of crimes? According to the National Research Council, private insurers—particularly including those paid by victims' employers—plus crime victims and government agencies, bear most of the costs of violent crime victims' injuries. Costs borne by others than the victim are not compensated by victim compensation programs. Thus private insurers, employers, local, State, and Federal governments, and others bear the direct medical

[34] Children's Safety Network (CSN), CSN Economics & Insurance Resource Center, "Cost of Violent Crime and of Alcohol-Involved and Drug-Involved Violent Crime in the USA," 1995, retrieved July 22, 2003 from the CSN Economics & Insurance Resource Center Web site: http://www.csneirc.org/csneirc/ pubs/violent/us-viol.htm.

[35] U.S. Department of Justice, Office of Justice Programs, "Crime and Victimization in America, Statistical Overview," (2002 National Crime Victims Rights Week), 2, retrieved from the Office of Justice Programs Web site: http://www.ojp.usdoj.gov.

costs of violent crime. According to the Council estimates, the proportions of medical costs of victims' injuries are borne as follows (Table 15):

Table 15. Shares of Medical Costs for Violent Crime, 1995

Bearer	Percentage Borne
Private Insurers*	44
Government	32
Victims/Families	19
Charities	5

*Primarily employer-provided health insurance.
Source: National Research Council, *Understanding and Preventing Violence*.

Victims and their families bear the costs of pain and suffering, and victims and their families are estimated to bear nearly 80 percent of the ultimate costs of wage losses from murders and much of the wage loss for other violent crimes. Employers are estimated to carry large proportions of violent crime victimization costs, through sick leave, lost production, and health insurance premiums.[36] Thus the costs of crime are primarily borne by persons other than the offender.

By even the most generous of interpretations—and glossing over critical conceptual and measurement issues (like inmates as a proportion of all offenders and the differing time periods of offenses and restitution)—it is clear that compensation and restitution are a small fraction of the annual costs of crime and that the costs are primarily borne by others than offenders.

Further—and most relevant to this research—inmates' annual contributions offsetting the costs of crime are miniscule. Even if all crime victims compensation ($295 million a year) were paid by inmates and if restitution approximated compensation—and if pain and suffering were ignored—inmates would annually compensate victims far less than 1 percent of the annual costs of crime. Given that available information suggests that inmates pay only a small fraction of either compensation or restitution totals (PIE victims compensation totals about $3 million a year) it is clear that both restitution and compensation, relative to victim costs, are significantly underfunded, and that inmates of any stripe are generally absent from compensating for crime costs. By even the most generous of assumptions, inmate repayment in any year equals no more than 1/100 of one percent of even the annual direct cost of crime, excluding pain and suffering and quality of life losses.

There is some evidence that criminal justice and correctional policies, however justified, particularly in eras of restricted resources, contribute to offender and inmate nonpayment of restitution. After a 2002 review of restitution in Vermont, the State auditor concluded, "What

[36] National Research Council, National Academy Press, *Understanding and Preventing Violence,* (volume 4) *Consequences and Control,* Washington, DC: National Academy Press 1994, 145, 146.

we're saying is strategically and in every way…it's not a top priority for anybody…"[37] A 1999 U.S. Department of Justice, Office for Victims of Crime report, *Victim Services in Corrections*, report, pointedly notes: "While all 50 States, the District of Columbia and the Federal government have statutory provisions for victim restitution, it is one of the most under-enforced of all victims' rights." In addition to many other recommendations, the report also highlights the following recommendation, "Correctional agencies must acknowledge, through policies and practice, that restitution is a basic right that holds offenders financially accountable for their criminal actions, and provides victims with some monetary compensation to cover their losses resulting from crime."[38] Arguments for under-enforcement include (a) lack of court orders because cost far exceeds expected revenues, even when statutes appear to require them. (b) breakdowns in communication among agencies, (c) lack of resources to enforce, along with other, more pressing priorities, and (d) a general sense of futility in expecting a return from inmates; as the Justice Department report notes, "the often misguided belief that 'you can't squeeze blood from a turnip.…"[39]

In sum, available evidence overwhelmingly indicates that inmates, with the signal exception of PIE participants, generally contribute little or nothing to compensating crime victims or offsetting the annual costs of U.S. crime.

Family Support

Although not defined in any detail and conceptually capable of encompassing almost anyone considered "family," including spouses or significant others, children, parents, siblings, cousins, aunts, or even other unrelated household members, "family support" here is interpreted as financial support for an inmate's children, whether court-ordered or voluntarily provided. Presumably, then, the beneficiaries of family support are the children of inmates and the caregivers of those children. Because some children of inmates may get public support from taxpayers, beneficiaries of PIE family support deductions may also include taxpayers being partially reimbursed for welfare payments under TANF (Temporary Assistance for Needy Families).

How Many Inmates Have Children?

According to the U.S. Department of Justice, Bureau of Justice Statistics, in 1999, 55.4 percent of State prison inmates reported being parents of, on average, 1.84 minor children.[40] As a consequence, it appears that there are more unsupported minor children of State prison inmates in the United States (about 1.32 million) than prisoners (about 1.30 million) in 1999. About 1 of every 50 minor children in the United States is reported to have had a parent incarcerated in a

[37] David Mace, Vermont Press Bureau, "State Panel Looks at Crime Restitution" January 17, 2002, retrieved July 22, 2003 from the *Times Argus* Web site: http://timesargus.nybor.com/Legislature/Story/40828.html
[38] U.S. Department of Justice, Office for Victims of Crime, *Promising Practices and Strategies for Victim Services in Corrections*, Washington, DC: U.S. Department of Justice, July 1999, 21, NCJ-166605.
[39] Ibid., 21.
[40] U.S. Department of Justice, Bureau of Justice Statistics, "Incarcerated Parents and Their Children," Washington, DC: U.S. Department of Justice, August 2000, 1, NCJ-182335.

State or Federal prison in 1999, representing 0.8 percent of all white children, 2.6 percent of Hispanic children, and 7 percent of black children.[41] If incarceration and parenting rates are similar for jail inmates, then about 2 million minor children (about 3 percent of them) in the United States have at least one incarcerated parent, and corresponding percentages would then reach about 1 percent of white, more than 3 percent of Hispanic, and more than 10 percent of black children having at least one incarcerated parent in a U.S. jail or prison.

Who Takes Care of Inmates' Children?

In the vast majority of cases, the caregiver of a State inmate's child is the child's mother; if the inmate is the mother, the caregiver is typically the child's grandmother (Table 16).

Table 16. Caregivers, Children of State Inmates 1997

Caregiver	Percent Caregivers		
	Total*	Male Inmates	Female Inmates
Other Parent	85.0	89.6	28.0
Grandparent of Child	16.3	13.3	52.9
Other Relatives	6.4	4.9	25.7
Foster Home/Agency	2.4	1.8	9.6
Friends/Others	5.3	4.9	10.4

*Sum of percentages exceed 100 because some prisoners had children in different homes.
Note: 55 percent of inmate parents (56 percent of males, 36 percent of females) reported not living with their children before admission.
Source: Bureau of Justice Statistics, "Incarcerated Parents and Their Children."

Statistics are unclear about a number of important characteristics of child care givers, including whether the mothers live as single parent householders (as heads of households) or whether they live with others, either significant others or with their own parent or parents, important differentiating characteristics with respect to the child's probability of living in poverty. Further, it is not clear whether or not the children live in poverty or what percentage receive taxpayer support. No doubt, among the 2 million children of U.S. jail and prison inmates, many are not in significant financial need, and it would be incorrect to assert without evidence that all or even most children of inmates are in poverty.

Nevertheless, available data strongly suggest that the children of inmates are much more likely than the general population to live in lower income or even impoverished households:

- The (annualized) median income of State inmates in the month prior to arrest—likely less than $12,000 in 1997—would, if the sole source of income for a family of four, equal less

[41] Ibid., 2.

than 75 percent of the defined poverty level, $16,600 in 1998[42] and less than half 1.5 times the defined poverty level, commonly considered a better measure of minimal annual income requirements. By the broader standard, 77 percent of male inmates—and 87 percent of female inmates—appeared to have earned less than a poverty level annual income prior to incarceration.

- One-third of all female headed households in the United States were in poverty in 1998, and 46 percent of children in female-headed households were in poverty in that year.[43] With the vast majority of male inmates' children cared for by mothers (fathers absent), probability of poverty for inmates' children appears disproportionately high.
- 1999 data for Maryland show 6,720 children, 12 percent of the State's children on welfare (TANF) having at least one parent incarcerated.[44] There is reason to believe the actual percentage of Maryland children on TANF having an incarcerated parent may be significantly higher, however, because only parents incarcerated in Maryland (and not the District of Columbia, Pennsylvania, Virginia, or elsewhere) are enumerated and the total population includes parents whose whereabouts are unknown. At an average monthly TANF expenditure per recipient of $317.30, Federal and State taxpayers likely expended $26 million dollars in 1999 assisting the children of Maryland State prison inmates.[45]
- If 12 percent of all 5.3 million U.S. TANF children in 1999 were the unsupported children of jail and prison inmates, at the National average monthly payment of $214.06 per month, US federal and State taxpayers would have expended $1.64 *billion* in that year for welfare payments to the unsupported minor children of U.S. incarcerants.[46]
- Moreover, if the Maryland data are roughly correct, the TANF implication would suggest that slightly more than 50 percent (51.7 percent) of the minor children of U.S. jail and prison inmates are in poverty. However, though it would appear safe to conclude that a high proportion of inmates' children are poor, one should be mindful of the tenuousness of the procedure by which exact numbers were developed and remain appropriately skeptical of any precision in the measure provided.
- Anecdotal information for the District of Columbia indicates that about 50 percent of the District's children on welfare have at least one parent who either is or was incarcerated.[47]

Who Gets Child Support?

In most instances, child support payments go to the household and the children. However, inmates' child support payments may not go to the children or families of welfare recipients, but instead are returned to Federal and State taxpayers. Temporary Assistance for Needy Families (TANF), commonly known as welfare, is the monthly cash assistance program for poor families

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[42] World Almanac Books, U.S. Bureau of the Census data, in *World Almanac 2002,* 387, New York: World Almanac Books, 2002.
[43] Ibid., 388.
[44] Personal communication with John Cannon, Maryland Division of Human Resources, March 2000.
[45] Ibid.
[46] World Almanac Books, Administration for Children and Families, Office of Planning, Research, and Evaluation, U.S. Department of Health and Human Services, in *World Almanac 2002,* 387, New York: World Almanac Books, 2002.
[47] Personal communication with Kate Jesberg, Administrator, Income Maintenance Administration, District of Columbia Department of Human Services, June 24, 2003.

with children under age 18. TANF is funded both by State and Federal taxpayers, with State taxpayers paying from 25 percent to 50 percent, depending upon the State.[48] On average, Federal taxpayers pay about 57 percent of TANF payments.[49] When an inmate's child support payment is paid on behalf of a TANF (welfare) child, the payment goes instead to reimburse Federal and State taxpayers, generally in the Federal and State proportions initially paid; in about half the States, the first $50 or so of child support may be passed directly through to the family without reducing the TANF amount received (an amount in total taken from the State share of the welfare payment).[50]

[48] "Federal Financial Participation in State Assistance Expenditures for October 1, 2000 Through September 30, 2001" in the *Federal Register*, 65(February 23, 2000, Number 36), 8979–8980.
[49] Personal communication, author with Robert Stewart, Office of Health Policy, U.S. Department of Health and Human Services, April 24, 2003.
[50] Roberts, Paula, and Michelle Jordan, "State Policies Regarding Pass-Through and Disregard Of Current Month's Child Support Collected for Families Receiving TANF-Funded Cash Assistance," Center for Law and Social Policy (CLASP) (Washington, D.C., April 2002), retrieved April 28, 2003 from the CLASP Web site: http://www.clasp.org/Pubs/DMS/Documents/1013104441.19/Pass_thru0402.pdf.

V. Research Results

This chapter quantifies PIE benefits for the United States during a single unspecified calendar year between 1998 and 2001; county and local PIE payrolls and benefits are not included. It quantifies actual PIE wages and beneficiaries in three ways:

1. as reported to the National Correctional Industries Association, mean values for 1998–2001;
2. as derived using the sample data as reported, weighted to a U.S. total; and
3. as derived by GWU staff, using the sample data, weighted to a U.S. total, but after incorporating (a) employer payroll taxes, (b) adjusting for estimated actual Federal and State income tax liabilities, and (c) where necessary, based on information provided by sampled States, adjusting PIE deductions.

Throughout, total benefits are measured in two ways, first as "inmate gross income," and second as "employer gross payout." "Inmate gross income" represents the total wages and salaries paid by the employer to the worker, and either is or estimates the values reported by NCIA as "gross wages." "Employer gross payout" includes inmate gross income. When addressing PIE statistics, inmate "gross income" includes workers' hourly wages, including regular work hours, overtime hours, awards, and bonuses reported as part of annual earnings to the IRS.

Sampled States were also asked if any benefits other than wages and salaries were offered, and were specifically asked about annual leave, sick leave, individual or family health insurance, retirement programs (other than Social Security), and employee stock ownership, along with inquiry about unique PIE benefits provided by departments of corrections, such as privileges, housing benefits, good times credits, or other benefits.[1]

No sampled customer model firm offered any of the specified benefits or any other notable benefit tied solely to PIE work. One employer-model firm reported providing paid holidays and annual leave; no other notable benefits other than wages and salaries were identified for employer-model firms.

[1] PIE inmates may receive good time or other correctional benefits not addressed by this research (benefits not unique to PIE but received by all inmates as part of correctional work, training, or other programs).

Therefore, for the vast majority of sampled cases, a PIE inmate's total financial compensation appears fairly well accounted by payroll gross wages and salaries, and the payroll cost to the firm by gross employer payouts.

PIE Wages and Beneficiaries

The PIE Hourly Wage Rate

Recognizing that sampling did not account for hourly wage rates, the sampled States are not known to be representative of wage rates for the overall PIE inmate population. Moreover, in a significant subset of sampled cases, hourly wage rates were estimated based on general guidance provided by the host State (Table 17).

Table 17. Percent Distribution, Hourly Wage Rate Weighted Sample, PIE Inmates

Hourly Wage Rate ($)	Percent PIE Inmates
5.15	71.7
5.16–5.50	9.5
5.51–6.00	9.7
6.01–6.50	5.8
6.51–7.00	1.5
7.01 +	1.7

Median: $5.15
Mean: $5.35
Maximum: $8.50
Totals may not equal sum of components due to independent rounding

The PIE Work Week

Data from the U.S. Department of Labor, Bureau of Labor Statistics, indicate that two-thirds of America's workers work full-time 50–52 weeks a year; another 20 percent work part-time 50–52 weeks per year, where a full-time worker is considered to have worked 35 or more hours per week, including paid vacation hours.[2]

Recognizing that sampling did not account for weekly hours worked, the sampled States are not known to be representative of work weeks for the overall PIE inmate population. Moreover, in a significant subset of sampled cases, weekly hours worked were estimated based on general

[2] U.S. Department of Labor, Bureau of Labor Statistics, "Work Experience of the Population," retrieved July 22, 2003 from the Bureau of Labor Statistics Web site: http://www.bls.gov/news.release/work.t01.htm.

guidance provided by the host State. Nevertheless, the combination of information on wage rates and annual incomes, plus guidance on work hours per week, along with apparent only minor variation within PIE programs, suggests relatively accurate conclusions at least for the sampled States.

On average, sampled PIE inmates worked 28.6 hours per week during the survey year, part-time work (Table 18). Factors likely contributing to less than full-time weeks include (a) unique or peculiar non-representative characteristics of the specific State PIE programs selected for the research, (b) inmates participating in joint traditional industry and PIE programs in which some work hours contribute to traditional prison industries and others to PIE customer model employment, and (c) restrictions on work hours resulting from correctional routines and requirements—meal schedules, required counts, workday security processing, and so forth.

Table 18. PIE Hours Worked Per Week, Weighted Sample, PIE Inmates

Percentile	Hours
Minimum Reported Hours:	1.0
25^{th} Percentile:	23.8
Median (50^{th} Percentile)	32.5
75^{th} Percentile	36.0
Maximum	48.8

The PIE-Inmate Work Year

The beneficiaries research estimates the proportion of the survey year worked by all PIE inmate workers receiving a W-2 for income earned during that year.[3]

Recognizing that sampling did not account for weeks worked, the sampled States are not known to be representative of work weeks for the overall PIE inmate population. Moreover, in a significant subset of sampled cases, work weeks were estimated based on general guidance provided by the host State. Table 19 provides estimates for PIE weeks worked.

[3] The research does not estimate the total or average duration of PIE inmate's participation in PIE work (multiyear or across years) but only the totals and averages that occurred within a specific calendar year.

Table 19. PIE Weeks Worked Per Year, Weighted Sample, PIE Inmates

Weeks Worked	Percent
0–4	18.3
5–8	9.7
9–16	15.6
17–24	9.5
25–32	9.4
33–40	13.4
41–51	7.9
52	16.2

Minimum Weeks Worked : 1
25th Percentile: 7
Median Weeks Worked: 22
75th Percentile: 40
Maximum Weeks Worked: 52

Turnover in PIE Employment

The reported data also suggest significant within-year turnover in both employer model and customer (including manager) model PIE employment. Whereas December 31, year-end data reported to the NCIA suggest about 4000 inmates involved in State PIE-level work in the years around twentieth century's end, this analysis suggests that approximately 8500 State prison inmates working in PIE in a given year.

Annual PIE Earnings and Their Distribution

Reported sample data (Table 20) indicate median annual PIE earnings more than triple the $700 or so earned on average in traditional prison industries but well below civilian averages, reflecting the combined effects of partial year part-time employment and the Federal minimum wage. Averages, of course, are affected by very high turnover; nearly one third of the sampled inmate labor force earned more than $5000 in the survey year.

Mean PIE Wages and Deductions 1998-2001

As of December 31, 2001, 3,719 State prison inmates were reported working in U.S.PIE programs; during that year, State-level PIE generated $33.1 million in inmate gross income, suggesting a mean annual income per position of about $8,900. Of course, actual incomes slip below that amount the greater the average annual turnover rate of the PIE inmate workforce.

Table 20. PIE Inmate Gross Incomes: Estimated U.S. State-Level PIE Inmate Population, Single Survey Year 1998-2001

Annual Gross Income ($)	Percent
1–500	19.2
501–1,000	11.4
1,001–1,500	8.4
1,501–2,000	6.9
2,001–2,500	7.0
2,501–3,000	3.2
3,001–3,500	3.5
3,501–4,000	2.6
4,001–5,000	6.5
5,001–10,000	26.4
10,001+	5.0
Minimum Gross Income	$5
25th Percentile	$785
Median Gross Income:	$2,345
Mean Gross Income:	$3,755
75th Percentile:	$6,373
Maximum Gross Income:	$16,187

Under the PIE program, deductions, up to 80 percent of inmate gross income, may occur for room and board, taxes, victims compensation, and for family support. During 1998-2001, on average, deductions for the four categories were reported to NCIA as having absorbed about 60 percent of PIE inmates' gross incomes (Table 21), meaning that significantly more than half of every dollar earned by a State-level PIE inmate rewarded someone other than the inmate; moreover, the unmeasured but recognized practice of additional post-PIE deductions ensured that the primary financial beneficiaries of PIE incomes are a collective of public and private beneficiaries other than the inmate.

Using a sample of employer and customer/manager model programs, GWU staff collected and reassessed State-level PIE programs for one unspecified calendar year during the same 1998-2001 period and, based on replies from those States, developed estimates for the same categories (Table 21). Based on sample data, the estimated U.S. totals generally conform with reported totals, but nevertheless vary slightly from that reported to NCIA initially. Total estimated incomes derived from sample data yield results somewhat lower than directly reported; estimated room and board deductions are slightly higher, taxes slightly higher, victims' programs somewhat less, and family support significantly less than the aggregate reported by all States. With the important exception of family support, which from the sample is estimated much less than actually reported, overall conclusions from the weighted sample data are not greatly different than would be obtained from the reported values.

Table 21. Mean Aggregate Annual U.S. PIE Wages and Deductions, State PIE Programs Only, Unrevised (Weighted, as Reported by Sampled States)

	Mean 1998–2001 Reported to NCIA		One Year 1998–2001 Estimated from Sample	
Category	($Million)	Percent	($Million)	Percent
Inmate Gross Income	29.8	100.0	29.3	100.0
Room and Board	8.4	28.3	9.6	32.8
Taxes (All)	4.4	14.8	3.9	13.2
Victims Programs	3.1	10.6	2.6	9.0
Family Support	1.9	6.2	0.5	1.7
Other PIE Deductions	NA	NA	*	0.1
Total PIE Deductions	17.9	59.8	16.7	56.8
PIE Residual**	12.0	40.2	12.7	43.2

*Less than $50,000.
**Residuals do not equal either savings or the inmates' ultimate share because post-PIE deductions occur.
Note: Sum of components may not equal totals because of independent rounding.
Source 1998–2001: Derived from Quarterly and Cumulative Reports to the National Correctional Industries Association (NCIA), 1997-2001.

The research has examined PIE inmate incomes in more detail, clarifying deduction categories, adjusting deduction amounts based on additional information, and accounting for additional employer contributions not included in National reports. Table 22 begins the expansion of original reports by adding estimated employer payroll taxes not reported to NCIA, but without any other revisions; Table 22 suggests that, on average, PIE employers expend 8.8 percent more than reported to NCIA each year, all to social insurance programs. Because all employer contributions accrue to recipients other than the inmate, the inmate's percentage share of employer gross payouts is naturally somewhat smaller when employer contributions are considered.

The final representation of PIE inmate incomes (Table 23) reflects the full range of GWU estimated revisions, namely:

- Estimated Employer contributions to Social Security, workers' compensation, and unemployment compensation, reflecting both employer-model and customer model practices (weighted, as reported by sampled respondents);
- calculated (rather than reported) Federal and State income tax liabilities assuming that each PIE inmate is a single filer with no other income sources, who successfully files for and receives, Federal and State income tax refunds. At the Federal level, PIE inmates are assumed to pay no taxes until inmate gross income exceeds $7,150 but incur a 28% Federal tax rate for all income above that amount; and
- significantly revised deductions for family support, reflecting the weighted effects of revisions to data reported to NCIA to account for (a) return of family support deduction monies to PIE inmates and (b) actual inclusion with family support deductions of monies for

other court-ordered purposes, such that, for some respondents, the family support deduction actually represents "family and other court ordered" deductions.

Analysis

Sample data reflecting selected States and then weighted to the universe yield results somewhat different than independently known from population data already available; as a result both weighted U.S. totals and individual categories of deductions in this research differ in significant regards. Nevertheless, overall, the GWU analysis of PIE inmate earnings indicates the following:

Table 22. Estimated Gross Employer Payouts, PIE Wages, and Deductions, One Unspecified Year 1998–2001—Weighted Sample State PIE Programs Only (Unrevised)

Category	($Million)	Percent	
Gross Employer Payout	32.04	100.0	
Social Security (OASDI)	1.42	4.4	
Social Security (HI—Medicare)	0.33	1.0	
Federal Unemployment Insurance	0.11	0.3	
State Unemployment Insurance	0.11	0.4	
Workers Compensation	0.76	12.4	
Employer Contributions	2.74	8.6	
		Percent	Percent
Inmate Gross Income	29.30	91.4	100.0
Room and Board	9.60	30.0	32.8
Taxes, Federal Income (Deducted)	1.79	5.6	6.1
Taxes, State Income (Deducted)	0.33	1.0	1.1
Social Security (OASDI)	1.42	4.4	4.9
Social Security (HI—Medicare)	0.33	1.0	1.1
Victims Compensation	2.63	8.2	9.0
Family Support*	0.50	1.6	1.7
Other PIE Deductions*	0.04	0.1	0.1
Total Inmate PIE Deductions	16.64	52.0	56.8
PIE Residual**	12.65	39.5	43.2

*Some sampled States include other court-ordered deductions, interpreting the final deduction category as "family and other court-ordered deductions."
**Residuals are not net savings and do not equal the net amount accruing to the inmate because of post-PIE deductions not accounted by PIE.

Totals may not equal sum of components due to independent rounding.

Table 23. Estimated Gross Employer Payouts, PIE Wages, and Deductions, One Unspecified Year 1998–2001— Weighted Sample State PIE Programs Only (Revised)

Category	($Million)	Percent	
Gross Employer Payout	32.04	100.0	
Social Security (OASDI)	1.42	4.4	
Social Security (HI—Medicare)	0.33	1.0	
Federal Unemployment Insurance	0.11	0.3	
State Unemployment Insurance	0.11	0.4	
Workers Compensation	0.76	2.4	
Employer Contributions	2.74	8.6	
		Percent	Percent
Inmate Gross Income	29.30	91.4	100.0
Room and Board	9.60	30.0	32.8
Taxes, Federal Income (Liability)	1.14	3.5	3.9
Taxes, State Income (Liability)	0.12	0.4	0.4
Social Security (OASDI)	1.42	4.4	4.9
Social Security (HI—Medicare)	0.33	1.0	1.1
Victims Compensation	2.64	8.2	9.0
Family Support*	0.23	0.7	0.8
Other PIE Deductions*	0.05	0.2	0.2
Total Inmate PIE Deductions	15.53	48.5	53.0
PIE Residual**	13.76	43.0	47.0

*Some sampled States include other court-ordered deductions, interpreting the final deduction category as "family and other court-ordered deductions."
**Residuals are not net savings and do not equal the net amount accruing to the inmate because of post-PIE deductions not accounted by PIE.

Totals may not equal sum of components due to independent rounding.

1. Because of employer contributions, PIE gross employer payouts are substantially larger than inmate gross income, an estimated 9.4 percent. These contributions, all to State and Federal social insurance programs, contribute to reducing tax burdens on others and yield income support benefits paid directly from PIE employers to workers, retirees, and other dependents in the civilian population.

2. Because average PIE inmate earnings are below income tax thresholds, Federal and State income tax liabilities are likely somewhat smaller, on average, than income taxes initially deducted from PIE payroll to NCIA. Whereas Federal income tax deductions from payroll indicate $1.8 million dollars paid by PIE inmates in income taxes, estimated Federal income tax *liabilities* indicate only $1.1 million owed, based on a single taxpayer who does not itemize or have other income or deductions; therefore, sample data suggest that 36 percent of Federal taxes deducted are subject to refund to the PIE earner. Similarly, estimated liabilities

suggest that nearly two-thirds of State income taxes deducted are subject to refund. As noted in recent income tax debates, however, most PIE inmate workers significantly contribute Social Security taxes, both for old-age, survivors, and disability insurance (OASDI) and also for Medicare (HI) and thereby reduce tax burdens on the civilian population and contribute substantial additional benefits to workers, retirees, and other dependents in the civilian population.

3. Family support deductions appear substantially smaller than indicated in National data (table 21) for at least five significant reasons: First, and most important, sample selection suggests very significant under representation of family support deductions among the States selected for this research, for which family support deductions average less than 15 percent of the National average reported to NCIA. Second, analysis shows that family support is, to some extent, a collection of deductions more fully described as "family and other court-ordered deductions." Eighteen percent of "family support" deductions appear to have served other court-ordered purposes such as fines, victim restitution, and court costs. Third, some family support deductions may be escrowed, unused for lack of a child support order, and ultimately returned to the inmate at release. Fourth, in absence of a court requirement, PIE programs may perceive a lack authority to require the deduction. Finally, neither courts nor child support interests enforce support obligations.
4. Nevertheless, by any measure, the collective of beneficiaries other than PIE inmate workers are the primary beneficiaries of PIE inmate work; parties other than the PIE inmates receive more than half of the financial benefits of either PIE inmate incomes or gross employer payouts.
5. Although quantifying beneficiaries and benefits is difficult, being subject to significant interpretation in assignment, and in the case of transfers and taxes such as income taxes and Social Security, yielding coincident multiparty benefits (by relief) to taxpayers as well as to recipients receiving the transfers, nevertheless some clear beneficiary classes emerge:
    - State taxpayers are the single largest non-inmate beneficiaries of State PIE inmate employment, estimated on average to receive roughly one third of PIE inmate gross employer payouts, almost all of it via inmate board and room payments. Many PIE inmates also pay State income taxes. Where court orders paying fines, covering court costs, or paying other court-ordered expenses are enforced through PIE deductions (as part of the "family support and other court ordered deductions), State taxpayers also appear to gain a small additional benefit.
    - Social Security, both OASDI and HI (Medicare) taxpayers and recipients constitute the second largest non-inmate beneficiary class of PIE inmate employment, on average estimated to garner about 11 percent of PIE inmate gross employer payouts, more than half paid by inmates and the rest by employers. Thus both retirees (and the disabled, etc) and all parties paying into Social Security are beneficiaries of PIE inmate employment.
    - Current Crime Victims, and to a much smaller extent, the prior individual victims of PIE inmate workers, constitute the third largest category of non-inmate beneficiaries of gross PIE payouts, receiving 4 percent of employer gross payouts. State victim compensation programs compensate current crime victims; court-ordered restitution compensates the identified victims of PIE inmates' crimes. Although the share is not known, a small

fraction of victim compensation deductions is diverted to crime victim restitution as part of State compensation programs and, in a few instances, deductions reported as "family support" in fact include court ordered deductions for individual victim restitution.

- Federal Income Tax payers and programs dependent on the Federal budget constitute the fourth largest beneficiary groups, garnering about 6 percent of PIE inmate incomes. In addition to providing some relief to other Federal taxpayers, PIE inmate deductions for Federal income taxes can be said to support National defense, income security (Supplemental Social Security, food stamps, Temporary Assistance to Needy Families, the earned income tax credit), and Federally supported health care (Medicaid,)
- Unemployment and Workers Compensation Payees and Claimants constitute the fifth largest category of non-inmate PIE beneficiaries, with beneficiaries including both other private firms paying into unemployment and workers compensation funds having additional funding provided by PIE firms, and by civilian workers and their families, idled, ill, or injured, receiving benefits from unemployment or workers compensation funds, garnering 3 percent of employer gross payouts, all from employer contributions. To the extent Federal and State taxpayers are relieved of subsidizing these funds, both groups can also be viewed as beneficiaries of PIE programs.
- Families having child-support orders are the smallest and last category of non-inmate beneficiaries of deductions from PIE inmate employer gross payouts. Even under the best of circumstances (reported national average rates shown in table 21), child support constitutes just 6.2 percent of PIE incomes. At worst, child support accounts for as little as 0.7 percent of gross employer payout. Of course, PIE deductions do not reflect other voluntary or enforced withdrawals or deductions for child or family support that occur *post* PIE.
- PIE Residual: National statistics suggest that about 40 percent of each dollar of PIE inmate gross income devolves to the PIE inmate worker. However, the likelihood that most PIE inmate workers get refunded most or all of their Federal and State income taxes—an outcome anecdotally corroborated during this research—and that inmates may in some instances be refunded some portion of family support deductions, lead to a revised estimate of the gross PIE inmate residual equaling 43 percent of employer gross payout and 47 percent of inmate gross incomes. How much of the PIE residual share that is ultimately retained under the PIE inmate's control is undetermined at this point, because additional deductions after PIE are known to occur. Evidence of additional deductions after PIE, and the beneficiaries of its distribution, will be discussed separately.

Discussion

Working more carefully with sample State data and then comparing detailed information with reports to NCIA and also NCIA reported data of other PIE States, along with other information, indicates significant variation in PIE deduction practices among PIE States, such that generalizations from any small sample, especially when based on a few characteristics, can vary markedly as a function of the sample drawn. As a result, while the estimated PIE totals appear to be relatively close to actual National totals and the rank order of individual shares appear to be fairly clear, some caution in assigning specific percentages, especially to the smaller deduction categories, like family support, is warranted.

Social Security

Where Social Security is deducted, both OASDI (6.2 percent) and HI (1.45 percent) are deducted at the standard rates, both for employees and for PIE inmate workers. However, although employer model programs must deduct Social Security, in practice customer model programs occasionally voluntarily deduct Social Security from PIE workers and also contribute the employer shares as well.

Workers Compensation

The very limited information obtained in this research suggests that the 2.4 percent worker compensation payment rates paid by participating PIE firms equal or exceed National averages (estimated 1.28 percent of employee wages), despite PIE workers' general ineligibility for workers compensation while incarcerated.[4]

Unemployment Compensation

No sampled customer model programs, but some (not all) employer model programs contribute to State and Federal unemployment insurance programs, contributing 0.7 percent of employer gross payout, less than half the National average rate of 1.98 percent. PIE inmate workers, of course, are not eligible for unemployment compensation while incarcerated, making the entire contribution a transfer to the civilian unemployed.

Room and Board

PIE deductions for board and room are significant, averaging about $1,250 per year per PIE inmate worker, on average contributing an amount equaling roughly 5 percent of the estimated $25,000 annual cost of incarceration.[5] But who receives the PIE room and board deduction? In a polling separate from the research sample, 15 PIE participating States indicated more specifically the recipient of the PIE room and board deduction:

- sixty percent reported board and room reverting to industries, including PIE;
- twenty-seven percent reported board and room reverting to State general funds; and
- thirteen percent reported board and room reverting to Departments of Corrections.

[4] While exact rates were calculated for some sampled States, in other instances where the contribution rate was not known, the National average rate was used.
[5] Figures adjusted for inflation plus assumed 10 percent real cost increase since 1996 based upon historical trend. Source: U.S. Department of Justice, Bureau of Justice Statistics, *State Prison Expenditures, 1996,* Washington, DC: U.S. Department of Justice, August 1999, NCJ172211.

Board and room deductions reverting to industries appear to be used for the full range of PIE and industry costs borne by departments of corrections, including for buildings and equipment, for staff payroll, and for administrative costs.

Taxpayers are the unambiguous beneficiaries of room and board deductions reverting to the State general fund, presumably also benefiting recipients of State priorities, particularly education, health care (Medicaid) and transportation. To the extent one assumes that monies reverting to industries and departments of corrections reduce or compensate for taxpayer-borne correctional programming, taxpayers are again the beneficiaries of the board and room deduction.

Taxes

This research did not rigorously examine procedures by which Federal and State income tax withholding occurs in State PIE programs, although by and large the impression gained was one of inmate discretion in declaring a filing status, just as is normal for civilian employees. However, PIE-reported deductions for taxes, including income taxes (and Social Security) appear to be substantially in excess of income tax liabilities. To the extent total PIE deductions and other policies (like deductions for other purposes) are affected by the size of individual PIE deductions or post-tax PIE earnings—such as the 80 percent upper bound for the sum of all PIE deductions—further attention to actual liabilities rather than initial PIE deductions may be useful. It is possible, of course, that some PIE inmates do not file as single filers or have other income or deductions; anecdotal evidence, however, suggests that significant variations in tax liabilities are unlikely.

Victims Compensation, Restitution

Clearly, most deductions for victims compensation go to State crime victimization funds and then to current crime victims. However, some State victim compensation funds also transmit restitution payments to an offender's own victim, when restitution orders are in place.

Research staff briefly examined the role of PIE deductions for State crime victim compensation programs. Taken together, PIE contributions appear to have provided in the neighborhood of 1 percent of all crime victim compensation funds distributed by the host States during the time period studied, excluding the Federal contribution.[6] However, for those same States, despite their being only about one half of one percent of all prison inmates in those States, [7] PIE inmate contributions appear to have constituted more than 99 percent of the contributions to victim compensation made by their States' inmates in that year. Said otherwise, in the United States, it would appear that inmates overall contribute little or nothing to crime victim compensation. However, where inmates are employed and a mechanism of crime victim compensation exists,

[6] Source: Personal conversations and information exchange, research staff with sampled States' State crime victim compensation program offices.
[7] Sources for this calculation: U.S. Department of Justice, Bureau of Justice Statistics, Bulletin, "Prisoners in 2000," Washington, DC: U.S. Department of Justice August 2001, NCJ 188207; National Correctional Industries Association, December 31, 2001 PIE employment, retrieved May 13, 2002 from the NCIA Web site: http://www.nationalcia.org/qtr0401stats.pdf.

inmates do materially contribute to crime victim compensation. Moreover, State policies on inmate employment would appear to have a very direct relationship to State crime victim compensation funding.

Research analysis showed some, though few, explicit restitution payments occurring as PIE deductions via court orders categorized in reports to NCIA as "family support and other."

Anecdotal information obtained in this research suggests that restitution deductions do not generally occur—except via victims compensation programs in some States—as part of PIE deductions. Restitution claims are generally exercised post-PIE.

Family Support

No evidence of PIE deductions for "family support" other than child support was found, such as for parents, grandparents, spouses, or other significant relations other than children, although non-sampled States may feature such categories for PIE deductions.

Five factors appear to propel the small proportion of sampled PIE inmates incurring PIE deductions for child support, despite the very high proportions of State prison inmates having minor children. First, and most important, sample selection suggests very significant under representation of family support deductions among the States selected for this research, for which family support deductions average less than 15 percent of the National average reported to NCIA. Second, analysis shows that family support is, to some extent, a collection of deductions more fully described as "family and other court-ordered deductions." Eighteen percent of "family support" deductions appear to have served other court-ordered purposes such as fines, victim restitution, and court costs. Third, some family support deductions may be escrowed, unused for lack of a child support order, and ultimately returned to the inmate at release. Fourth, in absence of a court requirement, PIE programs may perceive a lack authority to require the deduction. Finally, neither courts nor child support interests enforce support obligations.

VI. Estimating Benefits if PIE Participation Were Widespread

This section estimates PIE incomes, beneficiaries, and benefits if U.S. Federal and State inmates were generally engaged in PIE work at average U.S. employment and income levels, in jobs at skill levels and productivity matching some definition "typical" of U.S. labor.

Assumptions

Estimating potential incomes, beneficiaries, and benefits is highly dependent upon assumptions, including assumptions for the percentage of U.S. inmates participating in the PIE program, hours worked, productivity, wage rates, and deduction policies. Assumptions about post-PIE individual and social behaviors could also play a part, for example, for State and Federal policies regarding fines and other court-orders, and for voluntary purchase preferences for much higher income inmates.

For this exercise, two groups of assumptions are used (Table 24) to set the range of low-to-high "reasonable" incomes, benefits, and beneficiaries if PIE work were generally applied in the United States. Obviously other assumptions could be chosen as well.

Prison population assumptions are rounded close approximations of actual State and Federal prison populations, chosen for a grand total, with jail inmates, equaling 2 million.

For the "high" case, while no explicit assumptions are made about the inmate or program characteristics, the prison population is assumed to have whatever it takes to succeed at the specified level, meaning that they are not used for institutional maintenance, are non violent, are not segregated, and that they possess the physical, mental, motivational, educational, and technical skills to fully meet the job requirements. Anecdotal evidence heard by research staff indicates that at least 50 percent of the inmate populations are both willing and able to hold regular jobs. Furthermore, the higher "upper bound" assumptions implicitly permit such behaviors as (a) multiple jobholding (b) overtime, and (c) fewer inmates in institutional maintenance or inmates having dual duties, in both maintenance assignments and a job.

The "low" annual income approximates full-time minimum wage work, while the upper bound represents the rounded total for 52 weeks' full time work at the median weekly earnings rate of male wage and salary workers ages 25 and older in 2000.[1]

[1] Source: U.S. Department of Labor, Bureau of Labor Statistics, in *The World Almanac and Book of Facts 2002,* New York: World Almanac Books, 146.

Table 24. Assumptions, Two Cases (Low and High): U.S. PIE Income, Benefits, and Beneficiaries if PIE Were Generally Applied in U.S. Federal and State Prisons

Category	Low	High
U.S. State Prison Population	1,260,000	1,260,000
U.S. Federal Prison Population	140,000	140,000
Total U.S. Prison Population*	1,400,000	1,400,000
Proportion in Full-Time PIE Work	50%	75%
Annual Income	$10, 500	$32,000
Taxation		
Federal	Rate Ceiling	Rate Ceiling
	0% $7,150	Same
	28% $33,250	Same
State	Rate Ceiling	Rate Ceiling
	0% $4,700	Same
	4% > $4,700	Same
Share of Inmates Paying State Income Taxes	50%	67%
PIE Assumptions:		
Social Security Contributions		
Employee	50%	100%
Employer	50%	100%
Unemployment Compensation Contributions	0.7%	1.0 %
Workers' Compensation Contributions	0.7%	1.0%
Board and Room	28.3%	32.3%
Victim Compensation	10.6%	11.0%
Family Support	2.0%	6.2%
Court Orders	0.0%	0.2%

*Although local jail populations are generally excluded from the estimates, on occasions where jails are included, the total U.S. jail population is assumed to be 600,000 persons.

Compared with a U.S. average unemployment compensation contributions rate for employers of about 1.28 percent of gross wages, and workers compensation rate of 1.25 percent, the assumed "low" unemployment compensation contributions rate assumes both low premium rates and relatively low participation rates, as if many PIE programs were customer model PIE systems not contributing; "high" implicitly assumes both higher average contribution and higher participation rates (including more employer model firms).

The board and room deduction rates represent a "low" of 28.3 percent, the rate reported to NCIA for calendar 2001 (Table 21), and a high of 32.3 percent, the estimated U.S. weighted value for the research survey year (Table 23).

The victim compensation "low" rate represents the rate reported to NCIA for 2001; "high" represents an arbitrary value greater than the NCIA rate.

The "family support" rate is exclusive to family support, and not for other court-ordered costs. "Family support" assumes either child support orders or voluntary payments to support children or other " family," such as parents, grandparents, care giving relatives, spouses, significant others, or others approved for payment as "family" by the department of corrections or PIE program. "Low" represents an arbitrary minimum rate exclusively for family support; "High" repeats the 2001 NCIA reported average rate, but assumed exclusively for family.

The "Court Orders" "low" assumes that court ordered payments, such as for court costs and fines, do not occur as PIE deductions, and for "high" that such payments occur as PIE deductions at some rate in the range of that observed in the research.

Results

Table 25. Results: Low Case Assumptions. U.S. PIE Income, Benefits, and Beneficiaries If PIE Were Generally Applied in U.S. Federal and State Prisons (Assumed Income per PIE Inmate $10,500 per Year)

Category	($Billion)	Percent	
Gross Employer Payout	7.68	100.0	
Social Security (OASDI + HI)	0.28	3.7	
Social Security (HI—Medicare)			
Federal Unemployment Insurance	0.03	0.3	
State Unemployment Insurance			
Workers Compensation	0.03	0.3	
Employer Contributions	0.33	4.3	
		Percent	Percent
Inmate Gross Income	7.35	95.7	100.0
Room and Board	2.08	27.1	28.3
Taxes, Federal Income (Liability)	0.66	8.6	8.9
Taxes, State Income (Liability)	0.09	1.1	1.2
Social Security (OASDI)	0.28	3.7	3.8
Social Security (HI—Medicare)			
Victims Compensation	0.78	10.1	10.6
Family Support	0.15	1.9	2.0
Other PIE Deductions	0.00	0.0	0.0
Total Inmate PIE Deductions	4.03	52.5	54.9
PIE Residual	3.32	43.2	45.1

Table 26. Results: High Case Assumptions, U.S. PIE Income, Benefits, and Beneficiaries if PIE Were Generally Applied in U.S. Federal and State Prisons (Assumed Income per PIE Inmate $33,250 per Year)

Category	($Billion)	Percent	
Gross Employer Payout	36.84	100.0	
Social Security (OASDI + HI)	2.57	7.0	
Social Security (HI—Medicare)			
Federal Unemployment Insurance	0.34	0.9	
State Unemployment Insurance			
Workers Compensation	0.34	0.9	
Employer Contributions	3.24	8.8	
		Percent	Percent
Inmate Gross Income	33.60	91.2	100.0
Room and Board	10.85	29.5	32.3
Taxes, Federal Income (Liability)	7.31	19.8	21.7
Taxes, State Income (Liability)	0.85	2.3	2.5
Social Security (OASDI)	2.57	7.0	7.7
Victims Compensation	3.70	10.0	11.0
Family Support	2.08	5.7	6.2
Other PIE Deductions	0.07	0.2	0.2
Total Inmate PIE Deductions	27.42	74.4	81.6*
PIE Residual	6.18	16.8	18.4

*Total exceeds PIE deductions limit of 80 percent

Analysis

Contemporary PIE engages less than 1 percent of the U.S. prison inmate population, typically less than 40 hours per week, much less than 52 weeks a year, and in positions paying at or near Federal minimum wage. Not surprisingly, then, considerable unused productivity appears to remain in the State and Federal inmate labor forces, and their PIE work holds prospect of sizeable potential benefits available from their fuller participation and increased productivity, making pursuit of increased inmate contributions enticing. At the same time, any set of assumptions about dramatically improved output from the U.S. inmate labor force awaits actual demonstration in the competitive marketplace and is likely to entail considerable effort and adjustment in the doing.

First, were the United States to succeed in engaging a large share of the U.S. State and Federal inmate labor force, their gross labor contributions would likely be much greater than currently realized. Whereas PIE inmates' annual gross incomes nationwide today total about $30 *million* per year, generalized State and Federal inmate PIE work suggests total U.S. prison inmate labor income potential ranging from about $7 *billion* to nearly $37 *billion* per year (Tables 25 and 26).[2]

Second, were U.S. State and Federal inmates generally successful in PIE at the assumed levels, (1) the primary beneficiaries of general PIE inmate work would be Federal and State taxpayers, Social Security contributors and Social Security beneficiaries, crime victims, families, and others than the inmate, and (2) the greater the inmates' productivity and incomes, the greater the proportional benefits to others. Said otherwise, the greatest beneficiaries of widespread inmate PIE work would not be inmates but others than inmates, and the most significant stakeholders negatively affected by current non work by U.S. prison inmates are these same groups.

Of course, many benefits have more than one beneficiary—such as wherever both tax payers and recipients of tax benefits are affected—suggesting a sum of beneficiaries shares much greater than 100 percent. And the exact distribution of many benefits is clouded by their movement through the tax and transfer system.

State taxpayers, including both households and business taxpayers—and the programs supported by State taxpayers, presumably education, Medicaid, and roads and transportation—would likely be the single greatest non-inmate beneficiary classes if PIE inmate work were generally successful, probably accounting for roughly one-third of the total benefits of general PIE inmate work. Under the assumed income levels, PIE inmates could contribute between $3000 and about $10,000 per year (12-40 percent) toward their individual costs of incarceration, particularly if large shares of these amounts either entered the State's general fund or explicitly reduced taxpayer costs. Because many inmates are assumed to remain outside PIE, of course, the aggregate average inmate contribution would fall short of that percentage; moreover, even under very aggressive assumptions, State taxpayers would continue bearing the heavy majority of incarceration costs. Nevertheless, the $2–$11 billion savings to State taxpayers from PIE inmate room and board contributions could be expected to result in either (a) lower overall State tax rates and/or (b) increased funding meeting State obligations for education, Medicaid, roads and transportation, and other State-funded programs.

State taxpayers would enjoy other incomes or cost reductions as well. As PIE workers become taxpayers and average incomes increase, nationwide, State income tax liabilities could increase from less than $1 million a year today (Table 23) to $660–$850 million a year under general inmate PIE engagement. Family support offsets—reimbursing the State for the proportion of child support payments originally funded by State taxpayers through welfare—would likely refill State coffers to the tune of some tens of millions of dollars a year to a maximum near $1 billion (if virtually all family support deductions offset State-supported TANF payments, probably highly unlikely). Similarly, State taxpayers may enjoy reduced costs in funding State victim compensation programs, and in supplementing State worker and unemployment compensation

[2] Including 600,000 local jail inmates suggests total U.S. adult inmate income potential ranging from $10 billion to $48 billion per year.

programs. Repayment of court costs, along with contributions to payoff of fines, could also reduce State (and Federal) taxpayer costs of administering the criminal justice system.

Social Security and other social safety net wage earner and employer payees along with retired, widowed, disabled, dependent, and other Social Security recipients would likely constitute the second-largest non-inmate categories of beneficiaries. Combining employer and worker contributions, PIE inmates total contribution potential to the Social Security—OASDI and HI (Medicare)—suggests $500 million—$5 billion per year, alone absorbing between 7 and 14 percent of PIE employers' gross payouts.

Federal income tax payers—and all programs dependent upon Federal income tax collections—constitute either the second or third largest recipient group. Depending upon income assumptions for the PIE inmate population, PIE inmate Federal tax payment potential is estimated able to contribute as little as $660 million a year (about 8 percent of PIE earnings) under low case assumptions and as much as $7.3 billion a year to the Federal treasury (about 20 percent of PIE earnings) under the most optimistic assumptions.

Crime victim compensation funds stand to gain significantly if PIE inmate work were generally successful. Whereas inmates (with the exception of PIE workers) typically contribute nothing or almost nothing to crime victim compensation programs today, if PIE were widely applied, total contributions to U.S. crime victims compensations programs could range from about $0.8 billion to about $3.7 billion a year, an amount far greater than currently paid out nationwide each year (about $300 million) but still less than 1 percent of the estimated greater than $350 billion per year cost of violent crime alone (Table 14).

Family support, including to meet child support orders, could increase substantially, particularly if a higher proportion of inmates incurred PIE deductions for family support, potentially exceeding $2 billion under the most optimistic assumptions here, reaching as much as 6 percent of total payouts.

Except under higher income scenarios, inmates likely remain the single largest beneficiaries of PIE work, retaining at the conclusion of PIE deductions somewhere between 17 (under highest income) and 43 percent (under least income) of gross annual payroll earned in PIE. Therefore, inmates appear to retain very significant proportions of earnings, at least through the PIE phase. Under the lowest assumed annual income, $10,500 per year, PIE inmates would be expected to retain 45.1 percent, more than $4,700 per year; at the high end, inmates earning $33,250 per year, could be expected to retain about $6,650 (the 20 percent minimum required by PIE), in this case a function of both the progressive tax system and the assumed higher rates of deduction in the high income case. The inference for social policy would appear to be that the rewards of inmate work under assumptions of these scenarios, both generally and as inmate incomes increase, accrue at least as much to non-inmate beneficiaries as to the PIE inmate workers.

The exercise also suggests that, at least theoretically, the 80 percent upper bound for PIE deductions could be approached if PIE inmates' saw their gross incomes reach or exceed $30,000 per year and tax and other deduction assumptions occurred. While unlikely, seeing conditions under which the bound occurs nevertheless informs policymakers about conditions under which individual PIE workers could hit limits, and of the importance of measuring tax liabilities rather than merely PIE defined deductions or voluntary (but refunded) payroll deductions.

Caveats

While attractive, estimating potential benefits of general PIE participation is an incomplete picture of both the challenge and the potential outcomes of PIE work. Among issues to be considered, correctional changes needed to provide safe, competitive, efficient, and profitable workplaces are not addressed; techniques providing land, buildings, equipment, and services are not addressed; the methods by which correctional locations and PIE firms become attractive and competitive are not addressed, as are obvious issues of widespread integration of production for the civilian economy. Public attitudes and acceptance would be critical. Issues affecting both (a) increased opportunities for U.S. domestic business expansion and additional civilian hiring and (b) relationships and conditions of competition with civilian labor would likely need to be addressed.

Nevertheless, estimating potential benefits of widespread inmate work suggests the order of magnitude of potential good that could result from inmate work; the exercise suggests that considering the challenges of integrating inmates more fully into the American economy may yield benefits and produce beneficiaries well beyond those traditionally recognized, and spur those beneficiaries to weigh public policies in their light.

VII. Disposition of the PIE Residual

Introduction

The main body of this report answers the question, "Who gets PIE incomes?" with estimates of PIE inmate income and its distribution through Federally authorized PIE deductions, concluding that 53–57 percent of PIE incomes go to beneficiaries other than PIE inmates. But the disposition of the remaining 43–47 percent of PIE incomes is not described; in absence of additional information, the reader is cautioned against interpreting this unassigned PIE residual as "belonging" to the inmate. However, by relying on PIE inmates' prison bank account information, this section extends the analysis and offers some information on the disposition of the remainder unassigned after PIE-authorized deductions. It provides introductory estimates of post-PIE deductions and of the residual amounts ultimately under the inmate's control. The section also offers additional information on PIE inmates' expenditures and on other "non-PIE" sources of income.

All information in this section is obtained from monthly prison account data for a subset of PIE inmates sampled for this research. Each sampled State was asked to provide two months' inmate account information, first for one "typical" PIE month and another for a "typical" pre-PIE month. "Typical" was defined to be a month in which incomes and outflows would likely be unaffected by unusual events, such as by Christmas or by impending release. September was suggested as a preferred choice for inmates working in that month.

Information for this section was provided by sampled States as optional assistance to the PIE research; not all requested information was obtained. Obtaining account information tended to be challenging, given PIE office unfamiliarity with inmate bank accounts, their dependence on corrections offices beyond their own familiarity or control, and the burden of responding to research inquiries about unfamiliar information. To minimize reporting burden, respondents tended to select a specific calendar month and report all PIE inmate accounts for that month (usually September of the survey year), whether or not the inmate worked in PIE during that month. Some States were unsuccessful in reporting pre-PIE account information at all. Respondents providing pre-PIE month information also chose a single month in the year prior to the PIE sample month, a technique that yielded few acceptable records, given that many inmates were already PIE workers in the prior year and others were not yet incarcerated in the selected facility during that month.

As a result, satisfactory PIE-month information was provided for less than half the total sampled inmate population—462 from a total sample of 968 persons—and only 104 pre-PIE records were ultimately found useful for examining pre-PIE accounts.
Interpreting information introduced additional uncertainties. Typically, respondent States provided paper copies of inmate accounts, in each State containing transaction categories and codes not immediately meaningful. Some transactions reflected accruals to sub accounts and, in fact, were neither deposits nor withdrawals to the inmates' overall holdings; some transactions repeated PIE payroll and PIE deductions already accounted in the PIE payroll information. And, of course, interpretation of the *kind* of transaction and party with whom the transaction occurred was often subject to research judgment. Although PIE staff confirmed general interpretations (for example, whether a commonly recorded name represents a person or a business, and what kind of business?), resource constraints prevented detailed interpretations.

Estimating overall PIE income disposition also involved converting the annual PIE income data to monthly averages and then combining the separately obtained PIE data with the inmate account information.

For this section distributions of the data are not weighted to represent the overall PIE population, and simply represent the distributions and averages for the 968 sampled records for overall PIE income and PIE deductions and 462 acceptable records or specified subsets for post-PIE information. Reporting and account acceptability rates differ dramatically among sampled States.

For many categories, overall means for all reporting inmates are greatly reduced because few individual inmate records feature the specified income or expenditure category. Therefore, whereas tables display overall means for all inmates, supporting text highlights averages for those few inmates whose accounts actually feature income or expenditures in the specified categories.

Obviously, caution is appropriate in uses and interpretation of these data on inmate accounts. Much of the information virtually begs additional examination.

Nevertheless, some characteristics of inmate accounts seem to be so common across all sampled States—such as expenditures at the prison store—as to confidently indicate important general features of PIE income and disposition patterns. Other information provides clues for understanding or additional research. And research staff have tried to be careful in divining conclusions from such limited information.

In an effort to indicate money exchanges within families, including PIE inmates' contributions to family support, research staff separately distinguished money flows to and from PIE inmates and persons with the same last names, a helpful but incomplete measure to an unknown degree of such family exchanges given that "family" members—such as significant others, relatives, or children—can have different last names. Masking may be significant for inmates to the extent spouses have remarried and they and children or the inmates' parents have other names.

Inmates' total monthly incomes are the sum of (1) PIE incomes, (2) additional income from traditional prison industries, and (3) monies from outside sources, including family. On some occasions, refunds from unknown sources occur, as well as transfers from financial institutions, the ultimate sources of which are unknown.

Answers to three additional questions were sought, (1) How did incomes change when PIE work occurred, (2) How did monies from persons change with PIE work, and (3) to what extent are source "persons" other family members, however defined?

Incomes and Expenditures Before PIE

To broach these and other questions, PIE inmate incomes before PIE were also estimated. However, pre-PIE month and PIE month records were provided for only 104 of 462 PIE inmates, not quite 11 percent of the 968 PIE inmates sampled overall. Table 27 summarizes average pre-PIE monthly earnings and their disposition.

Table 27. Estimated Mean Pre-PIE Monthly Income, Typical Month

	Dollars	Percent
Income		
Traditional Industries	37.54	65.7
From Persons, Same Last Name	6.88	12.0
From Persons, Different Last Name	12.29	21.5
Other/Unknown	0.45	0.8
Total Mean Monthly Income	57.16	100.0
Disposition		
Mandatory Deductions*	1.72	3.0
Prison Store	50.21	86.0
To Persons, Same Last Name	0.77	1.3
To Persons, Different Last Name	1.04	1.8
To Financial Institutions	0	0
Medical	0.66	1.1
Legal/Photocopies	0.13	0.2
Postage	0.65	1.1
Press	0.39	0.7
Other/Unknown	2.83	4.8
Total Accounted Expenditures	58.40	100.0
Change, Inmate Savings	–1.24	

*Mandatory deductions before PIE include fines, court costs, child support, or other charges imposed by court order or corrections regulations.

Overall, pre-PIE accounts reveal an extraordinarily simple financial cycle of State prison inmates, one of virtually total exclusion from the U.S. market economy. Before PIE, inmates obtain a few dollars from prison work plus a bit more from outside, and then spend almost all of it at the commissary (primarily for food), with almost nothing spent on anything or anyone else and without notable savings. Pre-PIE inmates do not pay taxes, do not contribute for board and room, do not compensate crime victims, and do not provide notable family support. They appear to not invest in capital goods or purchase the goods or services typical of American wage earners. In fact, the limited data obtained suggests that responsibilities are reversed for inmates, with prisoners somewhat dependent on family and others for support.

Income

The very limited data available suggest that before working in PIE, most PIE inmates obtained some money from work in traditional prison industries or institutional maintenance and also received some money from family and others. Some did not work.

Mean pre-PIE monthly income from all sources for PIE inmates was $57.16 for the 104 inmates for whom information was provided. On average, about two-thirds of the income, $37.54, was obtained from in-prison work in traditional prison industries or institutional maintenance. However, only 83 (80 percent) of the 104 inmates' accounts evidenced prison industries earnings at all, and 21 displayed no earnings whatsoever during the pre-PIE month. The month's income for those actually reporting prison industry earnings averaged $47, an amount when annualized somewhat less than the $716 per year earlier cited as an average annual inmate income from prison industries.[1].

In addition, some pre-PIE inmates—though not many—received money from outside. On average, the 104 pre-PIE inmate accounts showed on $6.88 received from persons with the same last name and $12.29 from persons with other last names, and nothing from outside financial institutions. However, only 17 (16 percent) of the pre-PIE inmates received any money from persons with the same last name, and their receipts averaged $42 in the observed month; 25 pre-PIE inmates received money from other persons, obtaining, on average $51 during the observed month. Overall, then, most pre-PIE inmates appear to receive no money from outside, though some receive small amounts.[2] Moreover, whether the monies received represent transfers from the family to the inmate, withdrawals from the inmates' own savings, income or dividends, or other sources, is not known, although presumably some significant portion represents unearned transfers from family and others to the inmate.

[1] U.S. Department of Justice, Bureau of Justice Statistics, *Survey of State Prison Inmates, 1991*, Washington, DC: U.S. Department of Justice, March 1993, NCJ-136949,, 27.
[2] The extent to which families and others expend monies to support inmates through gifts, visits, collect telephone calls, bearing legal costs, and so forth, is unknown.

Expenditures and Dispersals

More than anything else, inmates' expenditures highlight the absence of prison inmates from the demand side of the American economy. Inmate-borne expenses appear to be generally bereft of housing, utility, transportation, health care, education, and other major charges typifying contemporary U.S. household expenditure patterns (Table 28), though inmates clearly spend money on personal incidental food and clothing purchases, and some expenditures are observed for entertainment, educational, medical and other items. The sapping of consumer demand by inmate unemployment—particularly by groups typically in family and household formation years—and consequent aggregate loss of jobs might form at least one major component in the debate on social benefits of inmate jobholding.

Table 28. U.S. Household Consumption Averages, 1998–99

	Dollars	Percent
Income Before Taxes	42, 770	100.0
Outlays		
Taxes	6,519	15.2
Housing	11,854	27.7
Shelter	6,856	16.0
Utilities	2,394	5.6
Operations & Supplies	1,097	2.6
Furnishings	1,507	3.5
Food/Alcohol	5,256	12.3
Clothing	1,704	4.0
Transportation	6,815	15.9
Vehicle Purchases	3,136	7.3
Gasoline & Motor Oil	1,036	2.4
Other/Public Transport	2,643	6.2
Insurance and Retirement	3,408	8.0
Health Care	1,921	4.5
Personal Care	399	0.9
Entertainment	1,849	4.3
Education/Reading	761	1.7
Tobacco Products	254	0.6
Cash Contributions	1,160	2.7
Miscellaneous	870	2.0

Source: U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Spending Patterns in Minneapolis-St. Paul, 1998–99," Document 9278, Table 1, ""Consumer Unit Characteristics and Percent Distribution of Expenditures, U.S. Average and Selected Metropolitan Areas, Consumer Expenditure Survey, 1998–99," Washington, DC: Bureau of Labor Statistics, retrieved July 26, 2003, from the BLS Web site: http://www.bls.gov/ro5/cexmpls.pdf.

Second, observation of inmates' pre-PIE expenditures highlights that inmates not in PIE appear to contribute little or nothing to other deserving beneficiaries, with almost nothing in repayment to taxpayers (or assistance to the beneficiaries of taxes), to crime victims, or for child support. In fact, departments of corrections do impose deductions on inmates' earnings, and are understood to deduct on occasion not only from inmates' incomes but also from monies sent them by family and others.

Commissary

The single largest inmate expenditure, both before and during PIE, is for purchases at the prison store, alone accounting for nearly 86 percent of pre-PIE inmate gross incomes. In fact, observation of inmate accounts suggests a relatively basic income-expenditure cycle for pre-PIE inmates: get money, spend it at store. Inmate accounts more closely resemble allowances and allowance expenditures than worker income.

What items are most commonly purchased in inmate stores (commissaries)? An informal survey of PIE participant States indicates overwhelmingly that the biggest sellers (most dollars spent, most frequently purchased) items in inmate stores are (1) food and drink, and (2) where permitted, tobacco products; other much less frequently cited items commonly sold in commissaries suggest that (3) personal hygiene products may rank third, followed by (4) writing supplies, including stamps.[3]

Telephone charges do not, by and large, appear to be paid by inmates directly via inmate accounts. Presumably, telephone charges occur primarily via collect calls. The extent to which outflows from inmate accounts compensate for telephone costs is unknown.

Who profits from—are the beneficiaries of—commissary sales? Obviously, purchasing inmates are the primary beneficiaries and can be assumed to capture the vast majority of the benefits of commissary items purchased. And certainly producers of items consumed by inmates gain benefit from increased inmate incomes, apparently especially producers of snack foods and drinks and tobacco products; though relatively small, increased commissary sales in prison stores serve as a reminder that increased incomes translate into increased consumer demand, and is reflected in increased sales opportunity for private firms. Commissary sales here also include television rentals or purchases, a common feature among PIE inmate expenditures.

In order to further identify commissary beneficiaries, the informal survey of sampled and other PIE States asked the disposition of commissary profits. In a small minority of cases responding, inmate commissaries were reported operated by private firms that retained profits. And in one instance commissary profits were reported returned to corrections' general operating fund, presumably reducing taxpayer costs of corrections. However, in the vast majority of responding cases, profits from inmate stores contributed to (variously named) inmate recreation funds, and are reported used for such items as televisions, weight lifting equipment, sports equipment, and other recreation supplies; infrequently named uses included for books (including law books),

[3] Fifteen States responded to the informal survey.

picnics and parties, laundry equipment, and other goods and services supporting the inmate population.

Directly or indirectly, then, beneficiaries of PIE inmate commissary purchases would appear to be first the PIE inmates themselves in the purchase of consumables, second the firms selling the additional items consumed by inmates, and finally some small fraction (profits) extending benefits to the private firms operating some commissaries and to the general inmate population via the recreation fund. The extent to which the recreation uses to which commissary profits are put serves to the benefit of State taxpayers is unknown, but is presumably positive, increasing prison safety and reducing taxpayer costs.

Mandatory Deductions

Account records show that inmates are occasionally held responsible for costs even when not working in PIE. However, because so little is earned, these data suggest that very little money is likely obtained from State prison inmates who are not working in PIE. Pre-PIE mandatory deductions, on average, appear to total much less than $2 per month (3 percent of expenditures) for all purposes, including for fines, child support, victim compensation, and other corrections' required payments. However, more than 80 percent of the 104 inmates for whom pre-PIE information was obtained appeared to incur no mandatory deductions whatsoever, whereas 20 pre-PIE inmates on average incurred mandatory deductions averaging $9 that month. Of course, no taxes, Social Security, workers' compensation or unemployment compensation occurs from traditional prison work, for which payment is considered a gratuity.

Money to Persons:

On average, pre-PIE inmates transmit almost nothing to outside persons, family or otherwise, less than $2 a month altogether, about 3 percent of expenditures. However, the observed data indicate that most inmates transmit nothing at all to family or other persons when not working in PIE; 101 of 104 pre-PIE accounts show nothing whatsoever sent to persons with the same last name and 96 sending nothing to other persons. For those few inmates transmitting money to persons, the average sent to persons with the same last name was nearly $27 and to other persons, nearly $14. The observed data, then, suggest that before PIE very few inmates transmit money home or to others, but a few may contribute a significant portion of their incomes for that purpose.

Money to Financial Institutions/Savings

Interesting but not surprising, no pre-PIE inmate account showed inmates either receiving or transmitting money to financial institutions. Further, on average, pre-PIE inmates appear to be saving nothing or virtually nothing in inmate accounts; in fact, for the pre-PIE month observed, inmates overall appear to have slightly disinvested in savings (–$1.24 on average). The absence of notable savings by prison inmates not working in PIE, either in prison savings or in separate accounts, suggests reason for concern for inmate resources at release.

Medical

Inmates may be charged for sick-call visits and for medications, and 29 of the 104 inmates' accounts show charges averaging $2.38 during the observed month.

Legal/Copies

Inmates may be charged for copies of legal documents and for photocopying, though few pre-PIE inmates appear to purchase them and apparently do so sparingly; the 6 accounts showing such expenditures averaged only $2.30 expended for materials in the observed month.

Postage

Only 25 inmate accounts showed postage expenses, which often appeared to occur for mailing parcels as well as for purchase of stamps; postage expenditures for those incurring such expenses averaged $2.69 in the observed month's accounts. Either inmates rarely communicate, they obtain stamps via the commissary, or they obtain them by other means not observed in this research.

Press

"Press" includes purchases of books (including religious materials) and periodicals. Identifying such purchases was particularly difficult, since inmate accounts identify to whom payment was made rather than the produce being purchased. Therefore, it is highly likely that some press purchases were not detected by research staff. Nevertheless, available evidence suggests that very few inmates purchase reading materials; among the observed accounts, only 3 inmates' records clearly showed reading materials expenditures, averaging $13.63 that month.

Other/Unknown Purchases, Expenditures

The relatively large proportion of pre-PIE inmate expenditures in the "other/unknown" category represents mix of other identified and unidentified inmate expenditures—such as to religious and other organizations, mail order, including shoes, athletic clothing, music, educational and recreational books and periodicals, and gifts, among other approved items. Inmates also pay for services—such as attorney services—and donate monies to churches, charities, and other organizations.

mail order —and payments for which purposes could not be discerned. No doubt, some unexplained expenditures recorded in this category belong in higher identified categories; hence, when added to any other specific category, the "other/unknown" could be interpreted as helping establish the maximum that may have been expended for specific purposes. Nevertheless, only 8 inmates of the 104 (8 percent) incurred such expenditures, though they were significant for these persons, averaging $36.75 each.

Income and Expenditures During PIE

Methodology

Monthly PIE-period incomes and expenditures are a combination of estimates based on different inmate samples and methods. In order to estimate total income and expenditures for inmates during their PIE experience, research staff first converted annual PIE payroll income and deductions information to estimated monthly PIE income and deductions and then combined the estimated PIE income and deductions with estimated non-PIE income and expenditures obtained from a month's inmate accounts. To convert annual PIE income to monthly estimates, staff first either identified or estimated each PIE inmate's duration of employment within the PIE year and then derived the appropriate monthly earnings and PIE deductions. Other income and expenditures are the summed and averaged values of information obtained from PIE inmates' PIE-month accounts. PIE-based income and deductions represent unweighted values for all 968 PIE inmates sampled for the research, whereas non-PIE earnings and expenditures reflect unweighted information for 462 inmate records provided by respondent States.

Income

Inmates' monthly gross income increases dramatically upon PIE participation (Table 29). PIE inmates' estimated monthly gross incomes from all sources increase from an average of about $57 before PIE to $693 during a PIE month. PIE inmates' net income after PIE and post-PIE deductions ($312.65) also increase very significantly, though less dramatically, again highlighting the shared benefits of PIE participation.

Not surprisingly, income from traditional industries and maintenance declines upon an inmate's participation in PIE, with mean prison industries income for all 462 inmates averaging only $2.63 in the observed month; only 46 inmates (10 percent) of PIE inmates were reported also working in traditional industries, with their incomes averaging $26 during the PIE month rather than the average of $47 earned in traditional work before PIE.

PIE inmates' income from outside sources also appears to decline during PIE work, suggesting some minor possible decline in external dependency. Overall other mean income from persons is estimated to drop from about $19 before PIE to about $16 during PIE. Oddly, however, the small number of inmates actually receiving money from outside persons on average appear to receive significantly more than before joining PIE; average income from persons for those inmates getting money increases from an average of $40–$50 per month before PIE to $70–$75 during PIE; moreover, whereas before PIE inmates on average received no money from other sources or financial institutions, during PIE inmates on average received about $5.60 from such sources; those few inmates (12 of 462) getting money from financial institutions and other sources received, on average, $214. Although the reasons for these increases are not known, a plausible (but unproven) explanation may be that some PIE inmates circulate funds with family and financial institutions, depositing and withdrawing funds as needs require.

Expenditures Overall

A dramatic illustration of differences between traditional prison industries and PIE work with respect to beneficiaries is found in the absence of benefits to parties other than the inmate before PIE compared with the tremendous increase in benefits for taxpayers, crime victims, and others when inmates are productive in PIE and contribute to meeting their financial responsibilities. Whereas during their month in traditional industries, inmates contributed almost nothing, on average $1.72, to taxes, crime victims, and others, during their PIE month total PIE and post-PIE mandatory deductions are estimated to have averaged $380.63.

Table 29. Estimated Mean PIE Monthly Incomes and Expenditures, One Typical Month, Survey Year 1998–2001*

	Dollars	Percent
Income		
PIE Inmate Gross Income	669.25	96.5
Traditional Industries	2.63	0.4
From Persons, Same Last Name	6.02	0.9
From Persons, Different Last Name	9.82	1.4
Other/Unknown	5.56	0.8
Total Mean Monthly Income	693.28	100.0
Disposition		
PIE Estimated Federal Tax Liability	9.26	1.3
PIE Estimated State Tax Liability	1.05	0.2
PIE Social Security	19.94	2.9
PIE Room and Board	275.73	39.8
PIE Victims Compensation	56.09	8.1
PIE Family Support	2.28	0.3
PIE Other Court Ordered	0.57	**
Non-PIE Mandatory Deductions***	15.72	2.3
Prison Store	103.57	14.9
To Persons, Same Last Name	19.87	2.9
To Persons, Different Last Name	40.95	5.9
To Financial Institutions	20.52	3.0
Medical	1.19	0.2
Legal/Photocopies	1.32	0.2
Postage	0.74	0.1
Press	2.96	0.4
Other	24.72	3.6
Total Mandatory Deductions (PIE, Post-PIE)	380.63	54.9
Total Inmate Discretionary Expenditures	215.83	31.1
Change, Inmate Savings $	+96.82	14.0

*"Typical" is usually September; data avoid December and months of inmate release.
** Less than 0.1 percent.
*** Mandatory post PIE deductions include fines, court costs, child support, or other charges imposed by court order considered PIE by respondent States.

Post-PIE Deductions

Review of inmate accounts for sampled States overwhelmingly indicates that inmates' PIE earnings are not greatly reduced by post-PIE additional mandatory deductions. While admittedly a small sample, the research found no evidence of significant post-PIE takings from PIE inmate incomes. Of the 462 inmate records, only 80 (17 percent) incurred any post-PIE deductions whatsoever, and 380 (more than 80 percent) incurred no post-PIE deductions. On average, then, the PIE inmates studied incurred less than $16 in observed post-PIE deductions during the observed month. However, for those persons who incurred them, the deductions were significant, averaging nearly $91 apiece during the examined month.

In many cases accounts did not clearly identify the specific purposes of the deductions, but post-PIE deductions appeared to generally occur for court-ordered court costs, fines, crime victim restitution, child support, reimbursement for charges (such as for security escorts to attend funerals), and so forth, leaving taxpayers, crime victims, and families somewhat additionally better off under PIE than before PIE, and slightly better off than indicated by PIE deductions alone. Thus the net benefit to taxpayers, crime victims, and families from PIE work again appears to be slightly larger than revealed solely by PIE deductions.

The research also suggests that court-ordered deductions for reasons other than authorized under PIE are not generally notable claimants for residual earnings of PIE inmates. Research staff found almost no evidence that individual crime victim restitution orders or child support enforcement orders are enforced beyond the view of PIE; instead, available evidence suggests that such orders either do not exist or not enforced.

The research also inquired informally among sampled and other PIE States about PIE policies furthering voluntary PIE inmate family support. Among States responding, a strong majority identified court orders as the exclusive or primary trigger of family support payments, and a few noted either inmates' voluntary requests or the mere fact of having legal dependents constituting a prompt for family support payments by PIE inmates. While States clearly note PIE checking for and then enforcing child support orders, no responding State explicitly cited PIE procedures encouraging inmates' voluntary child support in the absence of court orders. Moreover, no State referred to family support extending to any persons except with respect to child support, suggesting that support for parents, grandparents, or other family members may not be attended in PIE procedures for the family support deduction. Nevertheless, no rigorous review was conducted, and clear descriptions of State family support and victim compensation deduction policies await more complete research. Information provided here on State PIE policies for these deductions is tentative at best and should be treated with caution.

Transfers to Financial Institutions

Researchers informally inquired about department of corrections control of—and possible insights into—the recipients of inmate money transfers to financial institutions. Limited evidence in reply suggests that most States do not prohibit inmates' transferring monies to other persons or financial institutions, although many institute disbursement controls, such as requiring a minimum level of savings in an inmate account to ensure having money at release or requiring approval of the person or institution to whom monies are sent.

PIE inmates' accounts show few inmates transferring monies to outside financial institutions (banks, savings and loans), though those few making transfers on average transmit significant amounts. Only 34 inmates' accounts posted transfers to financial institutions, but their transfers averaged nearly $280 in the observed month. Reasons for the transfers, recipients of the transfers, and applications of the transferred monies are unknown. The extent to which such transfers constitute savings, indirect or direct support to children, family, or others, or represent payoffs of debts (loans), telephone charges, or other inmate costs, or other uses, remains to be discerned.

To Persons With the Same Last Name

About 10 percent of observed inmate accounts (47) showed money transfers to persons with the same last name during the examined PIE month; for such persons the average transfer was almost $200, a significant potential contribution to family finances to the extent such monies became available to meet family costs (or reduce family costs for telephone or other inmate-related expenses). Nevertheless, the uses to which the monies were put remains unknown, and the overall data suggest either that the vast majority of PIE inmates (90 percent) do not send monies to family or that "family" recipients receive such monies under other names or via transfers to financial institutions. Averaged over all 462 inmates, the average transmittal to persons with the same last name during the PIE month totaled $19.87.

To Persons With Different Last Names

Nearly one quarter (23 percent) of observed inmates transferred monies to persons with different last names during the PIE month, on average transmitting nearly $180 to them during the month. However, most inmates (77 percent) did not send monies to other persons, the relationships between the inmates and the persons are unknown, and the purposes for the expenditures is not revealed. Again, transfers to other persons could also represent expenses for goods or services, such as to defense attorneys or medical professionals, to pay debts, or for other impersonal expenses as well as to other unrelated or related persons. Taken as an average for all 462 inmates in the PIE month, the mean transmittal to persons with different last names was $40.95.

Medical and Related Transactions

Inmate accounts, taken independently, or comparing expenditures during PIE compared with beforehand, also suggest other expenditures and benefits of inmates' PIE income. Upon PIE participation, inmates appear to spend somewhat more on sick call visits and medications, on postage, and on photocopying (often, apparently, for photocopies of legal documents), suggesting that inmates benefit and taxpayers may enjoy some additional relief as well.

During PIE, inmates' medical expenditures increased, with nearly one fourth (24 percent) expending on average $5 during the examined PIE month; whether the increased expenditures represent increased access to prison medical services or merely increased charges for the same level of care is not known. Some PIE inmates also appear to invest more in photocopying and purchase of legal documents, with 36 PIE inmates (8 percent) spending an average of $17 during the reported PIE month.

Some, but relatively few, PIE inmates also incurred expenditures for books, periodicals, and other publications. However, discerning such purchases among account entries involved considerable judgment by GWU research staff and staff best guess is that many purchases were left unidentified among PIE inmate expenditures. Nevertheless, observed data indicate that at least 38 PIE inmates (8 percent) spent on average $36 during the observed month for such items.

Somewhat surprisingly, relatively few PIE inmate transactions showed postage purchases during the observed month, with an overall mean for all 462 inmates of much less than a dollar spent; only 18 percent (83 inmates) recorded postage expenditures at all. Whether such purchases are hidden among commissary sales or are somehow accounted or obtained elsewhere is not determined.

Other

Inmates purchase goods via mail order, including shoes, athletic clothing, music, and gifts, among other approved items; inmates also pay for services—such as attorney services—and donate monies to churches, charities, and other organizations. While inmate accounts explicitly shows instances of each occurring, so many instances cannot be quantified as to void any overall estimates of specific categories. Some expenditures may represent inmates meeting obligations, although most appear voluntary. Nevertheless, evidence from both PIE and pre-PIE inmate accounts indicates that PIE inmates both dispense monies and increase those expenditures after becoming PIE participants. Therefore additional beneficiaries of PIE work include organizations and firms to which PIE inmates dispense monies.

Other Deductions

"Other" deductions garner a sizeable share of PIE inmates' known expenditures, no doubt in part reflecting purchases actually in other categories but left undetected and in part other expenditures for purposes not categorized elsewhere or infrequent. Forty percent the PIE inmates (181 persons) posted such expenditures during the observed PIE month, averaging $63.09 during the observed month. Although staff were unable to identify most expenditures, observed purchases regularly included clothing, shoes (especially athletic clothing and athletic shoes), art and music supplies, religious purchases, religious and charitable donations, and distance learning materials.

Savings

Methodology plays a part in estimates of inmate savings during PIE participation. Because (1) estimates of PIE inmates' total monthly incomes and total expenditures are a composite of information sets and (2) "savings" are still a calculated residual—estimated total income minus estimated expenditures—the estimate of total savings presented here reflects any calculation errors in the differing estimates used to prepare the account summaries. Nevertheless, extensive review of individual PIE inmate accounts suggests that the overall conclusions with respect to savings are correct.

Unfortunately this research does not reveal the extent to which inmates' money transfers to financial institutions and other persons represent savings rather than purchases; surely some nontrivial portion of inmate financial transfers likely becomes savings. Separate from transfers to external institutions and persons, however, the research nevertheless indicates that PIE inmates save a substantial portion of their monthly incomes, with "monthly incomes" here including from all sources, including and beyond PIE work.

Whereas before PIE, the limited data available suggest that inmates before PIE saved essentially nothing, PIE inmates appear to save substantial amounts in their prison accounts.[4] On average PIE inmates retained after required and voluntary expenditures $97 during the PIE month, 14.0 percent of their gross income from all sources and 31 percent of their retained discretionary earnings (estimated at $313) after PIE and other post-PIE mandatory deductions.

Further View of PIE Effects on Deductions

Examination of pre-PIE and during-PIE inmate accounts suggests that, by and large, all transactions of focus—additional deductions post-PIE, money flows from and to family and others—are relatively small. Few PIE inmates either received or transmitted significant amounts or incurred significant deductions under either circumstance.

However, examination of pre-PIE and PIE deductions and transactions strongly suggest additional external financial benefits beyond those immediately described in PIE.

First, PIE inmates occur additional post-PIE deductions in the range of $16 a month, roughly equaling 2 percent of inmate gross PIE incomes; moreover, these deductions appear to average about $14 more per month for external beneficiaries than *total* average deductions before PIE. The deductions appear to primarily serve taxpayers by contributing to court costs, fines, and other legal charges, and to secondarily also contribute to victim restitution and family support.

Second, although with the strong proviso that inmate transmittals may to a significant extent also serve their own consumption or savings needs and not just contribute to family or dependent well being, nevertheless, the reduction in average amounts received from persons with the same last names combined with the average increase in amounts sent to persons with the same last name suggests that "persons with the same last name" enjoy a net increase per month on average of about $20 (19.96), equal to about 3 percent of inmate gross income; persons with different last names enjoy a net increase per month on average about $42 ($42.38), roughly equal to 6 percent of inmate gross income. Combining net changes in money available to all external persons suggests an average increase of about $62 money from PIE inmates to persons in the examined month, roughly equaling 9 percent of inmate gross PIE income.

To gain additional information on the *net* effects of PIE participation on (a) mandatory post PIE deductions and (b) inmates dependency on external funds or contribution to family support, research staff isolated 104 inmate records for which both pre-PIE month and PIE month account

[4] Corrections departments may require inmates to save minimal amounts (like $50) to ensure having some money at release.

information was provided and then compared post-PIE deductions, income sources, and expenditures for these inmates.

The 104 records form an extraordinarily small sample from 968 total inmate records studied, themselves a small sample from the thousands of inmates working in PIE during the survey year. Nevertheless, the examined records may yield some insights into general beneficiary consequences.

Table 30. Pre-PIE and PIE Month Income, Deductions, and Expenditures, Selected Transactions—Inmates Incurring Transactions Only, 104 PIE Inmate Records

	Pre-PIE Mean $	Number Inmates	PIE Mean $	Number Inmates
Money From, Same Last Name	42.12	17	31.50	8
Money From, Different Last Name	51.12	25	49.44	9
Mandatory Post-PIE Deductions	8.97	20	63.27	34
Money to, Same Last Name	26.67	3	94.83	12
Money to, Different Last Name	13.58	8	125.37	21

Overall, as illustrated in Table 30, relatively few of the 104 inmates were involved in any of the five categories of transaction described, with as few as 3 affected (Money to persons with the same last name) and 34 at the maximum (Mandatory post-PIE deductions). Therefore, in general, the 104 records indicate that neither mandatory deductions nor external persons are noticeably affected by inmates becoming participants in PIE.

On the other, the evidence provided by comparing pre-PIE and PIE months for the 104 inmates indicates that some external beneficiaries may be affected, and may enjoy either additional money or reduced expenses as a result of the offenders' participation in PIE, benefits not accounted in national PIE statistics or apparent solely from PIE data alone.

Mandatory Post-PIE Deductions

Mandatory post-PIE deductions include the full range of court-ordered and sometimes corrections' ordered takings from inmate earnings for fines, court costs, victim restitution, child support, and compensation for specific costs (such as for security reimbursement for inmates attending funerals) not deducted as approved deductions in PIE. In the aggregate the beneficiaries of these deductions can be considered primarily taxpayers, but payments sometimes also benefit crime victims and inmates' children, among others.

Review of the 104 records show both the number of inmates contributing to post-PIE deductions and the average size of such deductions increasing significantly with the introduction of PIE participation; the mean deduction PIE-period deduction leapt from about $9 prior to PIE to more than $63 during the measured month of PIE participation, a net $54 increase for the beneficiaries of inmates incurring the charges. For all 104 inmates, the mean deduction increased from just $1.72 to $20.69 as a consequence of PIE, suggesting a very small but positive increase (here $18.97) in dollar benefits from PIE to beneficiaries of post-PIE deductions, equal to 3 percent of inmates' gross PIE incomes. The estimate is similar to that gotten when comparing all available records, $14.

Money From Persons/To Persons:

Observation of money flows to inmates from persons and from inmates to persons also suggests that most potential external beneficiaries are left unaffected by inmates participation in PIE, but that some outside beneficiaries enjoy modest monetary benefits from inmates' PIE work.

Money from outside persons is relatively modest even for the 25 or fewer inmates obtaining money from outside before PIE; introduction of PIE appears to permit about half to two-thirds of those outside sources to cease support altogether during the inmate's PIE participation, while the remainder continue support at a somewhat reduced level. Applied to all 104 inmates, external support from persons with the same last name drops about $4.40 a month, and from persons with different last names drops about $8.00 a month.

At the same time, for some external beneficiaries, inmates' participation in PIE appears to spark large increases in money transfers, some of which probably provides external support, and some unknown proportion of which may effectively occur for the benefit of the inmate and not the external correspondent. Nevertheless, whereas no more than 10 percent of the 104 inmates sent any money during their pre-PIE experience, and in amounts averaging $14 to $27 in the examined month, both many more inmates transmitted money while in PIE and the amounts transmitted increased tremendously, including contributions which, while not large in meeting overall household costs, could contribute meaningfully to overcoming household poverty—particularly if such sizeable provisions were commonplace in inmate work. During PIE, as many as 21 inmates of the 104 transmitted money to persons with different last names (12 made payments to persons with the same last names), and forwarded as much as $125 in the observed PIE month. Overall, for all 104 observed inmates, mean transmittals to persons with the same name increased from just 77 cents before PIE to an average of $10.94 during PIE, and to persons with different last names from a mean of just $1.04 before PIE to $25.32 during the observed PIE month. An unknown part of this overall average increase in out payments to persons of $34.45 can be expected to serve family, though some undoubtedly goes to serve the inmate.

Combining reduced inflows from persons (–$12.40) and increased outflows (+$34.45) suggests a net turnaround possibly as great as $46.85 a month if all moneys affected supporting family, not a large amount of money by most measures, but significant and helpful in the context of inmate earnings and possible assistance to fragile families. The estimate, though different, is in the same order of magnitude as the $62 obtained when examining all pre-PIE and PIE records. At the same time, even this amount is likely significantly reduced by inmate transactions aimed at their own needs rather than to meeting external interests' interests.

Tentative Conclusions from Inmate Account Data:

Despite the paucity of data and cautions about the data's representation of inmate incomes and expenditures separate from PIE, some tentative overall conclusions are suggested:

1. Post-PIE mandatory deductions from inmate incomes appear to be relatively small, and observed data provide no indications that significant takings from inmates' PIE earnings occur post-PIE deductions. Taken as a share of either total incomes or of PIE incomes alone, mandatory post-PIE takings appear to be not much more than 3 percent of total PIE incomes, on average about $14–$20 a month. To the extent other charges, such as for sick call, legal copies, or other transfers disguise other required expenditures, mandatory post-PIE deductions could be slightly higher, but not significantly more. The limited information provided by the sampled States, therefore, appears to strongly contradict any concerns that PIE inmates' incomes are significantly reduced by post-PIE deductions. At the same time, however, the post-PIE deduction information suggests that parties—like crime victims and inmates' children and families—who did not obtain significant support via PIE deductions find no particularly greater support post-PIE, and appear to be generally overlooked at both stages.

2. Although indicating that PIE participants on average slightly increase voluntary payments to family members upon PIE participation, nevertheless the PIE and post-PIE deduction data overall suggest that most PIE inmates, even upon receipt of significant incomes, do not shoulder significant child or family care financial burdens, either via mandatory deductions or with voluntary payments. Roughly 90 percent of the 462 PIE inmates for whom PIE-month data was available expended nothing during the examined month to persons with the same last name; 77 percent sent nothing to persons with different last names. However, some PIE inmates appear to expend significant amounts. The average transmittal to persons with the same last name for the 10 percent of PIE-month inmates making such transmittals averaged $195, and for the 23 percent sending money to persons with different last names, the average transmittal was $178. Overall, however, *net* transmittals to other persons indicate additional benefits on the order of 9 percent of inmate gross incomes, 3 percent to persons with the same last names (the narrowest possibility for family support) and 6 percent to persons with different last names).

3. Transmittals to financial institutions, which may or may not have been accessible by other family members, increased from nothing before PIE to an average of $41 during PIE, and for the mere 7 percent of inmates making such transmittals, the average was $279.

4. Somewhat surprisingly, the available data suggest that PIE inmates continue receiving significant incomes from outside persons during PIE participation.

5. PIE inmates likely accumulate significant savings during PIE participation, certainly in their inmate accounts and possibly in external bank and other financial institution accounts. On average PIE inmates retained after required and voluntary expenditures $97 during the PIE month, 14.0 percent of their gross income from all sources and 31 percent of their retained discretionary earnings (estimated at $313) after PIE and other post-PIE mandatory deductions.

6. By and large, PIE inmate accounts do not directly indicate any wholesale movement into normal financial responsibilities, such as to mortgages, transportation, utilities, insurances, health care, or other expenses characteristic of contemporary American households. On the one hand, recognition of nonparticipation is not surprising, given that it would be much more likely that such expenses would be handled by the civilian householder even if the inmate were aware or transmitted money for payment of such expenses; and it is altogether possible that research staff could not detect such payments among the minority of inmate payments for "other" and financial transmittals. Nevertheless, the continued absence of PIE inmates from normal economic behaviors even in the presence of growing incomes may suggest a need for additional education and guidance for PIE inmates in the future.

7. Finally, the overall difference between inmate incomes and consequences for important beneficiaries before and during PIE is little short of stunning. First, the almost complete absence of inmates from economic participation or commerce before PIE should give pause to anyone whose emphasis is U.S. economic growth—including the rate of growth of aggregate consumer demand—or reduction in poverty and inequality, given that prime working age adults not in PIE get and spend little more than snack and personal hygiene money, and contribute virtually nothing to the economy, compensate almost none of their victims' costs, and not only do not support their families but instead receive support from them reducing net household resources. PIE-participating inmate, in stark contrast, earn meaningful incomes, contribute substantially to the tax base and reducing taxpayer costs, contribute to critical social insurance programs, compensate their victims, build savings, and increase consumer demand and consumption. While improvements in delivery of benefits to crime victims and families may appear warranted, and increasing incomes may suggest needs for additional guidance in responsibility and use of increased earnings, there can be little doubt that PIE employment yields significantly larger financial benefits to important National constituencies than idleness or traditional inmate work.

VIII. Recommendations for Further Research

This research indicates substantial national benefits from prison inmate work in PIE. Nevertheless, this analysis is also an early effort, and additional beneficiaries research is needed in virtually every component, including topics, facts and data, assumptions and relationships, and the structure and execution of the analyses. It is highly likely that additional beneficiaries research will enlarge, revise, and sometimes refute conclusions of this work, and that the additional research will ultimately provide superior guidance to citizens, policy makers, inmates, other stakeholders, and practitioners in inmate employment. For the sake of the Nation's economic and social health, fundamental broader areas in PIE and in inmate work in general also merit additional attention, beginning with further examination of the specific topics in this benefits research and broadening to more general PIE issues and evaluations.

First, key topics broached in this research should be reexamined and their representation tested, corroborated, or improved, not only with respect to their conclusions for benefits and beneficiary groups, but also for assumptions and conclusions with respect to other PIE inmate demographic and criminal justice characteristics. Any number of important areas merit attention, including –

1. All demographic and criminal justice descriptors of PIE inmate workers, including sex, age, race and ethnic origin, education, and if possible, work or skill history and parenthood. Important fundamental descriptors of PIE work are introduced in this research, including an hourly wage rate near the Federal minimum, large proportions of part time work, and average weeks worked much less than a full calendar year. Not only is confirmation of these basic conclusions critical in assessing PIE, but also explanations and possible recommendations for changed policies or practices could be crucial to PIE's future fortunes. Knowledge about racial, educational, and any prior work experience characteristics of PIE inmate workers differing from the normal inmate population could be significant in evaluations of PIE or in comparative evaluations of other correctional programs. Is job turnover as frequent as suggested by the research data, and what effects does higher than average turnover have on industries appropriate for State prisons or on PIE firm competitiveness? Each characteristic, especially in comparison with populations of other correctional programs, each State or the Nation's general prison populations, or with relevant U.S. subpopulations, could reveal important explanatory information about prisons, prison work programs, and PIE in particular. Furthermore, review of characteristics for this research suggests that specific States' PIE inmate subpopulations may differ significantly with respect to both demographic and criminal justice characteristics, making National conclusions from small samples much less certain and subject to statistical variation. Without additional testing and corroboration, conclusions drawn from characteristics generalized from this specific sample may, in fact, be

unwarranted. Moreover, where relevant, additional work needs to be done understanding not only *what* characteristics typify PIE workers, but *why* they exist and *what differences or effects* result.

2. Critical assumptions need to be empirically established, both under current PIE circumstances—such as for inmates' tax filing and refunds claiming practices—and especially where potential outcomes in alternative PIE scenarios are examined—such as for proportions or distributions of inmate populations earning average civilian incomes, and with respect to "optimal" or other deduction policies. In addition to assumptions yielding welcome outcomes, challenging assumptions of plausible alternatives also deserve exploration, including for limited skills, limited public acceptability, and other alternatives.

3. PIE deduction rules and policies may deserve review with respect to requirements and their implementation across all participating States. Evidence in this research suggests that the family support deduction may be misunderstood or applied differently than suggested in current guidelines; similarly, this research suggests that PIE employers' practices for workers compensation may be effected differently than would be expected from review of PIE guidelines.

It would be helpful if State PIE programs in general gathered, organized, and then shared additional descriptive statistics on PIE programs, program participants, PIE deduction policies, program purposes and results, and program participants, especially including basic demographic descriptions of *all* PIE applicants and inmate workers.

Useful individual analyses and data gathering could occur at the individual State level as well as for all States under nationwide programs. Nevertheless, some expansion in consistently defined nationwide reporting merits consideration.

Furthermore, additional research is likely warranted on broader PIE beneficiary issues untouched or only lightly touched by this work, including on policies, procedures, and objectives of PIE deductions. This research naturally calls for examining broader economic and social benefits in the context of recipient groups and issues, both for the motives, goals, principles, rules, procedures, and outcomes effected by PIE, as well as to outcomes in the context of the recipient groups.

1. Both crime victim compensation (to victims of other offenders) and victim restitution (to the PIE inmate's own victims) deserve additional attention, including the role and scale of PIE inmate contributions to State victim compensation funds, interactions with State victim compensation programs, and public recognition of PIE inmate victim compensation contributions and potential. Reexamining PIE's relationship to crime victim restitution may be in order, including legal bases for such deductions, principles for establishing victim restitution, setting restitution with and without court restitution orders, and flexible restitution procedures (reducing requirements if PIE work is lost).

2. Employer payroll contributions for Social Security, unemployment compensation, and workers compensation may deserve additional consideration for customer (prison owned) PIE firms, given that such employer-paid deductions might more closely match requirements for civilian firms, would buttress the finances of the programs, and could build public support.

3. It is difficult to imagine that the PIE family support deduction is meeting envisioned purposes when 50 percent of inmates have children, yet few inmates pay it, and those who incur it contribute so little. The family support deduction almost certainly deserves reexamination, including in concept, in instructions to States, and in extent and scale of use, both for the sake of the client group and in light of potential public support. Whom should the family support deduction assist—only natural offspring who lived with the incarcerated parent (What about offspring now in other households, or mothers remarried?)—or should "family" include parents, grandparents, other relatives, or unrelated but interdependent others, and under what circumstances? Of course, the extent to which inmates have anyone reasonably to be considered "family" deserves review, and realistic review may reveal either the absence of family or effective estrangement of family in some instances, raising additional issues to be accommodated in assessing deductions for family support. What is the appropriate role of PIE or of corrections, in identifying and encouraging or enforcing family support deductions? Should there be, and what would be, appropriate conditions on recipients and uses of the deduction, and is any oversight needed? To what extent does enhanced financial support necessitate other family reconciliation, cohesion, or parenting services? How should or does the PIE family support deduction relate to child support orders and welfare (TANF) support? The catch-22 in PIE child support could be reexamined, by which PIE support is deducted only with a child support order but child support orders are avoided because, once set, impose impossible financial burdens on inmates left unpaid before and after PIE.

4. Post-PIE deductions deserve additional attention, including the extent to which PIE inmates have unmet legal obligations for fines, court costs, and repayments for special expenditures (such as repayment for guard services when attending family funerals).

5. Because PIE inmates can acquire significant savings, efficient and productive use of the PIE inmate's residual income deserves additional examination, both to ensure appropriate accounting and oversight (and to deter misuse), and also to help meet legitimate accountholder (inmate) objectives, such as for voluntary family support, accumulating savings, insurances, mortgage payments, or other productive long-term purposes. The potential role of investment and money planning should be considered for PIE support to inmate workers.

6. If it is to expand, particularly without taxpayer subsidy, PIE simply must become profitable for private firms. Therefore, it is likely crucial for future PIE success and the expansion of stakeholder benefits that the actual and potential benefits of PIE business locations be clearly understood, publicized, and aggressively exploited. Research including corrections

departments, PIE programs, and both successful and unsuccessful firms (including interested firms abandoning efforts) seems particularly apropos at this time. Consequences for host communities could be examined, including on the local tax base, on civilian employment both in the PIE firm, for multiplier (added employment) or displacement effects in the community, if any, and for any ancillary benefits for the community. Research should consider assessments of the kinds of industries, firms, and jobs most amenable to efficiency and PIE success, particularly in an unsubsidized competitive marketplace, and possibly with respect to import substitution (retrieving jobs from overseas or preventing job export).

7. Examination of corrections policies and practices affecting PIE firm success, including (a) security-efficiency requirements and tradeoffs, (b) contractual terms and procedures affecting prison-firm relationships, (c) correctional practices facilitating or deterring firms' participation, (d) public perceptions affecting participating firms and support for PIE, and (e) explicit and implicit taxpayer support for PIE firms for land, buildings, equipment, utilities, support services, staffing, and security, and implications for taxpayers and business competition.

8. Broader labor issues could be examined, including civilian and PIE inmate hiring practices, wage rates, prevailing wage comparability, pay and benefits (including health and retirement), education, training, promotion, displacement, civilian and inmate security, health and safety, labor-management relations, and inmate and civilian organization and participation rights and issues.

9. PIE should be much more extensively examined with respect to correctional and justice effects, such as on prison order, prison security, inmate rehabilitation, restorative justice (including healing for crime victims), and family cohesion. Does the presence of PIE opportunities increase prison security and reduce danger for inmates and staff, and if so, how, and how are they evidenced?

10. Support for additional objective research on recidivism effects of PIE participation is clearly warranted, both for base effects (Does PIE reduce recidivism?) and for distinguishing key correlates (What characteristics of PIE correlate most highly?). Given that the greatest social benefits of PIE could be reduced crime, and that earlier research and PIE analysis suggests reduced recidivism from PIE employment, more extensive and definitive work is clearly warranted.

11. Either as part of recidivism research or separately, it would be useful to know the extent to which, if any and why, PIE inmates obtain superior employment after release than do other inmates.

Finally, PIE deserves additional examination for its implications in the broadest context of American society and core social values. Should working inmates be considered separately from others with respect to employment law, including the Fair Labor Standards Act (wages and hours)

National Labor Relations Act (rights to union participation), and what national benefits or losses occur given alternative answers? What answers maximize economic growth, employment, output, and wages, and what answers maximize social cohesion? What subgroups gain and who loses under alternative answers? Which choices are superior on equity (fairness) grounds? And what are the implications for offender employment beyond PIE, beyond prisons and jails, for offender employment policies for pretrial, for probation and parole, and for post incarceration employment discrimination? Does the PIE experience suggest anything for national and subgroup gains or losses for employment policies for these offender and ex-offender groups.

At its heart, this research barely begins the work seeking rational, defensible, answers to the question, "What policies with respect to offender employment participation yield the best results for America overall and for whom within the society, and how do we know it?" Any research likely to contribute useful parts to the answer to that question deserves further consideration.

Appendix A. Demographics and Criminal Justice Characteristics

Neither demographic nor criminal justice (offense, sentence) characteristics of the State PIE inmate-worker population were the focus of this research, and the percent distributions of the demographic and criminal justice characteristics of the sampled State PIE inmates are not known to be statistically representative of all U.S. PIE inmates.

Nevertheless, basic demographic and criminal justice information—sex, date of birth, race, education, principal offense, and maximum sentence are provided.

By and large, however, the sample data suggest a State-level PIE inmate worker population that is older than the overall U.S. inmate population. The data also suggest that State-level PIE inmate workers are somewhat more likely than the normal State prison inmate population to have been sentenced for a longer time and to have been sentenced for a more serious—violent—offense.

Whether these sample results generally reflect PIE participants and, where they are found to occur, why PIE distributions differ, may be appropriate for further research.

Sex

The sample data corroborate participation of both women as well as men in PIE. However, because female PIE participants are likely concentrated in a few sites, and because sampling for this research did not explicitly account for gender, the proportion of women in the sample should not be interpreted as statistically representative of their overall share of PIE employment, which may be significantly less or more than shown here. It is safe to conclude, however, that women are very likely a fairly small share of the overall PIE inmate labor force just as in the overall State prison inmate population.

Table A1. Comparison, Distribution by Sex (Percent)

	PIE Inmates	State Inmate Population 1997	U.S. Population 18+, 2000
Male	91.9	93.7	48.3
Female	8.1	6.3	51.7

Sources: Bureau of Justice Statistics, *Survey of Inmates in State and Federal Correctional Facilities 1997,* retrieved July 22, 2003 from the National Archive of Criminal Justice Data (NACJD) Web site: http://www.icpsr.umich.edu/NACJD/SISFCFL; U.S. Bureau of the Census, *Census 2000,* Summary File 1, Table DP-1 Profile of General Demographic Characteristics: 2000, retrieved July 22, 2003 from the U.S. Bureau of the Census Web site: http://factfinder.census.gov.

Age

The weighted sample data suggest that State-level PIE inmate workers are, on average, significantly older, on average 5 years older, than the general State inmate population.

Table A2. Comparison, Distribution by Age (Percent)

Age	PIE Inmates	State Inmate Population 1997	U.S. Population 2000
15–24	9.2	19.8	17.7
25–34	28.9	38.1	18.0
35–44	39.0	29.4	20.4
45–54	18.5	9.8	17.0
55+	4.5	2.9	26.8
Total	100.0	100.0	100.0
Median	38	32	
Mean	38	33	
Minimum	18	15	
Maximum	77	89	

Note: Sums may not equal totals because of independent rounding.
Sources: Bureau of Justice Statistics, *Survey of Inmates in State and Federal Correctional Facilities 1997*; U.S. Bureau of the Census, *Census 2000*, Summary File 1, Table DP-1 Profile of General Demographic Characteristics: 2000.

Inmate Race

Although all sampled States identified at least two categories, “black” and “white,” sample data did not generally or consistently identify other contemporary racial classifications, “Asian or Pacific Islander,” or “Native American/Alaska Native.” Therefore, PIE inmates in “other” race categories are almost certainly significantly undercounted, and data shown here should be considered minimum proportions for these groups. Some members of “other” racial groups are likely reported among "white," with the consequence that the number and share shown here as "white" is highly likely a slight overrepresentation of that group. Where able to be distinguished in reported data, "Mexican" and its variations are included here among "White," following U.S. Bureau of the Census practice. "Other/Unknown" includes PIE inmate participants identified as Asian or any other category not able to be categorized as black or white, plus those few for whom race is not specified.

Information for ethnic (Hispanic) origin was inconsistently reported and cannot be reliably presented.

Table A3. Comparison, Race Distribution (Percent)

Race	PIE Inmates	State Inmate Population 1997	U.S. Population 2000*
White	75.9	46.6	77.0
Black	17.0	47.9	12.6
Native American	6.0	3.7	0.9
Other/Unknown	1.2	1.7	9.5
Total	100.0	100.0	100.0

*Based on 97.6 percent of the U.S. population reporting one race only.
Notes: Sums may not equal totals because of independent rounding. "Other/Unknown" includes Asian and unknown.
Sources: Bureau of Justice Statistics, *Survey of Inmates in State and Federal Correctional Facilities 1997*; U.S. Bureau of the Census, *Census 2000*, Summary File 1, Table DP-1 Profile of General Demographic Characteristics: 2000.

The weighted sample data in table A3 suggest a racial distribution of PIE inmate workers markedly different from the overall U.S. State prison population, particularly a much higher proportion of sampled PIE inmates categorized "white" than found in the U.S. prison population as a whole, and tempting a conclusion that black inmates—for whatever reason—participate in PIE much less frequently than their incarceration proportions suggest. However, preliminary analysis of all sampled States' race data does not indicate, and certainly does not prove, overrepresentation of white inmates and under representation of black inmates in PIE. States' tendency to include some persons of "other" races among whites no doubt contributes to some small degree to an overestimate of whites in this research. But much more important, comparing the 1998–2001 reported race distribution of PIE inmates in each individual sampled State with the current (2003) reported race distribution of all inmates in each State indicates that, for all but one State, black inmates are an insignificantly *higher* proportion of PIE participants than black inmates in each State's overall inmate population; in just one sampled State, black PIE inmates appear to be a significantly lower share of PIE participants than their overall State proportion. If anything, then, the sample data may suggest a slight, probably insignificant, *overrepresentation* rather than under representation of black inmates in PIE, and the disproportionately lower participation rate of black inmates in PIE shown in this research compared with all U.S. inmates (Table A3) is almost certainly a function of a nonrepresentative sample with respect to race. Demonstration of the overall racial proportions of PIE inmates, and conclusions about those proportions, cannot be reliably drawn from these sample data and await further research appropriate to the issue.

Education

The beneficiaries research was not designed to be representative with respect to PIE workers' education, and Table A4 should not be interpreted as representatively portraying PIE inmate education. The weighted sample data suggest that PIE inmate workers may be somewhat more educated than the general State prison population, and, not surprisingly, less educated than the overall U.S. population. Absent information on pre-prison employment and income, education may also be viewed as a rough but direct indicator of legal earnings power. As usual, both the PIE and the overall inmate data suggest that (a) many inmates are as well educated as the normal population, and (b) nevertheless, State prison inmates and the PIE sample are disproportionately less educated than the normal working-age U.S. population.

Although not entirely certain, and likely in some instances to be inconsistent among reporting States, education reported by the sampled States is interpreted as highest education completed; specifically, "12" or any of its variations is interpreted as having graduated from high school.

PIE-reported data do not specify whether "education" identifies year attended or year completed; the 1997 inmate data and 2000 census data identify year completed.

Table A4. Comparison, Education (Percent)

Education	PIE Inmates	State Inmate Population 1997	U.S. Population 25+, 2000*
8^{th} Grade or Less	12.0	13.0	7.5
9th—12th, No Diploma	41.8	48.8	12.1
High School Diploma/GED	35.4	24.9	28.6
Some College, No Bachelors	9.2	11.0	27.4
College Graduate, Post	1.7	2.4	24.4
Total	100.0	100.0	100.0
Median	11	10	Some College
Mean	11	10	

Notes: Sums may not equal totals because of independent rounding.
Sources: Bureau of Justice Statistics, *Survey of Inmates in State and Federal Correctional Facilities 1997*; U.S. Bureau of the Census, *Census 2000,* Summary File 3, Matrices P37 and PCT25, retrieved July 22, 2003 from the U.S. Bureau of the Census Web site: http://factfinder.census.gov.

Analysis

Marital Status/Parenthood

The research is unable to report reliably on the marital status or parenthood of the PIE inmate population. No sampled State was able to report parenthood. Some States were unable to provide marital status; where marital status was reported, however, the meaning and even the time period of measurement (at arrest, at time of interview?) of reported status categories—such as "single" and "separated" was sufficiently uncertain and ambiguous as to undermine any practical value of the data obtained.

Offense

Because the sample is not known to be representative with respect to crime and sentence length, differences in the tabulated crime and sentence length characteristics for the weighted sample of PIE inmates from the overall population (Table A5) may reflect real differences from the normal population of State prison inmates or may merely reflect characteristics of an atypical sampled group in one or more States.

Respondent States were asked to provide the one most serious offense for which the PIE inmate was serving during the survey period; States reported the most serious offense shown in the inmate's overall record, however determined.[1]

Weighted sample data show a PIE worker offense distribution disproportionately sentenced for violent (particularly sexual assault) crimes and much less than proportionally sentenced for drug offenses. Variations among individual sampled States in offense characteristics are occasionally striking, suggesting that the overall weighted distribution of the sample may be significantly affected by individual States. However, some sampled States exhibit much higher than U.S. average—or their own State's overall inmate population's—participation by persons sentenced for rape/sexual assaults. All sampled States exhibit relatively few PIE participants serving for drug offenses, compared with the overall U.S. State inmate population and their own State's inmate populations.

[1] It is conceivable that in some instances States reported an inmate's current (2002) offense and sentence. However, it is highly unlikely that either the number of such cases is significant or that either the offense or the sentence in those instances differs notably from the offenses and sentences being served in the 1998-2001 survey year.

Table A5. Most Serious Offense, PIE Inmate Sample and U.S. State Prison Population (Percent)

Offense	PIE Inmates	State Inmate Population 1997
Violent	70.6	47.2
Murder	14.5	11.7
Manslaughter	2.8	1.6
Kidnap	2.7	1.2
Rape	14.5	2.6
Other Sexual Assault	22.8	6.0
Robbery	7.3	14.1
Assault	6.1	9.4
Other Violent	0	0.8
Property	19.8	22.0
Burglary	8.7	10.7
Larceny/Vehicle Theft	5.5	6.0
Arson/Fraud	4.3	3.2
Stolen Property/Other	1.3	2.1
Drug	7.3	20.7
Drug Possession	3.2	8.8
Drug Trafficking/Other	4.0	11.8
Public Order/Other	2.4	10.1

Note Where identifying a specific offense risked disclosing an individual PIE inmate, offenses were grouped to prevent disclosure.
Source: Bureau of Justice Statistics, *Survey of Inmates in State and Federal Correctional Facilities 1997*.

Sentence Length

Compared with the overall State prison inmate population, the weighted sample of PIE inmate workers is serving longer sentences than the overall State prison population (Table A6). No sampled PIE inmates were under sentence of death. Longer sentences undoubtedly to some extent reflect the disproportionately more serious offenses for which PIE inmates are incarcerated. Verification of the longer sentences and, if corroborated, other explanations, await further research.

Table A6. Maximum Sentence, PIE Inmate Sample and U.S. State Prison Population (Percent)

Maximum Sentence	PIE Inmates	State Inmate Population 1997
0–5 Years	20.1	34.6
6–10 Years	18.4	22.2
11–15 Years	27.9	11.3
16–25 Years	10.4	13.3
26–50 Years	3.5	7.7
51 + Years/Life	19.8	10.9
Median Sentence:	15	10.0

Note: Sums may not equal totals because of independent rounding.
Source: Bureau of Justice Statistics, *Survey of Inmates in State and Federal Correctional Facilities 1997*.

Appendix B. Introductory Materials

The following documents were provided (usually e-mailed) to sampled States and used to inform, coordinate, and gain permission of participating jurisdictions.

Every invited State agreed to participate and provided signed concurrence to participate. Protocols were prepared for submission to participating firms. However, with one exception, all employer-model firms' information was already in possession of the host States; the lone firm also agreed to participate and provided signed agreement.

Introductory Protocol to Sampled States

The introductory protocol on the following was e-mailed to each State sampled for the research. Its purpose is to introduce the research and key characteristics, request assistance, and provide appropriate contacts.

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Introduction, Request for Help, and Research Outline

<u>Identifying Beneficiaries of PIE Inmate Incomes</u>

The George Washington University Center For Economic Research
Under Contract With the National Correctional Industries Association (NCIA)
IRB Number U080222ER

We need your help!

As part of the Prison Industry Enhancement Certification (PIE) program, the National Correctional Industries Association (NCIA) has asked the Center for Economic Research of the George Washington University (GWU) to identify in more detail the benefits of PIE inmate incomes. The research is expected to help demonstrate the benefits of PIE.

Your Department and PIE firms have been statistically selected. Your participation is voluntary. It is not for audit and is not part of ongoing PIE assessments. Your responses are not being revealed to the NCIA. We think we can finish in a few days.

To help us maintain confidentiality, **Please do not reveal to NCIA, to PIE assessment teams, or to anyone that you are participating.** Please direct comments or questions to either –

Thomas Petersik, Ph.D. (703) 323-5272 (tkpetersik@yahoo.com**),** or
Anthony M. Yezer, Ph.D. (202) 994-6755 (yezer@gwu.edu)

The records for every PIE-participating inmate during a year to be specified are –

- Basic demographic and criminal justice—e.g. age, sex, race, offense, sentence;
- Work hours, gross wages, and Federal tax filing status for the year;
- Firm costs and participant benefits not shown in PIE participants' gross wages;
- All payroll, PIE, mandatory and other deductions; and
- Inmate accounts information for a month before and during PIE.

The research will likely involve your (1) Industries Director, (2) PIE Director, (3) Records Officer, (4) Legal Counsel, and (5) Research Office, plus (6) representatives of each firm. Please let us know if other staff should also participate.

GWU offers complete confidentiality to inmates; the University will not reveal inmate, business, or State identifiers, or the year being examined. We have also instituted careful confidentiality procedures for staff and participants during the research.

We should be able to do the work by phone, e-mail, facsimile, and mail, though visits may help as well. We will identify to you by telephone the year to be studied and the PIE firms that have been selected.

You should also be receiving now –

(1) A complete list of the data elements to be sought via records;
(2) A voluntary participation agreement form for return before we get data;
(3) A proposed timetable for completing the research;
(4) A State confidentiality outline; and
(5) Instructions for coordinating with PIE businesses in your State.

Tom Petersik will call you again in a few hours to follow-up on the contact.

Thank you for your help.

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Voluntary Participation Agreement

Participation agreements were mailed or facsimile provided to GWU research staff; GWU research staff, in turn, mailed or facsimile provided a signed response copy.

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Department of Corrections, Informed Consent
Identifying Beneficiaries of PIE Inmate Incomes

The George Washington University Center For Economic Research
Under Contract With the National Correctional Industries Association (NCIA)
IRB Number U080222ER

Principal Investigators:
Thomas Petersik, Ph.D. (703) 323-5272; tkpetersik@yahoo.com
Anthony M. Yezer, Ph.D. (202) 994-6755; yezer@gwu.edu

(To protect confidentiality, please *do not* contact NCIA. See "PIE Certification" on the NCIA web page, http://www.nationalcia.org, for an NCIA Statement acknowledging and encouraging participation in this research.

Your Prison Industry Enhancement (PIE) program has been selected for research on the disposition of PIE inmate incomes. This consent form provides information you may need in deciding whether your State will participate (We will invite firms separately). You may contact Thomas Petersik or anyone shown above to answer your questions and give further details. If you agree to participate, please sign the consent form. Next, please mail the form, signed or unsigned, in the provided stamped return envelope.

Purpose: The George Washington University (GWU) Center For Economic Research, under contract with the NCIA, is studying "who gets" PIE inmate income and other benefits from inmate work in private sector firms. The results of the study will inform the public and also tell policy makers how the goals of the PIE program are being met.

Procedures: We are asking your permission and assistance getting information from payroll and associated records that you have, and from policies for PIE inmates working for private PIE firms in your State:

- Basic demographic and offense information for all PIE inmates in a recent year;
- Gross wages (reported to IRS) and all PIE and other deductions for each inmate;
- Firm matching or other contribution rates for PIE inmates;
- Other benefits (health, retirement, or other) provided to PIE inmates; and
- PIE inmate account information for a month before and during PIE work.

Possible Risks: Your State will not be identified. However, public discussion of overall results could bring unwelcome as well as welcome attention.

Possible Benefits: Your State will not receive any direct benefit from this research. However, the information you provide may help increase public acceptance of PIE inmate-made products, inmate work, departments of corrections, and firms engaging inmates, and improve inmate participation practices.

Costs: The research costs time providing information.

Compensation: Your State will not receive any payment.

Right to Withdraw From The Study: Your State's participation is voluntary. You can choose if your State will or will not take part in the research. You can stop at any time.

Privacy of Research Records: Your State will not be identified, and inmate, firm, and State identifiers will be removed. Only GWU researchers and the GWU Committee on Human Research will have access to identifying data. NCIA is not aware of your having been asked to participate. Your records will be private unless you permit their release or they are required by court order. Though unlikely, someone could identify your State or firms from outside knowledge of special payroll features or deduction practices.

Questions? For project questions, please contact Tom Petersik. For questions about your rights as a research participant, please call the GWU Assistant Vice President for Health Research, Compliance and Technology Transfer—your representative—at 202-994-2995.

Consent to Participate: Please circle one of the choices below. If you agree to participate, please also complete the information below.

I (Circle one) **Consent / Do Not Consent** to this State participating in this research.

Signature: By signing this consent form, you confirm that you have read this informed consent form. You also agree that the study has been explained to you, your questions have been answered, and your State will take part. You do not give up your legal rights if you sign this informed consent form. Please retain a copy of this consent form.

____
(Name and Title of Authorized Agent of the State)

____
(Signature of Agent)

____
(Date)

Researcher's Statement (For completion before obtaining information): I confirm that either I have explained the purpose, procedures, possible risks, and potential benefits of this research, and have addressed any questions this State has raised.

Thomas W. Petersik, PhD

____
(Signature)

____
(Date)

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Record Layout

States were provided the below record layout, with data requested via automated datasets rather than paper or other transmission methods. Most research data was obtained via automated files, but information was also obtained via publicly available information on departmental Web sites and via transcription from paper records.

Little difficulty occurred in obtaining basic inmate demographic, criminal justice, and PIE work information. However, almost no information was readily available regarding prior employment status or parenthood of minor children; nor was information readily available on deductions other than for PIE.

Difficulties in obtaining optional demographic and expenditure data appear to be a combination of lack of data, non-automated systems (meaning that data would need to be hand sought from paper records, at best), and organizational separations (that is, records controlled by other offices than PIE, with separate permissions and protocols, and with possibly different skills or software facilities needed).

Items Requested:

1. Inmate ID Numeric
2. Inmate Name First & Last
3. State
4. PIE Firm Name or ID
5. Day, Month, Year of Birth
6. Sex
7. Race
8. Ethnic Origin
9. Marital Status at Arrest (Optional)
10. Parent of Child Born After 12/31/1979 Yes/No (Optional)
11. If yes, Birth Year of Youngest Child (Optional)
12. Highest Year Education Completed
13. Labor Force Status at Arrest
14. Most Serious Offense
15. Sentence, This Incarceration
16. PIE Worker—Annual Hours Worked
17. PIE Worker—Gross Wages Earned
18. PIE Firm—Social Security Contribution
19. PIE Firm—Medicare
20. PIE Firm—Workers' Compensation
21. PIE Firm—Unemployment Compensation
22. PIE Firm—Other (specify)
23. PIE Firm—Health Care Contributions
24. PIE Firm—Retirement Contributions (not Social Security)
25. PIE Firm—Vacation/Annual Leave Contributions
26. PIE Firm—Other (specify)
27. PIE Firm—In-Kind Benefits (Banquets, Celebrations)
28. Corrections—Good Time or Other Credits
29. Corrections—Prison Industries Pay
30. Corrections—Housing or Other PIE-only Privilege
31. Corrections—Other (specify)
32. PIE Worker—Federal Income Tax Withheld
33. PIE Worker—State Income Tax Withheld
34. PIE Worker—Local Income Tax Withheld
35. PIE Worker—Social Security Withheld (OIASI + HI)
36. PIE Worker—Dependent Care Benefits
37. PIE Worker—Other Deduction (specify)
38. PIE Worker—PIE Board and Room

39. PIE Worker—PIE Victim Compensation
40. PIE Worker—PIE Family Support
41. PIE Worker—Non PIE Board and Room
42. PIE Worker—Non PIE Victim Restitution
43. PIE Worker—Non PIE Court Costs, Fines
44. PIE Worker—Non PIE Child Support

Timetable

The below proposed timetable was provided each invited State. Moreover, an attempt was made to orally discuss and effect the proposed timetable. Particularly important components were (1) organizing the core team of corrections staff, within and beyond PIE, to effect the research, and (2) identifying and resolving issues quickly.

Although all required and some optional research objectives were met in every sampled State, the proposed protocol quickly became almost entirely fiction. Teams were never identified or assembled, and the in-State work appears to have been addressed primarily by PIE staff, with ad-hoc assistance by other corrections offices when needed, a technique that generally worked relatively well, but on occasion likely meant missed data opportunities, confusion and misunderstandings, delays, or inefficient (that is, reliant on paper rather than automated data) data assembly, plus mailed transmission followed by tedious and error-prone hand re-entry of data.

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Timetable & Proposed Procedure

Identifying Beneficiaries of PIE Inmate Incomes

The George Washington University Center For Economic Research
Under Contract With the National Correctional Industries Association (NCIA)
IRB Number U080222ER

To Discuss, Please Contact the Principal Investigators:

Thomas Petersik, Ph.D. (703) 323-5272; tkpetersik@yahoo.com

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