

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
April 24, 2008**

The third meeting of the 2007-08 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 2:00 p.m. on Thursday, April 24, 2008, in Room 3137 of the Legislative Building in Carson City, Nevada. The meeting was simultaneously videoconferenced to Room 4401 of the Grant Sawyer Building in Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblyman John Marvel, Chairman
Howard Skolnik, Director, Department of Corrections
Greg Smith, Administrator, Purchasing Division

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Richard Serlin (Alternate Member for Bruce Aguilera)
Mike Magnani, Labor Union Representative
Allen J. Puliz, Puliz Moving and Storage

COMMITTEE MEMBERS ABSENT:

Senator Bob Beers
Senator Maurice Washington
Assemblyman Morse Arberry Jr.
Michael Mackenzie, Principal, Operations Improvement Company
Bruce Aguilera, Vice President/General Counsel, Bellagio

STAFF MEMBERS PRESENT:

Kimberly Marsh Guinasso, Senior Principal Deputy Legislative Counsel, LCB Legal Division
Daniel Yu, Deputy Legislative Counsel, LCB Legal Division
Tracy Raxter, Senior Program Analyst, LCB Fiscal Analysis Division
Cheryl Harvey, Secretary, LCB Fiscal Analysis Division

OTHERS PRESENT:

Brian Connett, Deputy Director, Industrial Programs, Department of Corrections
Diane Dastal, Account Technician II, Department of Corrections
Kim Perondi, Management Analyst, State Purchasing Division

EXHIBITS:

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

[Exhibit B](#) – Revision for Item VII, Review of Financial Statements of Silver State Industries for the year ending December 2007

[Exhibit C](#) – Article from the Robb Report – Big House Story

I. CALL TO ORDER

Chairman Marvel called the meeting to order at 2:06 p.m. He respectfully requested a moment of silence to honor the late Mr. Al Puliz, Sr. Mr. Howard Skolnik informed the committee that Mr. Puliz was part of the group that toured the Prison Industry program in Illinois in 1986, which ultimately resulted in Mr. Skolnik's move to Nevada. Mr. Skolnik presented a plaque to Mr. Allen Puliz, Jr., saying "Al Puliz, a founder and driving force behind the development of Nevada's Prison Industries and Advisory Committee. His contributions will be greatly missed; from the staff of Silver State Industries". Chairman Marvel continued to say Mr. Puliz was a very dear friend to many. Allen Puliz thanked the committee on behalf of his father.

II. APPROVAL OF MINUTES OF THE DECEMBER 4, 2007, MEETING

Chairman Marvel requested a motion for approval of the minutes from the December 4, 2007, meeting.

DIRECTOR HOWARD SKOLNIK MOVED FOR APPROVAL OF THE MINUTES FROM THE DECEMBER 4, 2007, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

MR. ALLEN PULIZ SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

III. DISCUSSION OF POTENTIAL INDUSTRY PROGRAMS AND COMMITTEE RECOMMENDATIONS (NRS 209.4818):

Mr. Brian Connett, Deputy Director, Industrial Programs, introduced himself and thanked the committee members for attending the meeting.

A. HUNGRY MOTHER ORGANICS (HMO) (ORGANIC VEGETABLES/PLANTS PRODUCTION) – PRISON DAIRY – Mr. Connett explained that there were five greenhouses on six acres at the ranch. Hungry Mother Organics (HMO) was currently raising organic tomato plants to be sold to Nevada Zone, a large supplier of organic fruit and vegetable plants in Northern Nevada. Hungry Mother Organics was also gearing up to raise high-quality organic vegetables to be sold in local markets and restaurants.

Chairman Marvel asked if HMO had a market to sell the vegetables. Mr. Connett replied HMO was marketing its own products.

Mr. Connett informed the committee HMO operated a full-scale verma composting operation, which was used to sell worms, as well as worm casings, which was a high quality fertilizer. Hungry Mothers Organics employed six inmates.

Mr. Puliz asked how many inmates were being proposed to hire. Mr. Connett replied the employment of inmates depended on the sales. If the sales increased,

the number of inmates employed would also increase. Mr. Puliz asked if HMO was going to grow any more products or wait until sales increased. Mr. Connett explained the HMO was utilizing some of the land at the dairy and would be taking its own products to the market. Once the sales increased, production would be increased, and if sales continued to grow, then HMO would pursue building other greenhouses and employ more inmates.

DIRECTOR HOWARD SKOLNIK MOVED TO APPROVE THE CONTRACT WITH HUNGRY MOTHER ORGANICS.

MR. GREG SMITH SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

- B. COOK/CHILL PROCESSING PROJECT (MEAL PREPARATION) – HIGH DESERT STATE PRISON** – Mr. Connett reported the Nevada Department of Corrections (NDOC) was waiting to hear back from Aramark with some agreement to a contract. Once Aramark agreed to the contract, a business plan could be developed and submitted to the appropriate boards for approval.

Mr. Tracy Raxter, Senior Program Analyst, Legislative Counsel Bureau, Fiscal Division, clarified for the committee's information that the committee was not making an action recommendation on the cook/chill processing project at this time. The Fiscal Division was notified by State Purchasing to request the committee to defer action on this item until negotiations were further along. There was a letter of intent for preparation of a business plan for this project.

Chairman Marvel affirmed that no action would be taken at this time. Director Skolnik noted that this has been an on going process from five to six years ago. This committee had approved the negotiations of the agreement many years ago. In that regard, Director Skolnik remarked the cook/chill process was an informational item only because the committee had already approved Prison Industries to go forward with the project.

Chairman Marvel agreed, adding that this was approved many years ago. This project might be a good money saver, Mr. Marvel opined, saving some money later on in the cost of capital improvement projects, particularly in prison expansion.

IV. STATUS REPORT FROM PRISON INDUSTRIES AND COMMITTEE RECOMMENDATIONS REGARDING THE FOLLOWING ITEMS:

- A. INDUSTRIAL PARK DEVELOPMENT – INDIAN SPRINGS** – Mr. Connett stated the contract was brought before the Board of Examiners for approval. The Attorney General was not familiar with the 99-year contract or the lease and requested a copy of both for further review.

Kimberly Marsh Guinasso, Senior Principal Deputy, Legislative Counsel, Legislative Counsel Bureau, informed the committee that Chairman Marvel requested a review

of some of the issues concerning the use of the land and whether the agreement was statutorily authorized. The Legal Division had looked at the issues and was satisfied with the contract. The contract complies with the relative statutes.

Chairman Marvel asked if the Attorney General's office was satisfied with the contract. Director Skolnik stated that the Attorney General's office would approve the contract at the next Board of Examiners' meeting. Mr. Smith agreed, stating Kim Perondi, Purchasing Division, had been involved in the Board of Examiners' process. He assured the committee that deferring a contract was not unheard of, especially a contract as complex as the industrial park contract. Members of this Board of Examiners' have shown they are not interested in rubber stamping; they want to understand the issues. Mr. Smith said nothing negative should come out of the deferral, and the Board of Examiners would hear the issue again at the May 13, 2008, meeting.

Chairman Marvel reported that the industrial park should be an advantage for Nevada, especially for the Department of Corrections and the Prison Industry Program. Mr. Connett stated this was one of the most aggressive plans for inmate employment in the country. Mr. Connett continued to say, that the developers ability to bring in companies and the services would drive the numbers of inmate employment up in the John Marvel Industrial Park.

Chairman Marvel asked if any other states had programs comparable to the Industrial Park or if this was unique. Mr. Connett answered this program would be extremely unique.

Chairman Marvel questioned if there were any companies showing interest in the Industrial Park. Mr. Connett responded, as the contract was established, it was up to the developer to bring companies to the park. Mr. Connett said Mr. Skolnik was also helping bring in companies to the park. Some of the existing companies located inside the prison would like to expand into the industrial park.

B. KRUEGER INDUSTRIES (WOOD TRUSSES MANUFACTURING) – SOUTHERN NEVADA CORRECTIONAL CENTER – Mr. Connett explained a meeting took place between the union representative, Director Skolnik and Mr. Connett, as directed at the last meeting, and the meeting was very positive. Kruger Industries would contact the unions to provide certification for the inmate workers working at the facility.

Chairman Marvel asked if this would be a quasi apprenticeship for the inmates. Mr. Connett replied it would be an initial part of an apprenticeship program, so when the inmates were released, they would be able to continue on with the apprenticeship program.

Chairman Marvel asked how many inmates were employed at Kruger Industries. Mr. Connett replied there were four inmates employed. Kruger Industries just

finished grading the land, running the pipes, and getting the underground utilities run. Concrete was starting to be laid. Kruger Industries was using four female inmates to assist in the set up. Once the building was up and running, Kruger Industries planned to have 12-15 inmates employed.

Chairman Marvel asked if the trusses manufactured would be wood or metal. Mr. Connett answered the trusses would be wood. Director Skolnik added that for a number of years, metal trusses were manufactured next to the Indian Springs Camp. The woman who owned that company was recently recognized as one of the outstanding female entrepreneurs in the Clark County area, specifically because of her involvement with the inmates and the ability for those inmates to get post-release employment.

Chairman Marvel asked how many inmates were employed. Mr. Connett advised that at the metal truss manufacturing there were seven inmate workers. Chairman Marvel stated he was pleased to hear the report of the meeting with the labor union. Mr. Connett also thanked Director Skolnik for the meeting with the labor union and the Department of Corrections.

- C. GARMENT FACTORY (CLOTHING MANUFACTURING) – LOVELOCK CORRECTIONAL CENTER** – Mr. Connett provided information regarding the expansion in inmate utilization. The Nevada Department of Corrections would work with a company called Trex, which was an organization in the Lovelock area occupying a 300,000-square-foot building. Mr. Connett explained the department was modifying a draft contract with Trex Manufacturing to join the Prison Industry program. Trex would be utilizing the inmate workforce at Lovelock to sort contaminated plastics from good plastics that could be used in the manufacturing process.

Addressing a question from Chairman Marvel, Mr. Connett informed the committee the garment factory was doing well. He was very pleased with the process, stating the garment factory was at least flat or increasing the inmate employment. The department was seeking out new business as well.

Chairman Marvel asked if the inmates were producing any biker clothing. Mr. Connett replied they had produced the biker clothing in the past. One of the prison industry employees was at the Laughlin River Run selling what inventory was left of the biker clothing line. If there continued to be a market for the biker clothing, then additional clothing would be produced.

- D. THOMSON EQUIPMENT COMPANY (WATER TRUCK PRODUCTION) – SOUTHERN DESERT CORRECTIONAL CENTER** – Mr. Connett said for the record that Thomson Equipment had changed its name to Silver Line Industries. Silver Line Industries produced water trucks at Southern Desert Correctional Center. Mr. Connett informed the committee that due to the economy, sales were

down. Silver Line Industries took production down to a skeleton crew for about two months, but it was now back-up to a full crew.

Director Skolnik said Silver Line Industries was a company out of New Zealand, Malaysia, and Thailand that partnered with a company in Oregon. It started the water truck business at the Southern Desert Correctional Center. As part of disclosure, Director Skolnik informed the committee his daughter worked for the parent company out of New Zealand as a sustainability officer.

- E. BIG HOUSE CHOPPERS (MOTORCYCLE MANUFACTURING) – SOUTHERN DESERT CORRECTIONAL CENTER** – Mr. Connett reported that two motorcycles had been sold. The department was very excited about the sale. As discussed earlier, Mr. Connett said an employee was at the Laughlin River Run showing two bikes, and he made a commitment to move forth to build other motorcycles as the motorcycles were sold.

Answering a question from Chairman Marvel, Mr. Connett said NDOC was competitive in the market of selling motorcycles. Chairman Marvel asked how many units could be built. Mr. Connett felt they could build as many motorcycles as needed, adding more inmates to the project if necessary. Chairman Marvel asked if there was much of a market for the motorcycles. Mr. Connett said the two motorcycles that had been sold were bought by Silver Line Industries. Mr. Connett explained the bikes were painted with the corporate logo of Silver Line Industries.

Mr. Connett advised the committee that a writer from the Robb Report came to Southern Desert, with permission, to look at the facility and the motorcycle operation. He interviewed some of the personnel and inmates. The writer faxed a copy of his proposed article to Director Skolnik and Mr. Connett. Mr. Connett said editorial review of the article was given to them, but the article looked very well written. Mr. Connett had a copy of the article if any of the committee members wanted to review it.

V. REVIEW OF WORK PROGRAMS SUBMITTED BY PRISON INDUSTRIES TO THE INTERIM FINANCE COMMITTEE

Moving on to the next item, Mr. Connett explained item V was a review of work programs submitted to the Interim Finance Committee for approval.

A. WORK PROGRAM C23145 TO INCREASE REVENUE AND EXPENDITURE AUTHORITY FOR THE NEVADA STATE PRISON MATTRESS SHOP PROGRAM

– Because of the increased revenue and expenditure at the mattress shop, Mr. Connett expected to need about \$50,000 to meet orders from NDOC.

B. WORK PROGRAM C23144 TO INCREASE REVENUE AND EXPENDITURE AUTHORITY FOR THE NEVADA STATE PRISON PRINTING/BINDERY SHOP PROGRAM.

– Mr. Connett said the work program was to increase revenue and expenditure authority primarily because of the printing/bindery shop aggressively

winning bids. Mr. Connett said he was very pleased with the bids awarded. Mr. Marvel stated the product produced at the printing/bindery shop was excellent.

VI. REVIEW OF NUMBER OF INMATES EMPLOYED JULY 2005 THROUGH FEBRUARY 2008

Reviewing the information on page 43 of the meeting packet, [Exhibit A](#), Mr. Connett said the number of inmates employed increased in Drapery, Alpine Steel, and Impact Design, but T.J. Wholesale, the garment shop and the metal shop primarily remained flat. At the ranch, the inmate employment fluctuated at harvest time and slowed down when not harvesting. The vinyl products remained relatively flat. Mr. Connett pointed out the furniture shop fluctuated with business and remained pretty strong. The mattress shop and the tag plant had remained flat. Printing had increased employment due to increased business. Artistic Glass had declared bankruptcy, so NDOC had ceased inmate employment at Southern Desert Correctional Center for that program. Artistic Glass had employed seven inmates.

The auto/limo business started to increase because of the marketing ability of the products and sales. Big House Choppers would build more products once sales increased. M-Truss, the metal truss factory remained flat. Thomson Equipment, which changed its name to Silver Line, had fluctuated with the economy. Silver Line dropped in the second quarter due to the economy. The company was gearing back up and should be back up to full production in March.

TJ Wholesale at Southern Desert and Shelby American were relatively flat. Jacobs Trading at the Florence McClure Women's Center had also remained flat. TJ Wholesale at Florence McClure, primarily moved the Southern Nevada Correctional Center TJ wholesale project up to the Women's prison, based on the intended closing of SNCC. Horse's employment remained relatively flat. BMC was contacted by NDOC and it said with the economy pressures it would close its doors.

Chairman Marvel asked with a lot of capital improvements on hold, would it have an impact on the Industrial Programs. Director Skolnik said they would see a minor impact with the economy slow down. He added that NDOC had canceled two new housing units for Southern Desert Correctional Center. Other capital improvements were on track. In addition, based on prior experience with reduced revenues, there would be no expansion of other state agencies in the foreseeable future. Impacts would be primarily in the area of furniture sales, and NDOC was already seeing decreases in some of the sales.

Chairman Marvel asked Mr. Smith if he had seen a drop in purchasing. Mr. Smith responded purchasing had not dropped off yet because of the flurry of activity by agencies attempting to spend monies in the budget. State Purchasing would undoubtedly see a turn in the amount of purchases. The warehouse where the excess state property was held was almost empty.

Mr. Connett continued on with the number of inmates employed. He said the NDOC lost an employer named Trevi, due to false allegations made by inmates against other inmates and some staff. Unfortunately, the entire inmate workforce was pulled to investigate the allegations, which were proven to be false, but the company decided to opt out of the program rather than risk another loss of workforce.

Chairman Marvel asked how many inmates were employed at Trevi. Mr. Connett stated 15 inmates lost jobs in the industrial program. Mr. Connett said the other industry reductions were Silver Line and BMC, which lost about 14 employed inmates. Chairman Marvel asked if there were any new inmate reductions in the horizon that had not yet been discussed. Mr. Connett stated he was not aware of any new reductions.

Chairman Marvel asked if any industry programs should be abandoned at this time. Mr. Connett said currently there were not any industries that should be abandoned, but there may be some different ways of doing things, such as combining certain industries, making use of industry staff to manage or supervise multiple industries, et cetera. All of those things were being looked at to initiate some cost savings.

VII. REVIEW OF FINANCIAL STATEMENTS OF SILVER STATE INDUSTRIES FOR THE QUARTER ENDING DECEMBER 31, 2007

Diane Dastal, Account Technician II, Department of Corrections, introduced herself for the record. She advised that the retained earnings were up almost \$509,000 and the total net income was up almost \$279,000. Central Administration revenue was up almost \$69,000, and earnings available for program support from Central Administration were up almost \$79,000. Unfortunately, mattress, bindery, furniture, and metal were down a little. However, the auto shop had shown some income. Garment and drapery were down also.

Chairman Marvel asked if drapery was down because it was a difficult market from Ely. Mr. Connett answered the drapery industry was still down from the escape episode, when NDOC had to pull out and could not make the expected deliveries.

Chairman Marvel asked if any work was done for the private sector. Mr. Connett answered most of the private business was done for private entities, i.e., hotel and remodels.

Chairman Marvel asked if NDOC was in compliance with the federal regulations for the mattresses produced. Mr. Connett answered yes; testing, procedures, and processes had passed. The mattress products did comply with federal regulations. It was very costly to do the testing process. Every mattress manufacturer was looking for labs to test its mattresses, so the price increased because of the low quantity of test labs available. Mr. Connett stated it took some time and was quite costly.

Chairman Marvel asked if the vinyl products were also affected by the new compliance. Mr. Connett said they also, had to comply with the same codes.

Lastly, Ms. Dastal said, the dairy seemed to be doing very well.

Chairman Marvel asked if NDOC was getting any of the Virginia Range wild horses. Mr. Connett replied about 51 state horses were currently being held in NDOC pens and about 645 horses from the BLM. The Nevada Department of Corrections was working closely with the Department of Agriculture, which wanted to build another pen. That request coming was before the IFC. If the Department of Agriculture received IFC approval, NDOC would certainly work very closely with the department to build another pen to hold additional horses for the state.

XIII. PUBLIC COMMENT.

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

IX. ADJOURNMENT.

Chairman Marvel thanked committee members for their attendance and adjourned the meeting at 2:51 p.m.

Respectfully submitted,

Cheryl Harvey, Committee Secretary

APPROVED:

Assemblyman John Marvel, Chairman

Date: _____