

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
March 23, 2012**

SUMMARY OF MINUTES

The third meeting of the 2011–12 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 1:00 p.m. on Friday, March 23, 2012 in Room 4401 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, and in Room 137 of the Great Basin College, High Tech Center, Elko, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman James Ohrenschall, Chairman
Senator David R. Parks, Vice Chairman
Assemblyman John Ellison
Allen J. Puliz, Puliz Moving and Storage
Mike Magnani, Labor Union Representative
Greg Cox, Director, Nevada Department of Corrections
Greg Smith, Administrator, Purchasing Division

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

None

COMMITTEE MEMBERS PRESENT IN ELKO:

Senator Dean Rhoads

COMMITTEE MEMBERS ABSENT:

Bruce Aguilera, Vice President/General Counsel, Bellagio
Michael Mackenzie, Principal, Operations Improvement Company

STAFF MEMBERS PRESENT IN LAS VEGAS:

Sarah Coffman, Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

Nicolas C. Anthony, Senior Principal Deputy Legislative Counsel, Legal Division
Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division
Cheryl Harvey, Committee Secretary, Fiscal Analysis Division

OTHERS PRESENT IN LAS VEGAS:

Brian Connett, Deputy Director, Industrial Programs, Nevada Department of Corrections
Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections

EXHIBITS:

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

[Exhibit B](#) – National Correctional Industries Association Directory

[Exhibit C](#) – Article from the Wall Street Journal

[Exhibit D](#) – Pictures of foals

[Exhibit E](#) – Pictures of cars from Fueled by the Fallen

I. CALL TO ORDER.

Chairman Ohrenschall called the meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs to order at 1:11 p.m. The secretary called roll. Mr. Mackenzie and Mr. Aguilera were absent. All other members were present.

II. PUBLIC COMMENT.

There was no public comment.

III. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR SEPTEMBER 21, 2011.

Chairman Ohrenschall requested a motion for approval of the minutes from the September 21, 2011, meeting.

SENATOR PARKS MOVED TO APPROVE THE MINUTES OF THE SEPTEMBER 21, 2011, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

ASSEMBLYMAN ELLISON SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

IV. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR DECEMBER 16, 2011.

Chairman Ohrenschall requested a motion for approval of the minutes from the December 16, 2011, meeting.

SENATOR PARKS MOVED TO APPROVE THE MINUTES OF THE DECEMBER 16, 2011, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

ASSEMBLYMAN ELLISON SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

V. REVIEW OF NEVADA DEPARTMENT OF CORRECTIONS RESPONSES TO QUESTIONS FROM THE DECEMBER 16, 2011, MEETING RELATING TO:

- A. Recidivism rates associated with inmates who participate in the Horse Gentling Program** – Brian Connett, Deputy Director of Prison Industries, Nevada Department of Corrections (NDOC), explained the NDOC conducted a three-year study and determined the current recidivism rate of inmates who participated in the Horse Gentling Program was 15.3 percent. The study was based on whether the inmates returned to the NDOC facilities.

Chairman Ohrenschall asked how the rate compared with the general inmate population. Greg Cox, Director, NDOC, indicated the Department was following the best practices of the industry, and tracked recidivism rates using the Nevada Offender Tracking Information System (NOTIS). He explained that some states defined recidivism as the inmate coming back due to new crime, while other states defined recidivism as coming back for the same crime due to a technical violation. In general, the Department defined recidivism as returning to the NDOC for any reason within three years of the inmates release.

Chairman Ohrenschall asked Mr. Cox if recidivism would include someone who left NDOC, but then entered a county facility. Mr. Cox confirmed that prisoners who were released from NDOC, and did not return to the system, but served time in a county facility were not included in the recidivism rate.

Assemblyman Ellison asked if the Nevada Horse Power group supplied NDOC with any funding. Mr. Connett stated that the NDOC received no funds from this group. Prison Industries did accept donations from a non-profit group for jeans, boots, saddles, and equipment used to help train the horses; however, Mr. Connett did not recall the specific horse group. Assemblyman Ellison suggested that Mr. Connett contact Nevada Horse Power and request funds from the non-profit to assist NDOC's with its wild horse program.

- B. Performance comparison of nationwide prison industry programs to Nevada's programs.** – Mr. Connett stated the Committee was given a National Correctional Industries Association (NCIA)([Exhibit B](#)) directory of the prison industry programs from across the country. The directory included a breakdown of what other prison industry programs provided nation-wide. Manufactured garments for the prison systems were common in most states. Other popular programs included furniture and agricultural operations. In comparison with other states, Nevada's prison industries programs were diverse with unique operations, such as the motorcycle manufacturing operation, the vehicle restoration program, and the card-sorting business.

Mr. Connett said he was scheduled to meet with the National Correctional Industries Association (NCIA) in Sacramento, California the following week.

Mr. Connett said he was aware of only one state that had not been affected by the downturn of the economy, and that state was relying on revenues from oil to maintain its budget. As far as he knew, every other prison industry program nation-wide had experienced program closures, including programs operated by the federal government. The economic recession had not only affected the private sector, but also caused setbacks to the prison industry programs because of their heavy reliance on declining state budgets.

Chairman Ohrenschall congratulated Mr. Connett on his presidential appointment to the NCIA.

- C. Property valuation of Nevada State Prison** – Director Cox indicated that certain parts of the Nevada State Prison (NSP) were still operational, such as the tag plant, and if needed, the execution chamber.
- D. Alternate uses of Nevada State Prison** – Chairman Ohrenschall recalled at the last meeting discussing with NDOC the possibility of leasing NSP to a company headquartered in West Virginia for training of correctional officers. Director Cox explained NDOC was still negotiating with Mock Prison Riot, the company located out of West Virginia. The organization was still interested in leasing NSP; however, their federal funds were cut, so the organization needed to secure alternate funding.

Chairman Ohrenschall asked Director Cox if the land was to be developed for another use or turned over to Carson City. He also asked the Department if there had been any progress in obtaining an appraisal of NSP as well as the number of acres it sits on. Director Cox indicated that no appraisal had been done at this time and NDOC would need to contact the Nevada Division of State Lands to obtain that information.

- E. Relocation of the License Plate Factory** – Mr. Connett said Prison Industries would be working with the Department of Administration and the Department of Motor Vehicles in developing a plan to relocate the tag plant during the next biennium.
- F. Financial Performance of the Drapery Shop** – Mr. Connett requested to discuss this item under agenda item XI.

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

Mr. Connett stated that three organizations expressed an interest in relocating their operations to Prison Industries after touring the facilities, including a company that specializes in LED lighting. The company was interested in fabricating lighting fixtures and setting up an assembly line where inmates could assemble lighting components.

A second organization was interested in fabricating components for electric vehicles. Mr. Connett indicated that although he had not spoken with the company since they toured the facilities, he was confident they were interested.

Mr. Connett stated that the last organization to tour the Prison Industry facilities was interested in operating a fulfillment center. He explained that the company would warehouse products at one of the Prison Industry facilities and then inmates would pull the purchased products from the shelves to send to the customers.

Chairman Ohrenschall asked how many inmates would be employed with each of the possible programs. Mr. Connett said it was too soon to say, but he had emphasized to each organization that it was their mission to employ inmates to gain marketable skills that could be used upon their release. He was not interested in leasing out a large facility from Prison Industries if it only provided one or two inmates with work.

VII. STATUS REPORT FROM THE DEPARTMENT OF CORRECTIONS AND COMMITTEE RECOMMENDATIONS REGARDING THE FOLLOWING ITEMS:

A. Alpine Steel – High Desert State Prison – Mr. Connett stated Alpine Steel had a welding and metal fabrication operation at High Desert State Prison (HDSP). However, Alpine Steel owed Silver State Industries a significant amount of money.

Randy Bulloch, owner of Alpine Steel, stated he was embarrassed for being behind in his payments with Silver State Industries. He continued, by stating Alpine Steel was a commercial steel fabricator, functioning in the commercial construction industry that had been drastically affected by the recession. He stated his business had been down as much as 80 percent. However he reminded the Committee that he had been aggressively pursuing a large fabrication project. Mr. Bulloch said Alpine Steel was one of three companies being considered for the fabrication of the Sky View Ferris Wheel, which would be constructed across the street from the Mandalay Bay Hotel in Las Vegas. He stated his company had collaborated with one of the large local erecting and fabrication companies to submit a bid to Core Construction, general contractor of the Sky View Ferris Wheel project. The other two companies bidding on the project were from out-of-state. Mr. Bulloch said that he believed Alpine Steel had a good chance of being award the project, based on conversations with Core Construction.

Mr. Bulloch explained that some of the truss member sizes required for the project were only manufactured by one supplier in the United States and a few suppliers in Asia and Europe. The United States supplier manufactured the truss members only three times a year, and the cut-off date was last week.

Mr. Bulloch hoped he would be asked by Core Construction to order the steel for the project since it needed to be ordered soon.

The Ferris wheel was a multimillion dollar project, and Mr. Bulloch assured Mr. Connett and Mr. Cox that Alpine Steel would bring its account with Silver State Industries current within six months if awarded the project. Mr. Bulloch added that last week, two general contractors who owed money to Alpine Steel filed bankruptcy and Alpine Steel had to recently write-off over \$2.0 million as uncollectable. He stated the company needed the Ferris wheel project to recover.

Mr. Bulloch said with the small amount of work being done at HDSP he did not need the Prison Industry facility, however, he wanted to stay at HDSP because it provided a terrific work force. After touring the HDSP facility, the general contractor for the Sky View Ferris Wheel was confident in the facility's capabilities and favored a local company to construct the project. Mr. Bulloch concluded that he thought Alpine Steel was on the edge of being awarded the contract.

Chairman Ohrenschall wished Mr. Bulloch the best in winning the contract. He asked how many inmates would be employed if the contract was awarded. Mr. Bulloch responded Alpine Steel intended to go to double shifts if the contract was awarded. He could foresee employing between 40-50 inmates when the project started.

Greg Smith, Administrator, Purchasing Division, commented he worked with many vendors, and urged Mr. Bulloch to keep his "chin up".

Assemblyman Ellison commented he was also a small business owner and his business had been affected by several client bankruptcies recently. He asked if the Ferris wheel contract was awarded to Alpine Steel, was the state guaranteed to be paid in full?

Other than the fact that Alpine Steel was already under contract, Mr. Bulloch said he felt a complete obligation to pay back Silver State Industries. Further his obligation to repay others was what kept him operating his business.

Mr. Connett wanted the Committee to understand the Ferris wheel was a world-class project that had been under discussion for over two years. Alpine Steel had been a partner with Prison Industries for well over five years. He would be very proud to say Silver State Industries was a part of this project.

B. Mattress Factory – Lovelock Correctional Center – Mr. Connett requested to discuss this under agenda item XI.

C. Furniture Shop – Northern Nevada Correctional Center – Mr. Connett requested to discuss this under agenda item XI.

VIII. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2009 THROUGH FEBRUARY 2012.

Mr. Connett reviewed the number of inmates that worked from July 2009 through February 2012 (Page 33, [Exhibit A](#)). Mr. Connett stated Prison Industries had continued to lose inmate work stations primarily due to the economic recession. Prison Industries had lost most of its business with Nevada's state agencies, which were its largest customers.

Chairman Ohrenschall said he noticed a difference in the number of inmate workers reported by the Department in comparison to the nationwide report (Page 29, [Exhibit A](#)). Mr. Connett said the NCIA directory reported 170 inmates working in NDOC facilities in FY 2011, however, there was actually 493 inmates in the program.

Sarah Coffman, Program Analyst, Legislative Counsel Bureau, further clarified that the report under question was a nation-wide report provided by Silver State Industries as part of its response to Committee questions from its March 23, 2012, meeting, not the NCIA report (Page 29, [Exhibit A](#)). According to this report, Prison Industries employed 1,293 inmates in its industrial programs in FY 2010 versus 535 inmates as reported by the Department (Page 33, [Exhibit A](#)). Mr. Connett replied he did not recall where those numbers came from, since Prison Industries had not had that many workers in years.

Senator Parks asked if the 1,293 inmates reported working in FY 2010 included the culinary, laundry and other core facilities. Mr. Connett responded he was unsure, he did not recall how that number of inmates was determined.

IX. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2010, FY 2011 AND FY 2012 YEAR-TO-DATE.

Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections, reviewed the deductions from inmate wages (Page 37, [Exhibit A](#)).

Mr. Puliz asked if the inmates had to pay Social Security, FICA, or Medicare. Ms. Dastal responded inmates were not required to pay those taxes in the private industry programs, but if the employer paid the inmate directly, taxes would be paid. Mr. Connett further explained if the inmates paid taxes, it would be on their gross wages.

Senator Parks asked if there were any restrictions placed on the Capital Improvement funds.

Mr. Connett stated that Capital Improvement funds could only be used for specific statutory purposes. He pointed out, however, that the state swept \$948,000 from the Capital Improvements fund last year.

Senator Parks stated part of the \$948,000 that was reallocated came from inmate deductions. Mr. Connett agreed, those funds were taken from the inmate's gross wages and placed in the Capital Improvement fund for future use.

Senator Parks responded that creating reserve funds for Prison Industries was a major concern to him. He further explained that although Prison Industries promoted the industries, reserve funds due to the economic recession, were used elsewhere when significant amounts accumulated in the fund. He added that the Legislature reallocated funds not only in the NDOC budget, but also in other state agencies.

Chairman Ohrenschall thanked Senator Parks for his comments, indicating that he did not realize the legislatively approved reallocations included income generated by inmates.

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

Ms. Diane Dastal summarized the total amount deposited in the Fund for New Construction (Page 40, [Exhibit A](#)).

Chairman Ohrenschall asked if there were any plans to expend the funds on new or existing programs. Mr. Connett said the statute on the use of funds was very specific, however, the funds could be used if a private organization showed interest in installing fixtures inside the prison industry facilities. The funds could also be used to alter a facility in order to accommodate a lessee and make the facility operational. For example, the funds could not be used for relocating an industry. He clarified that the primary purpose of the fund was to put more inmates to work.

Mr. Puliz said the Legislature may want to look into changing the statute to accommodate relocating industries. For instance, the money cannot be used to relocate the license plate factory, which is projected to cost a significant amount of money. He stated in two years the NSP would be completely shut down and the license plate factory would have to be moved.

Chairman Ohrenschall asked if the new construction fund could not be used to relocate an industry, such as the license plate factory, what funds would be used? Mr. Connett replied that typically operating capital was used to move an industry. He further stated NDOC used operating capital, as well as its assets and resources to move the print shop, which kept the cost of moving the facility down. Mr. Connett said relocating the print shop cost between \$4,000 to \$5,000. When the operation

was moved to Northern Nevada Correctional Center, there were additional costs for electrical repairs and building modifications. In total, the move cost about \$11,000 to \$12,000.

Chairman Ohrenschall asked if there had been any discussion with the Department of Motor Vehicles regarding the possibility of using highway funds to relocate the license plate factory. Director Cox said there were multiple discussions taking place between the Department of Administration and the Department of Motor Vehicles regarding the relocation the license plate factory. In the 2009 Legislative Session, construction funds were targeted to attract new business for inmates or expanding an industry. Some believed that relocating the license plate factory would put more inmates to work in that industry, justifying the use of those funds. Assembly Ellison agreed that relocating an industry could create more jobs. He asked to have the Attorney General give an opinion on NRS 209.463. Nick Anthony, Senior Principal Deputy, Legislative Counsel Bureau, Legal Division, stated he would look into NRS 209.463.

Chairman Ohrenschall commented that Mr. Bulloch's testimony indicated that double shifts would be used to build the steel fabrications for the Sky View Ferris Wheel if awarded. He asked if an expansion of the plant at HDSP would be necessary, and if so would the CIP funds be available for the expansion? Mr. Connett said he would review Alpine Steel's plans for additional work stations; however, he would be hesitant to provide funds to supply equipment without a notable expansion of the workforce.

Chairman Ohrenschall asked, an effort to attract new industries, was the availability of these funds was being emphasized with potential new businesses. Mr. Connett said he advised potential new customers of the funds with the understanding that the organizations needed to display a serious commitment to operating a prison industry program before the funds would be allocated. He stressed the objective was to put inmates to work, and he was not going to lease out a facility to just put three or four inmates to work.

XI. REVIEW OF FINANCIAL STATEMENTS OF SILVER STATE INDUSTRIES FOR THE SIX MONTHS ENDING DECEMBER 31, 2011.

Ms. Dastal reviewed the financial statement for the six-month period ending December 31, 2011 (Page 41 – 58, [Exhibit A](#)).

Chairman Ohrenschall asked if the decrease in revenue was attributed to the loss of industries.

Ms. Dastal explained the decrease was partially due to the loss of industries. Alpine Steel had reduced its operation to one bay, which decreased the rental income, and the vinyl company had closed. Mr. Connett said he recognized Prison Industry was having issues with cash flow and has attempted to control its fixed costs in response.

Assemblyman Ellison asked how the depreciation schedule was computed. Ms. Dastal answered the schedule was a straight-line depreciation and Silver State Industries followed the recommendations of the Controller's Office.

Assemblyman Ellison said depreciation was typically reported on the profit and loss statement; however, he had not seen it reported on the financial statements prepared for this meeting or the last meeting. Ms. Dastal stated she had a depreciation spreadsheet. Assemblyman Ellison said as a county commissioner for years, it was helpful for him to review the depreciation schedule because it gave him an idea of the county's future needs.

Chairman Ohrenschall asked if there was a point where an industry had been incurring losses for so long that it was no longer considered a viable program. Did Prison Industries look more at the benefits of the industry, in regards to recidivism, versus its ability to be self-sustaining?

Mr. Connett said there were many aspects he considered while reviewing each industry, of which the financial performances was one aspect. He asserted that these industries provided other benefits to the Department besides financial profitability. Prison Industries provided employment opportunities for inmates, kept inmates out of trouble, produced a product, and made it easier to manage an institution. Prison Industries was also training the inmates a skill set that made them employable upon their release. The jobs had a calming effect on the inmates wishing to participate in Prison Industries. The inmates understood they could not participate in Prison Industries unless they were discipline free for a certain length of time.

Chairman Ohrenschall stated his concerns with the drapery shop in Ely and the auto upholstery shop at Southern Desert Correctional Center. Both facilities were operating at a loss. He asked if the benefits of operating these industries outweighed the losses.

In regards to the drapery shop, Mr. Connett replied that he had come close to shutting down that operation. Instead, he decided to seek a new program manager. The drapery shop was the only industry at Ely State Prison, the state's maximum-security prison, so he was comfortable leaving it open for now to keep the inmates working.

In regards to the auto shop, Mr. Connett said he was becoming quite concerned with the financial losses accrued by the program, but it employed numerous inmates.

Mr. Puliz asked if the unearned revenue on the auto shop's financial statement included the warranty work that had been performed. Ms. Dastal explained the auto shop required a 50 percent deposit before starting a job. In the past, customers

would bring their vehicles in for repairs then not retrieve the vehicle. She clarified that the monies categorized as unearned revenue were deposits for ongoing jobs.

Mr. Puliz asked if the warranty policy associated with the vehicle restoration had been updated. Mr. Connett said the warranty work had dropped significantly. Prison Industries modified its extended paint warranty to cover three to five years, which reflects the warranty used by other paint manufacturers.

Mr. Connett explained the mattress shop financial report (Page 49, [Exhibit A](#)) showed that sales were down. This was due to a decline in mattress orders from the NDOC. Mr. Connett pointed out that open orders for the third quarter were up from previous quarters. Prison Industries was able to generate some savings from purchasing mattress cores from another state.

Senator Parks asked if there was a single product line that was responsible for the decline in revenue or if it was a combination of various mattress lines. Mr. Connett said he attributed fixed costs within the mattress operations for the decline in profit.

Mr. Connett stated the print shop was going to see an increase in revenue for the third quarter (Page 50, [Exhibit A](#)). The print shop supervisor negotiated a deal with the Division of Welfare and Supportive Services (DWSS), along with NDOC Medical Division, to print their medical forms.

Senator Parks asked if the print shop marketed to state agencies. Mr. Connett responded affirmatively. Following up, Senator Parks asked what method was used to market its services. Mr. Connett said printing was a regional operation; it was difficult to sell its products to agencies in Las Vegas, since the shop was located in Carson City. He further stated that the cost of transporting paper was expensive because of the weight, and most marketing was by word of mouth.

Senator Parks said when he toured the print shop, he noticed that the facility was also making shoulder patches for uniforms. Mr. Connett said the print shop embroidered shoulder patches for NDOC staff uniforms. Mr. Connett noted Prison Industries was working with the NDOC to start supplying uniforms to its staff. The print shop had the ability to manufacture patches and embroider names on NDOC staff uniforms, which was made possible through the print shop expansion and the 12-head embroidery machine purchased sometime ago.

Senator Parks asked if there was excess capacity to sell print shop products to other local governments or public safety agencies. Mr. Connett responded yes; however, the embroidery work performed by the inmates created a security challenge inside other institutions.

Mr. Connett explained to the Committee the furniture and metal shop financial statements (page 51, [Exhibit A](#)) were misleading. Specifically, he stated that raw materials were purchased at the beginning of a large metal fabrication job and the product was manufactured before it could be invoiced. Consequently, those expenses on the financial statement would be invoiced in the third quarter of 2012. Mr. Connett further explained the metal industry provided training for inmates so

they could become certified welders and metal fabricators. He concluded that it was encouraging for the metal fabrication shop in Carson City to see an increase in orders.

Mr. Connett noted that the furniture industry had also experienced an increase in orders. He indicated that the increase in furniture orders could be attributed to the sample desks and modular office furniture that has been placed in the Governor's Office for advertisement purposes.

Chairman Ohrenschall noticed the number of inmate workers had increased at the furniture shop, but revenues had declined. Mr. Connett reiterated that raw materials were purchased and fabricated before the customer was invoiced, so the financial statement showed the work that was performed, but not yet invoiced to the customer. Mr. Connett advised that Prison Industries was awarded a cabinetry and furniture project for St. Jude's in Las Vegas. However, Prison Industries could not invoice St. Jude's until the project was completed.

Mr. Connett advised the Committee that a reporter from the Wall Street Journal wrote an article ([Exhibit C](#)) about Prison Industries. The article generated inquiries from Fox news and other local media. It was a very positive article, and Prison Industries was pleased with the additional media it received as a result of the article.

Mr. Connett also explained an organization called "Fueled by the Fallen" ([Exhibit E](#)), refurbished used race cars and police cars, and inscribed the names of fallen soldiers on the vehicles. The organization ran out of space on the vehicles they had available, so additional vehicles were needed to complete the project. Prison Industries worked with the organization to repair the additional vehicles. The cars were driven in the 911 Commemoration and then taken on a national tour. The individual who sponsored the organization was an actor named Kevyn Major Howard.

Chairman Ohrenschall asked for an update on the motorcycles that Prison Industries built. Mr. Connett said there were six motorcycles built, of which three had been sold. Production of the motorcycles was discontinued because the existing motorcycles were not selling. The prices of the three remaining motorcycles had been reduced. The motorcycles had been displayed at Arlene Ness and the Harley Café. Also, they had been advertised on EBay and Craig's List. The bikes had been advertised heavily, but Prison Industries was having difficulties selling them.

Mr. Connett asked the Committee to consider keeping the drapery shop open, since it was receiving new orders. Mr. Connett indicated the drapery shop seemed to be busy working on some non-conventional items such as headboards, linings, and pillows, as well as draperies. The program expanded its product line using existing equipment. Mr. Connett asked the Committee to consider his recommendation to allow the drapery shop to remain operational until June 30, 2012. At that time, the Committee could re-evaluate the viability of the program.

Mr. Connett stated he was always looking for program opportunities for Ely State Prison. However, the location was not conducive to manufacturing and moving products as it was difficult to garner interest from businesses to relocate to Ely, Nevada.

Chairman Ohrenschall asked if there would be another industry to replace the drapery shop should it close. Mr. Connett responded no industry had committed to relocating to Ely.

Senator Parks said the drapery shop employment had dropped from 30 to 16 inmates. He asked if there had been an assessment of the job skills the inmates had to offer. Mr. Connett said Prison Industries looked for workers to match the needs of the industries. However, they had not gone into the institution to assess inmates' prevalent occupational skills. He said he could contact the Classification Division to determine the different occupational skills the inmates could offer potential employers.

Mr. Magnani commented this Committee was formed in 1987, and from the beginning, it was understood there would be programs that would not sustain themselves. The NDOC directors had always viewed Prison Industries as a management tool to enhance the security of the prison system and control the inmates. He did not recall any riots, an indication that the system had been working well. Mr. Magnani explained he did not view the losses incurred by the various industries as a serious issue unless a majority of the programs were operating at a loss. He thought the Committee had done a good job in helping the prison system maintain order and safety.

Ms. Dastal commented the BLM performed a reproductive study on horses at the prison ranch. In March 2012, two foals were born from the controlled group of horses not expected to foal ([Exhibit D](#)). She explained that contraceptive pellets were injected under the mother's skin to provide birth control for three years, but the horses foaled after just one year. The Department suspects two other horses may also be pregnant. The BLM preferred conducting its reproductive study at the Prison Industry facility, since the controlled groups could be separated from the other horses.

Mr. Connett said the prison ranch was able to utilize used guardrails from another state agency to build corrals for the horses.

Mr. Connett said Prison Industries was able to raise the price it charged the BLM for boarding the horses. The contract with the BLM was coming up for renegotiations. It was Prison Industries intent to negotiate a new contract where the price would fluctuate based on the cost of hay. Mr. Connett further explained the price of boarding BLM horses would be tied to the price of hay. As a result, Prison Industries

would not experience an increase in its expenses without a corresponding increase in revenue.

Mr. Connett said Prison Industries purchased hay through a state contract based on a number of bidders provided by State Purchasing. The increase in the price of hay was out of Prison Industries' control, but it was working to regulate its impact on the program by renegotiating the contract. BLM understood the issue Prison Industries had with hay costs, because it was also dealing with fluctuating hay costs all across the western states.

Mr. Smith said he was concerned about the bidding process for hay. He asked his staff to do a simple survey of other western states that have similar operations. One factor that affects the cost of hay was how long the contract was with the hay vendor. The vendor projected what the price of hay would be during the next two years. After projecting hay prices, the vendor then based the price of hay on the highest projected amount for that timeframe. Mr. Smith suggested that Prison Industries renegotiate its hay contract to expire every 90 days, taking advantage of when the cost of hay decreased as opposed to trying to maintain a fixed price for a longer period. Mr. Connett thanked Mr. Smith for looking into contract procedures.

Senator Rhoads said the hay price was based on supply and demand. That said, he has never purchased hay for \$270 a ton. He was paying between \$165 to \$185 for a ton of hay. He had questioned if Prison Industries was purchasing dairy hay, since it was typically more expensive. He further commented wild horses should not be fed dairy hay.

Chairman Ohrenschall mentioned it was an honor to serve on the Committee with Senator Rhoads. His mother served with Senator Rhoads on the Public Lands Committee. He appreciated Senator Rhoads' long record of service to the state and was sorry he would not be coming back to Carson City next session.

XII. PUBLIC COMMENT.

There was no public comment.

XIII. ADJOURNMENT.

Chairman Ohrenschall adjourned the meeting at 3:05 pm.

Respectfully submitted,

Cheryl Harvey, Committee Secretary

APPROVED:

Assemblyman James Ohrenschall

Date: _____