

# **HJR 8 Study: Childhood Hunger**

## ***Stakeholder Suggestion: Donate Correctional Enterprises Food Products***

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for the Children, Families, Health, and Human Services Interim Committee  
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### *Background*

The Department of Corrections operates several businesses at the Montana State Prison in Deer Lodge that provide inmates with opportunities to gain work experience and earn money. The Montana Correctional Enterprises (MCE) Division oversees these business operations, which range from a ranch and dairy to furniture-making facilities. The products made at the prison are sold to other government agencies and in the private sector.

The Children, Families, Health, and Human Services Interim Committee asked for more information in November 2011 about a stakeholder recommendation that MCE donate to food banks some of the canned goods and milk produced at the prison. This briefing paper provides information about those MCE operations and presents options for committee consideration.

### *The MCE Dairy*

MCE's dairy operation consists of more than 360 cows that each produce about 92 pounds of milk each day. The dairy produces a variety of milk products, from low-fat milk to cottage cheese, yogurt, and ice cream. It sells milk for 1 cent less per half pint than the open-market price, primarily to the State Prison and other institutional customers, such as the Montana State Hospital and pre-release centers. The dairy typically processes the amount of milk for which it has contracts with buyers. Surplus raw milk is sold to a local dairy processor.

Sale of all dairy products generated about \$2.53 million in fiscal year 2011. MCE's sale of surplus raw milk to Darigold netted \$1.74 million in fiscal year 2011 as part of that overall total.<sup>1</sup> The dairy uses its surplus sales to achieve profitability.

### *The Prison Cannery*

Until just recently, MCE also operated a cannery. The cannery was located in a building that was originally built in the 1940s as a slaughterhouse. For a number of years, the Montana Food Bank Network contracted with MCE to have Montana products canned at the facility, for distribution to local food banks.

The cannery was demolished in November 2011 after the Montana Food Bank Network canceled its contract with MCE. The organization is currently working with the congressional delegation to develop a new food processing center in Montana.

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<sup>1</sup> Budget information provided by MCE Business Manager Andrew Olcott, Jan. 11, 2012.

### Financing the MCE Business Operations

MCE businesses are self-supporting, and the money they generate is deposited in a type of proprietary fund known as an "enterprise fund." Each enterprise operation, including the dairy, is run in a manner similar to a private business. The expenses of the operation must be covered by the price charged for the product or service sold. In addition, money that is raised but not needed for expenses is invested through the Board of Investments. Interest earned on that money is transferred to the general fund.

### Existing Law on MCE Donations

State law already explicitly allows — but does not require — MCE to donate surplus food to local food banks, nonprofit organizations, and low-income individuals.

### Options for Consideration

If the committee wants to promote the distribution of milk from the MCE dairy to local food banks, members could consider the following options:

1. Approve drafting of a bill to require that milk be distributed to local food banks. Committee members may want to consider whether a limit should be placed on the maximum amount of milk to be donated.

*Note: Diverting some of the milk produced by the dairy could reduce the surplus raw milk sales and thus decrease the dairy's revenue. As a result, interest earnings also may decline and a smaller amount of money may be transferred to the general fund.*

*A diversion of 1% of the surplus raw milk would equal about 12,150 gallons. The diversion would result in a revenue loss of about \$17,430 for MCE.<sup>2</sup> The milk also would need to be processed and packaged. If MCE were to process the raw milk into half-pint containers, it would result in an additional revenue loss of about \$27,600.*

2. Send a letter to MCE encouraging it to donate surplus raw or processed milk to local food banks or the Montana Food Bank Network, as allowed by current law.

*Note: A letter would serve merely as a suggestion to the agency and would not ensure that the milk would be donated. Should MCE donate some of the dairy's milk rather than sell it, the operation's budget would be affected.*

3. Find that donation of milk from MCE to local food banks may help alleviate childhood hunger and that state law already allows for donation of surplus food items. Include the finding in the final report on the HJR 8 study.
4. Identify other options for consideration.

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<sup>2</sup> Ibid.