

**MINUTES OF THE  
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S  
COMMITTEE ON INDUSTRIAL PROGRAMS  
(NRS 209.4817)  
September 28, 2010**

The third meeting of the 2009–10 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 2:30 p.m. on Tuesday, September 28, 2010, in Room 4412 of the Grant Sawyer State Office Building in Las Vegas, Nevada. The meeting was simultaneously videoconferenced to Room 3138 of the Legislative Building in Carson City, Nevada.

**COMMITTEE MEMBERS PRESENT IN LAS VEGAS:**

Senator David R. Parks, Chairman  
Assemblyman John Hambrick, Vice Chairman  
Senator Dean A. Rhoads  
Allen J. Puliz, Puliz Moving and Storage  
Michael Mackenzie, Principal, Operations Improvement Company  
Howard Skolnik, Director, Department of Corrections  
Greg Smith, Administrator, Purchasing Division

**COMMITTEE MEMBERS PRESENT IN CARSON CITY:**

None

**COMMITTEE MEMBERS ABSENT:**

Assemblyman Moises Denis  
Bruce Aguilera, Vice President/General Counsel, Bellagio  
Mike Magnani, Labor Union Representative

**STAFF MEMBERS PRESENT IN CARSON CITY:**

Nicolas Anthony, Senior Principal Deputy Legislative Counsel, LCB Legal Division  
Natalee Binkholder, Deputy Legislative Counsel, LCB Legal Division  
Donna Thomas, Secretary, LCB Fiscal Analysis Division

**STAFF MEMBERS PRESENT IN LAS VEGAS:**

Sarah Coffman, Program Analyst, LCB Fiscal Analysis Division  
Cheryl Harvey, Secretary, LCB Fiscal Analysis Division

**OTHERS PRESENT IN LAS VEGAS:**

Brian Connett, Deputy Director, Industrial Programs, Department of Corrections

**EXHIBITS:**

[Exhibit A](#) – Agenda and Meeting Packet

## **I. CALL TO ORDER**

Chairman David Parks called the meeting to order at 2:30 p.m. He welcomed the Committee members in Las Vegas and the staff members attending in Carson City. He asked that the Committee secretary take roll and it was determined a quorum was present.

Chairman Parks remarked that the Committee members had attended a tour of the Southern Desert Correctional Center (SDCC) and High Desert State Prison (HDSP). The tour was to observe the industry programs that were provided at those facilities. He thanked the members that took the time to accompany the Director on the tours. The tours were quite informational and gave a better perspective of the activities at the Nevada Department of Corrections (NDOC).

## **II. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR JUNE 16, 2010.**

Chairman Parks requested a motion for approval of the minutes from the June 16, 2010, meeting.

SENATOR RHOADS MOVED TO APPROVE THE MINUTES OF THE JUNE 16, 2010, MEETING OF THE COMMITTEE ON INDUSTRIAL PROGRAMS.

ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

## **III. STATUS REPORT FROM THE NEVADA DEPARTMENT OF CORRECTIONS AND COMMITTEE RECOMMENDATIONS REGARDING THE NORTHERN NEVADA PRISON INDUSTRY FACILITIES.**

Mr. Connett, Deputy Director, Prison Industries, introduced himself and thanked the Committee members for attending the Prison Industry tours. He appreciated the members observing the programs offered at SDCC and HDSP.

Mr. Connett reported on the status of the Northern Nevada Prison Industry facilities. He said he had met with a construction company that provided architectural engineering and construction services. He had received an estimate to build two buildings at the Northern Nevada Correctional Center (NNCC), one for the tag plant and one for the print shop, to replace the facilities located at Nevada State Prison (NSP). The tag plant would be about 9,000 square feet and the print shop about 7,000 square feet. The estimated project cost was about \$3 million for the tag plant, and about \$2.4 million for the print shop. The construction company offered financing with a 15-year term and 4 percent interest rate. Annual payments would be \$365,000 for the tag plant and \$285,000 for the printing plant.

Mr. Connett had not had time to review the cost estimate and was not in a position to discuss it.

Director Skolnik asked Mr. Connett if a sprung building or less costly construction had been contemplated. Mr. Connett replied he had been waiting for the estimate from the construction company before getting other estimates. The construction company was all inclusive in regard to the electrical on-site work.

Chairman Parks expressed concern about moving the heavy embossing press to the new the tag plant location. He asked if there be a need for the embossing press since it was no longer used for the tags manufactured for the Department of Motor Vehicles (DMV). Mr. Connett explained the DMV managed the tag plant facility and it was not known if the DMV intended to continue operations with the embossed tags. As Mr. Connett understood, 95 percent of the DMV's license plates were made using flat tag technology. It would be up to the DMV to determine whether the heavy embossing press would be moved.

Mr. Smith advised the Committee that the DMV had contacted the Purchasing Division to work with a private auction company to put the embossing press up for auction in October 2010. He said there was a six-week period where the press would be advertised on the Internet. Mr. Smith said he would get more information, but he had seen the electronic auction website showing the heavy press. The advertisement was for sale as-is. He said half the building would have to be knocked out to get the press out of NSP.

Mr. Connett said DMV thought it was too expensive to move that piece of equipment. As Mr. Smith said, the building would have to be partially demolished to move it. It was cost prohibitive to move the heavy press. Chairman Parks stated the press must have been brought in by pieces and put together.

Chairman Parks asked how much the print shop was impacted during the legislative session. Mr. Connett said the legislative session happened once every two years, and it only impacted one of the print shop's fiscal year revenues. It was significant for the industry to have some close proximity to the State Capitol. The print shop always tried to expand out to the local city, county, school board, and sheriff's office for more work. The print shop's revenues were primarily derived from state agencies located in Carson City.

**IV. REVIEW OF RESPONSES FROM THE NEVADA DEPARTMENT OF CORRECTIONS TO QUESTIONS OF THE COMMITTEE AT THE JUNE 16, 2010, MEETING RELATING TO AGING OF PRISON INDUSTRY ACCOUNTS RECEIVABLE, AND MISCELLANEOUS EXPENSES OF \$64,893 IDENTIFIED IN THE MARCH 31, 2010, CENTRAL ADMINISTRATION STATEMENT OF OPERATION REPORT.**

Mr. Connett directed the Committee to page 19 of the meeting packet ([Exhibit A](#)). He said the Committee asked for information about the State's policy for writing off bad debts. Mr. Connett informed the Committee the Prison Industries' Board provided advice regarding bad debt write offs. When accounts had been approved for write off, the Board would notify the Controller's Office in writing, and the accounts would be removed from the agency's books.

Mr. Connett further explained Prison Industries' financial statement was severely impacted because of the \$948,000 reallocated from the account to the General Fund during the 26<sup>th</sup> Special Session. Prison Industries decided to write off the uncollectable accounts receivable during the same year. The bad debts account for about \$884,000, approximately 90 percent of which was owed by two or three companies.

Senator Rhoads asked if the write offs required legislative approval. Mr. Connett explained he was asking the Committee to approve going forward with the write offs. The Controller's Office was aware of the amounts and accounts.

Director Skolnik stated for the record that it was an extremely good idea to have the approval of the Committee, but it was not essential. Prison Industries could write off the debt independently without the approval of the Committee.

SENATOR RHOADS MOVED TO APPROVE THE REQUEST FROM PRISON INDUSTRIES TO PROCEED WITH THE WRITE OFF OF THE BAD DEBTS.

VICE CHAIRMAN HAMBRICK SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Mr. Connett provided the Committee additional information regarding the miscellaneous expenses of \$64,893. The expenses were of the following:

- \$2,887 – Contractual Services – credit card merchant fees
- \$647 – Building and Maintenance - sprung building wire repair
- \$33,161 – Attorney General Cost Allocations
- \$5,175 – DoIT – planning and contract assessments
- \$1,681 – Purchasing Assessment
- \$1,366 – Professional services – CYMA consulting (maintenance) services
- \$183 – Small tools/appliances – two calculators, cell phone
- \$14,320 – Equipment Rental – heartbeat monitors
- \$5,474 – State Cost Allocation

Mr. Connett explained the primary cost allocations were from the Attorney General's office, the State, and DoIT. There was also an expense of \$14,320 for equipment rental for heartbeat monitors at SDCC and Northern Nevada Correctional Center (NNCC).

Mr. Puliz asked if the heartbeat monitor was a medical device. Mr. Connett answered the heartbeat monitors were initially put in place at NNCC after an escape. Water tanks at SDCC made it very difficult for the Correctional Officers at the sally port to identify if there was an inmate inside. An inmate could easily hide inside one of the tanks. Mr. Connett explained the heartbeat monitors alerted the officer if there was a heartbeat inside the water tank. The heartbeat monitors at SDCC had been returned because the water tanks were no longer an issue.

Mr. Connett informed the Committee he had spoken with the principals interested in establishing the hog farm at Indian Springs. The cost to establish and continue with security exceeded the principals' budget; therefore, the hog farm would not be moving forward. He stated he would keep in contact with them, in hope that when the economy improved they would move forward with the hog farm.

Chairman Parks asked how many potential jobs would have been created for the inmates, or whether it was strictly a non-employee arrangement. Mr. Connett said he indicated to the principals interested in the hog farm that Prison Industries was not in the business of renting land. There would have been a minimum of 15 inmates working at the hog farm.

Mr. Connett explained there had not been any progress on the cook/chill project and he did not see any progress in the foreseeable future. Director Skolnik stated there had been talk of privatization of components of the Department from gubernatorial candidates. He asked if Mr. Connett had considered privatizing the culinary operations, whether it was cook/chill or otherwise. Mr. Connett said the current operations presented an opportunity to put inmates to work under Prison Industries. He would approach Director Skolnik to discuss privatizing the culinary operations.

Mr. Connett advised the Committee that Nigro Construction, the proposed general contractor for the Indian Springs Industrial Park, had not found tenants to meet the lender's 70 percent pre-occupancy requirement.

Mr. Connett explained the Prison Dairy had located a new storage tank. Prison Industries was in discussions with the farmer that currently owned the tank. The tank would require a small amount of modifications to be used at the dairy. Chairman Parks asked Mr. Connett if the purchase of the tank was still in the price negotiation stage. Mr. Connett explained Prison Industries was not ready to relocate the tank to its dairy. Permits were needed to install the tank, which should be obtained in the next 45 days.

Prison Industries acquired a double-wide mobile home from the National Guard to be relocated to the Carson City dairy ranch operation. Prison Industries was getting the necessary permits for the utility hook-ups. The mobile home would be an office for the three people that currently occupied a very small office at the ranch. The mobile home would have additional capacity for expansion.

Mr. Connett pointed out at the time the meeting packet was compiled there were no new programs that needed to be approved by the Committee. In the meantime, Mr. Jim Brimner, from Tom Hall Enterprises in Southern California, approached Mr. Connett about manufacturing bicycles in Las Vegas at SDCC. The manufacturing would begin small, using one bay located in SDCC and employing 10 to 12 inmates. Mr. Connett would like a concurrence from the Committee members to proceed with negotiations.

Mr. Puliz asked if credit checks had been done on Tom Hall Enterprises. Mr. Connett responded that no credit checks had been done, but he planned on doing a credit check.

DIRECTOR SKOLNIK MOVED TO INSTRUCT MR. CONNETT TO PROCEED WITH NEGOTIATIONS WITH TOM HALL ENTERPRISES.

MR. PULIZ SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Mr. Connett said that the Administrative Services Officer II had been on leave for the last 30 days so Prison Industries financials reports were not complete. Mr. Connett had primary numbers, but corrections would be necessary. The financial year-end reports would be presented at the next Committee meeting.

Mr. Connett explained no programs had been discontinued since the last Prison Industry meeting on June 16, 2010.

**V. REPORT ON PRISON INDUSTRY PROGRAMS DISCONTINUED DURING THE PERIOD OF JULY 2009 THROUGH SEPTEMBER 2010.**

Mr. Connett said the following Prison Industries had closed since his tenure:

- Impact Design was an embroidery company at High Desert State Prison. It had employed 60 inmates.
- Shelby American located at SDCC closed its doors in May 2010. It had employed 60 inmates.
- Thompson Water Tanks at SDCC had approximately 37 workers.
- Artistic Glass at SDCC had about 8 inmate workers.
- RDRC Truss closed having 5 inmate workers.

## **VI. DISCUSSION OF POTENTIAL PRISON INDUSTRY PROGRAMS AND COMMITTEE RECOMMENDATIONS (NRS 209.4818).**

Mr. Connett said he would continue negotiations with Tom Hall Enterprises as recommended. Alpine Steel was shut down most of the summer due to the economy, but was starting to work again, and had rehired 50 percent of the labor it had employed before shutting down. Prison Industries hoped it would continue to expand. Mr. Connett said Alpine Steel was a great training tool for the inmate workers.

Mr. Connett said Jacobs Trading, which worked out of Florence McClure Women's Correctional Center (FMWCC), put on a second shift. Jacobs Trading took returns from Wal-Mart's distribution center, palletized the items, and delivered the palletized goods to FMWCC. The inmate workers would deface the UPC code so the goods could not be returned to Wal-Mart, and re-palletized the items according to the description of the goods (i.e. electronics, baby items, etc). The pallets were then sold to a secondary market.

Addressing a question from Vice Chairman Hambrick, Mr. Connett said the inmates did not attempt any repairs to the merchandise. The pallet of items was sold as-is, and there was no specific number of items on the pallet.

Chairman Parks asked if the inmates repackaged items. Mr. Connett said the inmates did not attempt to repackage the items unless the package was torn or ripped. The inmates palletized the items and shrink wrapped the pallets.

Chairman Parks thought there was a market for recycling electronics. He was curious if any prison industry around the country recycled electronics. Mr. Connett said that Unicor, the federal prison industry, recycled electronics. There were real specific standards to comply with when recycling electronics and dangerous metals. Mr. Connett had some interest of marketing recyclable items when he was employed in Florida, but concluded that the prison industry program tended to take all the risks and exposure. The buyers would call a prison industry for gold, silver, or CRTs, etc. The school boards and state agencies would be contacted for recyclables. All of a sudden the company that was taking the recycling material ceased operations. Prison Industries was caught with all the items, and they could not be thrown away. Specifically, the federal prison industry partnered with Hewlett Packard, which terminated its ongoing orders and left the federal prison industry with the items.

## **VII. REVIEW OF NUMBER OF INMATES EMPLOYED JULY 2008 THROUGH AUGUST 2010.**

Moving on to the next item, Mr. Connett reported on the number of inmates that worked in FY 2009, page 29 of the meeting packet, [Exhibit A](#). In FY 2009, Prison Industries started off with 748 inmates workers, by year-end there were 630 inmate

workers. In FY 2010, there was 624 inmates workers, and by year-end there was 474 inmate workers. Prison Industries lost jobs at several different industries: the drapery shop lost 7 jobs, the garment shop lost 8 jobs, the metal shop lost 13 jobs, the ranch lost 9 jobs, and the auto and upholstery shop lost 10 jobs. The card sorting company, which was owned by Diamond Mountain Distributors (formerly T.J. Wholesale), lost 20 jobs at SDCC, FMWCC lost 18 jobs and Warm Springs lost about 11 jobs. Shelby American recently closed, which resulted in 61 lost jobs, and constituted most of the jobs lost for FY 2010. Mr. Connett said most of the jobs lost were due to economic issues.

Director Skolnik pointed out for the record; the impact had gone beyond Prison Industries to the overall management of the prison population. The Prison Industries programs were sorely missed. Additionally, job loss had impacted the Department's revenues. Director Skolnik said NDOC's revenue base was reduced by the projected amount of revenue that was obtained from room and board payments from Prison Industries. When 40 percent of industry workers' jobs were lost, a lot of revenue that NDOC depended on to meet the budget was lost. As a result, NDOC would request contingency or supplemental funds.

Chairman Parks thanked Director Skolnik for providing that information. He said it certainly was not a bright picture from an overall prospective.

#### **VIII. REVIEW OF DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRIES CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2009 AND FY 2010.**

Mr. Connett asked the Committee members to turn to page 33 of the meeting packet. This report showed the room and board, Victims of Crime, and Capital Improvements Fund contributions that were made during FY 2010. As stated in FY 2009, the economic issues severely impacted Prison Industries. Mr. Connett further explained the wages were down, which impacted all of the contributions. In FY 2010 Prison Industries did a good job controlling cost, but increased inmate workers' wages. In FY 2009, room and board contributions increased from \$466,000 to \$510,000. The Victims of Crime fund and the Capital Improvements Fund went from \$95,000 to \$104,000. Total contributions in FY 2009 were \$657,000 and \$718,000 in FY 2010. Prison Industries focused on the operations that had the largest and most impact in regard to wage contributions.

Chairman Parks asked if 5 percent was taken out for the Victims of Crime Fund for an inmate that did not have a judgment for restitution. Mr. Connett said the Victims of Crime Fund was operated by the State. It assisted victims of crime with transportation to the doctor or getting to their trial. It was a general victims' state fund and not specific to any particular inmate's crime. Chairman Parks asked if an inmate had a judgment from the court to pay restitution to his or her victim, the restitution came from elsewhere. Mr. Connett said that was correct, restitution would be taken in addition to the contributions to the Victim of Crime Fund.



Chairman Parks asked if a collection service was provided for an inmate ordered to pay restitution. Mr. Connett responded Prison Industries did not handle restitution due to victims.

Mr. Smith said the overall contributions for FY 2010 were higher than in FY 2009. He said in FY 2010 there were 474 inmates working, but the contributions were higher than in FY 2009 when there were 640 inmates working. He said the total wage assessment was \$657,251 in FY 2009 and in FY 2010 was \$718,642. Mr. Smith asked if the contributions should have decreased since jobs were lost. Mr. Connett said the reason for the increase was certain jobs had different wages. Mr. Connett said for example, the card sorters wages were lower than the auto shop. He said he would get more information on the contributions.

Chairman Parks asked if the 24.5 percent wage assessment was changed from FY 2009 to FY 2010. Mr. Connett said it was not. Chairman Parks asked why the room and board deduction was 24.5 percent. Director Skolnik said federal statute determined what could and could not be deducted, and how much. The half percent was used so that Prison Industries did not go over that amount.

**IX. STATUS OF FUND FOR NEW CONSTRUCTION OF FACILITIES FOR PRISON INDUSTRIES – NRS 209.192.**

Mr. Connett reported to the Committee on the fund for new construction for Prison Industries. He said in FY 2009 the fund ending balance was \$987,434. In FY 2010 a transfer was made to the General Fund in the amount \$948,000. Currently, the FY 2010 ending balance was \$151,902. The projections for FY 2011 had dropped in contributions and interest income. Mr. Connett stated the fund was negatively impacted by the legislature taking the \$948,000.

Chairman Parks stated Prison Industries had built up a fund balance over the years. He asked if Prison Industries had the \$948,000, whether there would be potential to entice a contractor to bring a business to the Prison Industries programs, and whether the construction fund reduction was a concern. Mr. Connett clarified NRS 209.192 was the actual statute that controlled the construction fund. It said the money in the fund must only be expended to house new industries or expand existing industries in the industrial program to provide additional employment for offenders. Money in the fund must not be expended for relocating an existing industry in the industrial program unless the existing industry was being expanded to provide additional employment of offenders. Mr. Connett further explained the fund could be used to lure business to correctional settings in Nevada to create employment for inmates.

Chairman Parks wondered if there had been a situation where a potential industry was interested in coming to Nevada, but did not because basic requirements could not be met. Mr. Connett said only once during his tenure was a company's

requirements not met. A gentleman wanted to assemble electric cars that had component parts shipped in from Asia. He was looking for investors to set up the operation. He was more interested in establishing the operation to buy the component parts to get the industry going. Mr. Connett was not ready to get into the purchasing of component parts.

Senator Rhoads stated the industry programs were good programs, and he understood why the inmates who got to work probably did not return to prison as often as those who did not. Mr. Connett replied just about every state had a prison industry program. Research showed inmates that participated in prison industry programs had a lower recidivism rate than inmates that did not.

Mr. Smith recalled that one inmate who talked to members at the tour had saved enough money to buy tools through the program. Senator Rhoads was puzzled as to how an inmate could save \$10,000 to buy tools. Mr. Connett explained that particular inmate had been incarcerated for a long time. Nevada had the only Prison Industry program that allowed the inmates to purchase and own their own tools. Upon release they were much more marketable if they owned their own tools. Mr. Hambrick asked if family members could send tools. Mr. Connett stated that would be considered contraband. He explained an inmate's family could put money on his account, and then the inmate could purchase the tools.

Director Skolnik said in response to Senator Rhoads' comment about the amount of money the inmate had accumulated, for a long time Nevada had the highest paying prison industry program in the country. Director Skolnik said he got a phone call from a former inmate, who had just gotten married, and bought a house in Phoenix. He had only been out of prison about six weeks, but had saved enough money to make a down payment on a house, and had tools to start his own business. That was an exception not the rule, but there were inmates that worked for a number of years earning minimum wage and were wise enough to put a substantial part away, or invest in their future by buying tools.

Director Skolnik stated during the course of the tours he had been asked about statutory authority as it affects Prison Industries. He provided the following statutes that were directly related to Prison Industries and its operations: 209.153, 209.189, 209.192, 209.459, 209.461, 209.4615, 209.462, 209.463, 209.4815, 209.4817, and 209.4818. The later three statutes referred to this Committee, but the others provided authority and operational parameters for the program.

## **X. PUBLIC COMMENT.**

Chairman Parks called for any further testimony to come before the Committee. There was no public comment.

## **XI. ADJOURNMENT.**

Chairman Parks stated the Committee was to meet once a quarter. The next meeting should be in December 2010. He thanked the Committee members for their attendance and adjourned the meeting at 3:47 p.m.

Respectfully submitted,

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Cheryl Harvey, Committee Secretary

APPROVED:

\_\_\_\_\_  
Senator Parks, Chairman

Date:\_\_\_\_\_