

**MINUTES OF THE  
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S  
COMMITTEE ON INDUSTRIAL PROGRAMS  
(NRS 209.4817)  
October 21, 2016**

**SUMMARY OF MINUTES**

The fourth meeting of the 2015-16 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 1:00 p.m. on Friday, October 21, 2016, 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.

**COMMITTEE MEMBERS PRESENT IN LAS VEGAS:**

Senator Pete Goicoechea, Vice Chair  
Senator David Parks  
Assemblyman James Ohrenschall  
Bruce Aguilera, Representing Business  
James Dzurenda, Director, Nevada Department of Corrections (NDOC)  
Todd Leany, Representing Manufacturing  
Mike Magnani, Representing Organized Labor  
Allen J. Puliz, Representing Manufacturing

**COMMITTEE MEMBERS PRESENT IN CARSON CITY:**

None

**COMMITTEE MEMBERS ABSENT:**

Assemblyman James Oscarson, Chair  
Jeffrey Haag, Administrator, Purchasing Division, Department of Administration  
Randy Soltero, Representing Organized Labor

**STAFF MEMBERS PRESENT IN LAS VEGAS:**

Brody Leiser, Senior Program Analyst, Fiscal Analysis Division  
Kristina Shea, Program Analyst, Fiscal Analysis Division  
James Penrose, Senior Principal Deputy Legislative Counsel, Legal Division

**STAFF MEMBERS PRESENT IN CARSON CITY:**

Sarah Coffman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division  
Donna Thomas, Committee Secretary, Fiscal Analysis Division  
Linzey O'Brien, Secretary, Fiscal Analysis Division

**OTHERS PRESENT IN LAS VEGAS:**

Brian Connett, Deputy Director, Industrial Programs, NDOC  
Diane Dastal, Administrative Services Officer II, NDOC  
Craig Korsgaard, Marketing Coordinator, Prison Industries, NDOC

**OTHERS PRESENT IN CARSON CITY:**

Matthew Brown, Supervisor, Prison Industries, NDOC

Mary Byington, Supervisor, Prison Industries, NDOC

Lane Hanner, Supervisor, Prison Industries, NDOC

Justin Pope, Supervisor, Prison Industries, NDOC

**EXHIBITS:**

Exhibit A: Agenda and Meeting Packet

**I. ROLL CALL.**

Senator Goicoechea, Vice Chair, called the meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs to order at 1:04 p.m. The secretary called roll. Mr. Soltero, Mr. Haag, and Chair Oscarson were excused. All other members were present.

**II. PUBLIC COMMENT.**

There was no public comment.

**III. OPENING REMARKS BY THE CHAIR.**

Senator Goicoechea opened the meeting by noting that the Prison Industries program was a huge asset to the state's prison system. He noted there was concern that General Fund revenues for the upcoming biennium were projected to decline. He said, if the Prison Industries' budget for the upcoming biennium was reduced due to declining revenue, the Committee and Nevada Department of Corrections (NDOC), would need to work with Prison Industries to maintain the programs.

Senator Goicoechea recalled there was discussion at the June 17, 2016, meeting about the large amount of revenue generated by the wild horse program, and the possibility of expanding the program to other prisons, honor camps or conservation camps.

Senator Goicoechea expressed concern about the future of the rural honor camps. He explained that if the honor camps' budgets were cut, the state would not have the inmate fire crews necessary to work in the rural communities. He suggested that if the rural honor camps were used to expand the wild horse program, the revenue generated by those fees could be used to fund the honor camps.

Senator Goicoechea reported that there has been acknowledgement by horse advocacy groups that the Nevada water supply could not support the growing population of wild horses – a population rapidly approaching 30,000. He noted that organizations like the Humane Society were becoming interested in discussing legislation to allow the release of wild horses to advocacy groups in order to remove them from the land.

Assemblyman Ohrenschall said he was interested in learning more about the wild horse situation in Nevada by hearing testimony from all sides of the issue.

Senator Goicoechea noted that the Committee's next meeting would be in mid-winter, which was not a good time to tour the Prison Ranch. He suggested that the Committee tour the horse facility in conjunction with its meeting in the summer when the weather would be better.

Assemblyman Ohrenschall suggested that the Committee members tour the program at Southern Desert Correctional Center that trains inmates to restore classic cars. He explained that he spoke with Mr. Craig Korsgaard, Marketing Coordinator for the program, who invited the Committee members to tour the program.

Brian Connett, Deputy Directory, Industrial Programs, NDOC, encouraged the Committee members to contact him to arrange a tour of any of the facilities whenever it was convenient for them. A tour could be arranged for the full Committee or individual members.

#### **IV. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR JUNE 17, 2016.**

Senator Goicoechea requested a motion for approval of the minutes of the June 17, 2016, meeting.

SENATOR PARKS MOVED TO APPROVE THE MINUTES OF THE JUNE 17, 2016, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

ASSEMBLYMAN OHRENSCHALL SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

#### **V. STATUS REPORT ON OUTSTANDING DEBT OWED TO PRISON INDUSTRIES.**

Diane Dastal, Administrative Services Officer II, NDOC, summarized the status report on outstanding debt owed to Prison Industries as of September 27, 2016, (page 15, [Exhibit A](#)). She said the total debt owed of \$134,553.05 did not include the amount owed by Alpine Steel. She noted 79 percent of the outstanding balance was within net 30 days. The top ten receivables accounted for 85 percent of total receivables. Seven of the top ten were government agencies, which were slower to pay, but certain to pay their debts. Two of the top ten were private customers that were 30 to 60 days past due

at the time of the report; however, both have since paid their overdue balances. All of the other receivables had balances of less than \$2,914.

Bruce Aguilera noted that High Desert State Prison owed \$14,809.90. He asked how that debt was incurred.

Mr. Connett replied that Prison Industries supplied items like uniforms and mattresses to the prisons. After the products were shipped, paperwork followed that must be approved by the facility receiving the items, and that paperwork was then sent to Carson City. He explained that the process took time, but NDOC knew the bill would be paid.

In response to a question from Assemblyman Ohrenschall, Mr. Connett explained that World Class Equine was a private customer for whom the garment factory manufactured equine-related products, such as saddle bags. He added that World Class Equine has been a good customer for the Prison Industries program.

Senator Goicoechea noted that Prison Industries was informed by the Governor's Finance Office that a personal guarantee was required for the Jacobs Trading Company contract. He asked for the status of the contract, and whether a personal guarantee had been requested.

Mr. Connett said he was not sure of the status of the personal guarantee. He noted that Jacobs Trading Company had been doing business with the Prison Industries program for a number of years. He recalled that there was a name change in the organization, which may have resulted in some confusion as to whether a personal guarantee was required. He said he would check on the status of the personal guarantee.

Senator Goicoechea asked if Mr. Connett meant that a personal guarantee could have been registered under a different entity name.

Mr. Connett said he was unaware as to why a personal guarantee would be required, but he would check on the status and get back to the Committee.

Senator Goicoechea asked Fiscal Division staff if the personal guarantee was required.

Sarah Coffman, Principal Deputy Fiscal Analyst, Fiscal Division, said legislation was passed in 2013 requiring that any new contracts established with Prison Industries were required to have a personal guarantee or surety bond associated with the contract to ensure that no debt liability went unpaid, and to avoid a situation such as what happen with Alpine Steel.

Allen Puliz noted that Jacobs Trading Company had been doing business with Prison Industries for approximately 14 years. The company had probably not signed a new contract since before the legislation was passed in 2013.

Ms. Coffman explained that Jacobs Trading Company changed ownership, resulting in a new contract.

Senator Goicoechea recommended that the Prison Industries program review all of its contracts to make sure they were in compliance with current statutes.

## **VI. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2013 THROUGH AUGUST 2016.**

Ms. Dastal summarized the number of inmates that worked between July 2013 and August 2016 (page 17, [Exhibit A](#)). She said in FY 2014 Prison Industries averaged 512 inmates each month, which represented 4 percent of the inmate population. In FY 2015, Prison Industries averaged 492 inmates each month, which represented 4.1 percent of the inmate population (page 18). In FY 2016, Prison Industries averaged 482 inmates each month, which represented 3.6 percent of the inmate population (page 19). In FY 2017, Prison Industries averaged 443 inmates working in the first two months of the fiscal year, which represented 3.2 percent of the inmate population (page 20). She reported that the overall inmate population increased from 12,748 in FY 2014 to 13,693 in FY 2017, which represented a total increase of 945 inmates. That population increase, along with a decrease in the number of inmates working in the Prison Industries program, has resulted in the percentage trending downward. She explained that most Prison Industries programs increased their worker counts due to new equipment purchased through the CIP fund; however, as inmates were discharged from prison, the program has been unable to fill all of the positions at some institutions due to a lag in the classification of potential inmate workers.

Mr. Connett noted that Prison Industries employed over 700 inmates throughout the year, even though there were only about 480 work stations, representing about 600,000 hours of inmate work.

In response to a question from Senator Goicoechea, Mr. Connett said the fire crews, honor camps and conservation camps were not included in the 600,000 hours of inmate work related to Prison Industries.

Senator Goicoechea noted that if the work of the inmates in the honor camps was included, that number would be significantly higher, and Mr. Connett agreed.

Mr. Aguilera noted that the prison population increased by 945 inmates. He asked if the types of crimes for which the inmates were sentenced to prison had changed. He said inmates may not be interested in working if they were serving a lengthy sentence.

Mr. Dzurenda said NDOC performed a weekly report on the length of sentences of new inmates. He said the number of inmates increased, but the percentage of inmates sentenced to less than five years has not changed. He noted that 88 percent of the inmate population was serving sentences of less than 20 years. That statistic remained consistent, even though the number of inmates increased.

Mr. Puliz asked if the license plate factory was included in the number of inmates working in the Prison Industries program. Mr. Connett confirmed that the numbers included prisoners working at the tag plant, and added that the license plate factory workers were listed under tag plant (page 17, [Exhibit A](#)).

Senator Goicoechea noted that the number of vacant beds was very low, and the number of inmates was increasing. He said, if an early release program was put in place to prevent overcrowding, the inmates with shorter sentences and a history of good behavior could be selected for early release. He asked if that would impact the Prison Industries program.

Mr. Dzurenda explained that most of the lower level inmates were assigned to the honor camps and conservation camps. An early release program would affect the camps' fire fighting programs more than Prison Industries. He said Prison Industries tended to employ prisoners with longer sentences, because of the lengthy training period for inmates working in the Prison Industries programs. He said NDOC hoped to reduce the prison population through parole plans that included community wraparound services, such as housing. He explained that over 300 offenders had already been approved for parole, but could not be released because they had no place to go, no money, and no job.

Senator Goicoechea observed there was a "Catch 22" situation in that the prisoners were eligible for release, but had nowhere to go, and Mr. Dzurenda agreed.

Senator Goicoechea asked, if most of the inmates in the honor camps were going to be released, how difficult would it be to replace them with other inmates in the prison system?

Mr. Dzurenda said the inmates who would be eligible for release were also the best inmates to assign to the honor camps. A thorough risk assessment would need to be performed before deciding to place higher level inmates in the honor camps. He explained that he did not think there was an immediate problem with overcrowding, because there were 240 beds in the old Nevada State Prison facility that was closed. Those beds could be placed in another facility. He estimated that NDOC could accommodate about 400 additional inmates before overcrowding would force the state to consider an early release program. He said, to prevent future overcrowding, NDOC would need to work on how it released inmates on parole.

In response to a question from Senator Goicoechea, Mr. Dzurenda said there was space in the existing facilities to add overflow beds. The beds would be placed in areas of the prison that had not previously been occupied by inmates, which would require hiring additional correctional officers to watch those prisoners.

Assemblyman Ohrenschall asked whether the growth in the number of inmates over the past two years was a result of growth of the population in Nevada, tougher laws or sentences, fewer grants of probation by judges or parole by the parole board, or a combination of those factors. He also asked, if the trend continued, would it make sense to offer the benefit of Prison Industries training in trades such as auto mechanics to a larger percentage of the prison population?

Mr. Dzurenda noted that 28 percent of NDOC's current inmate population was not from Nevada. He said the percentage of transient inmates increased from last year. He explained that an increase in the number of tourists and visitors from other states also resulted in an increase in the number of tourists and visitors arrested. He noted the Reno City Council was working to add police officers in the community, which would also increase the number of arrests.

In response to Assemblyman Ohrenschall's question about increasing the percentage of inmates working in the Prison Industries program, Mr. Dzurenda explained that the number of inmates working in the Prison Industries program had not decreased; rather, the overall inmate population increased, resulting in a lower percentage of the overall inmate population participating in the Prison Industries programs. The number of inmates increased, but the number of inmate jobs had not increased.

Senator Goicoechea added that the Prison Industries program was working to provide job training to the inmate population, but some of the inmates were hard to teach.

## **VII. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2014, FY 2015 AND FY 2016 YEAR-TO-DATE.**

Ms. Dastal summarized the deductions from inmate wages for room and board, the Prison Industries CIP Fund and the Victims of Crime Fund for Fiscal Years 2014, 2015 and 2016 (page 21, [Exhibit A](#)). She explained that inmates working for Prison Industries had 24.5 percent of their pay deducted for room and board, 5 percent for the Victims of Crime Fund, and 5 percent for the Prison Industries CIP Fund; in FY 2014 \$615,112 was deducted from inmate workers' wages; in FY 2015 \$469,132 was deducted; and for FY 2016 to date, \$405,017 has been deducted.

Assemblyman Ohrenschall asked if the decline in the amount of total deductions was because there were fewer inmates participating in Prison Industries programs, or because costs declined.

Mr. Connett explained that inmate work performed for Jacobs Trading Company was administered under the Prison Industry Enhancement Certification Program (PIECP). Under PIECP, inmate wages were determined by the Department of Employment, Training and Rehabilitation (DETR). Those wages were set from \$8.00 to \$14.00 per hour, an amount much higher than wages paid for other Prison Industries work. There was a significant difference in the deductions from inmate work performed under PIECP than regular inmate wages. He noted that Jacobs Trading Company suspended operations for a short period. Operations have continued, but the number of inmates employed by Jacobs Trading Company was much lower than before.

Senator Goicoechea noted that Florence McClure Women's Correctional Center's assessment declined from \$280,932 to \$55,103 over the reporting period. Mr. Connett said the packaging program suspended operations for a brief time, but had continued operations with fewer inmates working, which made a difference in the total amount of wage deductions.

#### **VIII. REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDING JUNE 30, 2016.**

Ms. Dastal summarized the review of Silver State Industries' financial statements for the six months ending March 31, 2016 (page 25, [Exhibit A](#)). Compared to the previous fiscal year, total unrestricted cash increased by \$440,694, or 20 percent; Prison Industries cash increased by \$212,440, or 15.3 percent; Prison Ranch cash increased \$228,254, or 26.4 percent. In other assets, the Prison Industries capital restricted cash balance decreased by \$166,584, or 31.4 percent, due to equipment purchases that were approved by the Committee. Prison Industries retained earnings increased approximately \$46,310, or 1.5 percent. Net income for FY 2016 was \$46,310. In response to the bad debt situation with Alpine Steel, \$300,000 was added to the allowance for doubtful accounts, which greatly affected earnings available for program support.

Ms. Dastal said the table on page 27 showed revenue from operations from the different budget accounts. Prison Industries had a loss of \$67,942, mainly due to the \$300,000 added to the allowance for doubtful accounts, and \$170,000 paid to the statewide cost allocation; Prison Ranch had positive net income of \$210,544; the Prison Industries capital fund had a loss of \$96,293 due to equipment purchases previously mentioned.

Senator Goicoechea asked how much of the Prison Ranch earnings were due to the horse program fees versus livestock sales. He noted that the price of beef cattle had declined, and asked how much of an impact that would have on the Prison Ranch earnings. Mr. Connett said he would like to provide that information during the Prison Ranch presentation.

Mr. Connett noted that some extraordinary items were included in the FY 2016 financials. For example, the \$170,000 statewide cost allocation; the \$96,000 reduction in the capital fund; the \$300,000 allowance for doubtful accounts; and the \$323,000

reduction in earnings from the Bureau of Land Management (BLM) horse project. Those items totaled \$889,000. Earnings available for program support would have been about \$935,000 without those items.

Assemblyman Ohrenschall asked for the total dollar amount of the equipment purchase.

Mr. Connett said Prison Industries was authorized to purchase the equipment for \$346,000. Through State Purchasing, NDOC procured equipment costing almost \$297,000. That amount did not include \$33,000 for a piece of used equipment that was returned, because it was in poor shape.

Assemblyman Ohrenschall asked whether that piece of equipment would need to be repurchased. Mr. Connett said \$33,000 was the low bid for that piece of equipment. He said a bid with much more detailed specifications would be needed, which would come at a higher price.

Ms. Dastal continued her summary on the review of Prison Industries' financial statements (page 28, [Exhibit A](#)). She noted the program's fund equity increased by \$46,310. The statement of cash flow (page 29) showed the changes in the various cash accounts. The ending cash balance increased 9.9 percent, or \$274,110. She noted that the \$300,000 added to the allowance for doubtful accounts was not reflected in the current cash balance. She said the program has been a good steward of the cash, even though there were extraordinary costs. Page 30 showed that license plate fees were flat with a \$20,348 increase. Inmate wage assessments were down \$11,774, mainly due to reduced repackaging operations at the Florence McClure Women's Correctional Center as explained previously. Rental income increased slightly by \$18,200; however, administrative fees decreased by approximately \$60,000 due to the reduced repackaging operations. Total revenue decreased by \$37,660, primarily due to decreased administrative fees. The Central Office general and administrative expense increased by approximately \$475,000. A large part of that was the \$300,000 bad debt expense that was put into the allowance for doubtful accounts, and an increase in the statewide cost allocation of approximately \$170,000. It was discovered that the state only processed a partial statewide cost allocation for Prison Industries in FY 2015; therefore, an additional \$93,336 would be processed in FY 2017, as disclosed in the notes (page 50, [Exhibit A](#)). The earnings available for program support declined approximately \$664,000, from \$3,912 earnings in FY 2015 to a loss of approximately \$660,428 in FY 2016.

Ms. Dastal said Mattress Shop sales were relatively flat (page 31, [Exhibit A](#)) with an increase of approximately \$16,000. Cost of sales was also flat. The Mattress Shop's contribution toward the program was approximately \$91,000, an increase of approximately \$14,000 over FY 2015. The Print and Bindery Shop sales decreased approximately \$86,000 (page 32) mainly due to the loss of the NV150 sales, as that celebration has concluded. The year ended with about \$27,000 available for program support, a decrease of approximately \$63,000. The Furniture and Metal Shops increased their revenue (page 33). The Furniture Shop increased its revenue

approximately \$72,000, and the Metal Shop increased its revenue approximately \$65,000. The Furniture and Metal Shops combined contributed approximately \$132,784 to program support in FY 2016, which was a 39 percent increase over FY 2015. The Auto Shop sales decreased approximately \$50,000, and contributed about \$30,000 to general and administrative manufacturing expenses (page 34). The Card Sorting operation earned approximately \$218,000. Between the Auto Shop and the Card Sorting operation, there was a \$148,225 contribution to program support in FY 2016, which was relatively flat compared to FY 2016, but a slight increase nonetheless. The Garment and Drapery Shops were combined (page 35), with increased sales of about \$39,000. The cost to goods sold decreased by \$34,000, and the year ended with a \$96,000 contribution to program support. She said it was another great year for the garment factory.

Total sales for the Prison Ranch (page 36, [Exhibit A](#)) decreased by approximately \$358,000. A large part of that was due to the decreased number of BLM horses, which resulted in a decline of \$323,000. She explained that the ranch was reimbursed on a per diem rate based on a combination of the price of hay and the number of horses; there were approximately 1,400 horses at the ranch, and the price of hay decreased. The ranch ended with a contribution of approximately \$210,000, which represented a decrease of about \$264,000 over FY 2015.

Ms. Dastal said a total of \$46,000 was available for Prison Industries program support (page 38), due to the \$300,000 allowance for doubtful accounts, a \$323,000 reduction in BLM earnings, a \$170,000 addition in statewide cost allocation, and a \$96,000 reduction in the capital improvement fund.

Assemblyman Ohrenschall asked whether the Mattress Shop recently changed management or vendors, and whether those changes affected sales or the number of inmates working in the factory.

Mr. Connett indicated that there had not been any change in management.

Matthew Brown, Supervisor, Prison Industries, NDOC, said the only big vendor change was the supplier of the institutional mattress cores. The mattress cores were no longer available from the previous vendor, California Prison Industries (CalPia). The mattress cores were now purchased from a private vendor that was selected through the bid process, Bonded Logic, Inc., operating in Arizona. The price per mattress core increased, but there was no decrease in the number of inmates or the number of mattresses produced.

Mr. Puliz asked whether the Mattress Shop sold mattresses to the prison facilities, and whether there were customers outside of NDOC.

Mr. Connett replied that NDOC purchased 75 percent of the mattresses produced by Prison Industries. There was also a small showroom at the Casa Grande Transitional Housing Facility in Las Vegas for retail sales.

Mr. Puliz suggested that the Mattress Shop contact the Nevada System of Higher Education, because the University of Nevada, Reno (UNR) and the University of Nevada, Las Vegas (UNLV) purchased similar types of mattresses for their dormitories.

Mr. Connett thanked Mr. Puliz for the suggestion, and said William Quenga, Marketing Coordinator, NDOC, and Mr. Brown would be instructed to reach out to UNR and UNLV to discuss producing mattresses for the dormitories.

Mr. Aguilera asked whether the statewide cost allocation would be a consistent number year-to-year, and what it was based on.

Mr. Connett said the statewide cost allocation was an assessment based on the cost of the administrative services provided to agencies in the Executive Branch.

Senator Goicoechea noted that the statewide cost allocation was defined in the meeting packet (page 51, [Exhibit A](#)). He added that many agencies were not happy with the increase in the statewide cost allocation.

Senator Goicoechea asked for a report on the Prison Ranch.

Mr. Connett introduced Justin Pope, Supervisor, Prison Ranch.

Senator Goicoechea asked how the Prison Ranch program was compensated for the horses in the training program. He noted that some of the horses were sold for \$10,000 to \$12,000, but he did not know if that revenue was included in the Prison Industries financials.

Mr. Pope said the program was compensated by BLM in the amount of \$1,150 per horse that was trained. The average price paid to adopt a horse increased substantially over the past year and a half. The average price had been about \$1,000, but has increased to about \$2,500. He said that the Prison Ranch was considering revisiting the per-head price with BLM to increase the amount received by the program for training the horses.

In response to a question from Senator Goicoechea, Mr. Pope explained that the program received the same rate for training each horse, whether the horse was being trained for the U.S. Forest Service or the BLM. He noted that the horses trained for non-BLM government agencies were not resold.

Senator Goicoechea said he was not concerned with the horse training performed for the government agencies that did not resell the horses. However, the BLM was selling the horses for a profit of \$1,000 per horse.

Senator Goicoechea asked how the decline in beef prices would impact the Prison Ranch program.

Mr. Pope said the price drop would have an impact on the program. The Prison Ranch had 80 Angus cattle, as well as dairy animals for sale. He explained that the beef cattle were in the pasture for most of the year, which required minimal input from the program. There would still be money coming in from the sale of cattle, but not quite as much.

Senator Goicoechea noted that beef prices had declined about 50 percent in one year, and the decline was expected to continue. Mr. Connett said the Prison Ranch had a small herd, so its exposure was smaller.

Senator Goicoechea said, due to the growing number of wild horses, and the water constraints, he hoped there would be agreement in the private sector, including foundations such as the Humane Society, to remove some of the wild horses from the range. He noted there were 1,200 to 1,400 horses in the program. He asked for the program's maximum capacity.

Mr. Pope said the program's maximum capacity was 2,000 horses. That number was set by the Environmental Protection Agency through a permit issued to the Prison Ranch as a concentrated animal feeding operation (CAFO). He noted that the program would be in better financial shape if it operated at capacity.

Senator Goicoechea suggested that Mr. Pope contact John Ruhs, BLM State Director (now Director of Operations), to find out why more horses were not placed in the Prison Ranch program.

Mr. Connett said NDOC staff would appreciate assistance from Senator Goicoechea in reaching out to the BLM on this issue.

Mr. Pope reported that he recently attended a conference in New Mexico where he met with other horse program managers. He said Colorado and Arizona were in a similar position in that their holding facilities held only half the number of horses they were allowed by permit. Litigation prevented the BLM from bringing the horses off the range. He understood that the BLM intended to gather 1,200 horses from the range in a week or two. He noted that the BLM had planned to gather 3,000 wild horses in FY 2016, but was not able to do that.

Senator Goicoechea said he knew that there had been an emergency gather of 300 horses. He did not know where those horses went. He did not want the state to compete with the private sector, but it made sense to keep the horse facilities full in order to offset program expenses and earn revenue.

Assemblyman Ohrenschall asked how many additional inmates would be needed to work in the program if the number of horses increased to 2,000.

Mr. Pope explained that no additional inmates would be needed to feed and water the horses. However, additional inmates would be needed to train the horses.

In response to a question from Assemblyman Ohrenschall, Mr. Connett clarified that ten additional inmates would be needed if the number of horses to be trained increased to 2,000.

Assemblyman Ohrenschall asked if Senator Goicoechea recommended expanding the horse training program to the honor camps.

Senator Goicoechea said that 17,000 to 18,000 horses needed to be removed from the range. If those horses were made available to the program, a facility could be built at one of the honor camps. The revenue from the new horse facility could keep the honor camps in operation.

Assemblyman Ohrenschall asked if Senator Goicoechea was suggesting that funds to open a satellite horse training facility at an honor camp be included in the budget for the 2017-19 biennium. Senator Goicoechea thought it was premature to have that discussion. He suggested that the Committee wait to see whether the horse advocacy groups, such as the Humane Society, were amenable to arranging for the removal of additional horses from the scarce pasture land to a feeding operation.

Mr. Connett said NDOC has been in contact with BLM about the number of horses being provided to the training programs. He said, it would be preferable to maintain the full capacity of 2,000 horses at the existing facility, while at the same time build a new facility at an honor camp.

Senator Goicoechea agreed that if there were not enough horses in the existing facility, the state would not want to build another one.

Assemblyman Ohrenschall asked whether the Prison Ranch normally operated with 2,000 horses. Mr. Connett explained there was a time when the facility could only accommodate 700 or 800 horses, but, over time, new corrals were built that increased the capacity to 2,000.

Senator Goicoechea said his point was that the state agencies should be in contact with the federal agencies to request that the Prison Ranch facility be kept at capacity of 2,000 horses. He noted that, at one point, a rancher in Fallon was holding 7,000 wild horses for the BLM, and he was charging significantly more per horse than what the state was receiving. Senator Goicoechea added that he would speak with Mr. Ruhs of the BLM about the potential for the advocacy groups to agree to remove some of the wild horses from the range to feeding operations.

## **IX. STATUS OF FUND FOR NEW CONSTRUCTION OF FACILITIES FOR PRISON INDUSTRIES (NRS 209.192).**

Ms. Dastal summarized the status of the fund for new construction of facilities for Prison Industries (page 53, [Exhibit A](#)). She said the CIP balance was \$303,821. She noted that inmate banking had not posted any assessments for FY 2017. The individual responsible for inmate banking was behind in her work, but said the assessments would be posted as soon as possible.

Mr. Connett explained that the increase in the number of inmates created more work for the inmate banking unit, so the staff had their hands full.

## **X. DISCUSSION OF DISCONTINUED PRISON INDUSTRY PROGRAMS, OTHER POTENTIAL PRISON INDUSTRY PROGRAMS, AND COMMITTEE RECOMMENDATIONS.**

Mr. Connett said the Prison Industries card sorting operation had suspended some of its operations for a short period. It would start operations in November 2016 at about the same volume of production as in the past.

Mr. Connett said Prison Industries was approached by a private organization to produce garments. Sample garments were produced and provided to the organization for their examination.

Mr. Connett said Prison Industries was in discussions with a company that refurbished printer cartridges. He explained that Prison Industries was using samples of the refurbished cartridges to test the quality of the product, because the program was not interested in producing a product that did not meet the needs of NDOC.

Mr. Connett said Prison Industries joined the Western Manufacturing Association and the Northern Nevada Development Authority. Through those organizations, Prison Industries was in discussions with a Northern Nevada College about providing training on equipment used for manufacturing. The program would provide training on equipment that the manufacturers moving into this state needed so that there would be a trained workforce in place.

Senator Goicoechea asked about the status of the Alpine Steel equipment.

Mr. Connett said, except for a truck crane and three trucks with trailers at High Desert State Prison, the Prison Industries building had been cleared out, and the scrap was removed. The equipment and tools were taken to Ritchie Brothers and sold for about \$40,000. He said Prison Industries would net about \$33,000 to \$36,000.

Senator Goicoechea asked if there was any consideration given to adding telemarketing to the Prison Industries program.

Mr. Connett said, by statute, Nevada inmates were not allowed to perform telemarketing work (NRS 209.461). However, there were a number of other states whose industrial programs did engage in telemarketing. For example, the State of Arizona had a large telemarketing operation. He offered to accompany the Committee members on a tour of that program. He noted that phone technology has changed completely since the statute was enacted. The inmates did not receive any credit card or personal information. For example, in Arizona, calls to the DMV were answered by inmate workers. The inmate either answered the caller's question, or transferred the caller to the appropriate non-inmate individual or division for assistance.

Senator Goicoechea noted a statutory change would be required to establish a telemarketing program in Prison Industries. There were many state agencies that could use help answering their phones. He said if the Committee was considering amending the statute, the discussion to propose that to the 2017 Legislature should happen fairly quickly. He asked the Committee members for their thoughts on the matter.

Assemblyman Ohrenschall said he saw the merit in helping inmates gain telemarketing experience, but would like more information about what other states were doing, how that activity affected private and public sector jobs, and the perception of the public toward inmate telemarketing. He noted that several members were absent from the meeting who would not be able to participate in the discussion. If NDOC has submitted a bill draft request, the Legislature could hear testimony as to how this change would affect people currently in those jobs, and to hear from the public.

Senator Parks expressed interest in touring the Arizona telemarketing facility. He indicated that he leaned toward being supportive of the idea of expanding the Prison Industries program to include telemarketing.

Mr. Aguilera agreed that he would like to hear public comment about the issues that might arise with inmate telemarketing. He also agreed that it would be beneficial to have more people answering the phones at the state agencies.

Mr. Magnani said he would want to know how the program worked and the effect on public and private sector jobs before he came to a conclusion. He recalled that in 1987 Prison Industries discussed a telemarketing program for hotel reservations. His concern at that time was that information about when the tourist would not be at home and other personal information of visitors would be available to inmates. That was why he objected to the idea in 1987.

Mr. Puliz noted that Las Vegas was an internet hub that was set up to accommodate large call centers. He pointed out that if the Legislature amended the statute to allow inmate telemarketing, the Committee would still need to approve the program. He agreed with Mr. Magnani that there needed to be caution as to what information was available to inmates, but noted, with new technology, the inmates would not have access to personal information, and would not even know who they were speaking with. He estimated that a telemarketing program could add another 50 to 200 jobs to the

Prison Industries program, and would provide training for jobs that were readily available to the inmates upon discharge from prison.

Senator Goicoechea said it was his understanding that a BDR had not been submitted to request a change in statute, and Mr. Connett agreed that was correct. Mr. Dzuenda added that the deadline had passed for NDOC to submit a BDR.

Mr. Dzurenda said many offenders were placed in telemarketing jobs upon release into the community. There may be a negative perception in the community about inmates performing telemarketing work, but the same person could be doing that work in the private sector upon discharge from prison.

Mr. Dzurenda offered to perform a national survey of the states that were using inmates to perform telemarketing, such as Arizona and California.

Senator Goicoechea said even though there was not a BDR, there might be an opportunity to amend the statute during the 2017 Legislative Session. He would not be able to travel to Arizona for a tour, but noted that Senator Parks also expressed an interest in touring the facility.

Mr. Dzurenda suggested that a videoconference tour of the Arizona telemarketing facility could be offered to the Committee members to save travel time.

Senator Goicoechea requested a list of other states that used inmate labor for telemarketing, including information about the success of those programs.

Assemblyman Ohrenschall said in past legislative sessions there were discussions about the statute prohibiting inmates from internet use. He noted that there were educational and rehabilitation programs available on the internet to which Nevada inmates did not have access. There had been discussion as to how to tailor a plan for inmate internet use specifically to take advantage of these programs. He said Mr. Magnani brought up a lot of good points about safety and privacy. If a bill were to be introduced, the legislators would be able to hear the pros and cons.

Assemblyman Ohrenschall asked whether the current statute absolutely barred inmates from working in telemarketing.

James Penrose, Senior Principal Deputy Legislative Counsel, Legal Division, said the statute currently prohibited telemarketing, conducting opinion polls by telephone, or any acquisition, review, use, control over, or access to personal information concerning any person who was not incarcerated. He said answering telephone inquiries for the DMV would not appear to violate the first part of the statute, but to the extent that an inmate would have access to any personal information of a caller, there could be a potential problem.

Mr. Connett noted that the relevant part of the statute was subsection 3 of NRS 209.461. He offered to reach out to the other states to gather information about their operations. Regarding the issues raised about privacy and safety, he said with current technology, inmates would not even know who they were calling, because the calls were made by auto dialer.

Senator Goicoechea thanked Mr. Connett. He said after the information on other states' prison telemarketing programs was provided, it might be discussed in a committee meeting during the 2017 Legislative Session to find out the opinions of the private sector and the public sector.

Senator Goicoechea emphasized that the Prison Industries programs should not be in competition with the private sector. For example, a constituent complained that the unit that feeds the fire crews was in direct competition with the private sector. He noted some of the fire crews were made up of 150 inmates.

Mr. Connett said neither NDOC nor Prison Industries were involved in feeding the fire crews; rather, that was a function of the Nevada Division of Forestry (NDF).

In response to a question from Senator Goicoechea about the NDF kitchen facilities, Mr. Connett explained that NDF had a facility located in between Southern Desert Correctional Center and High Desert State Prison, but he was not sure whether there was a kitchen at that facility. He noted NDF did have a kitchen at the Stewart facility.

Returning to the topic of the Prison Ranch, Senator Goicoechea said that the wild horse training program was famous across the West. The program should be compensated for that success. He suggested that Mr. Pope ask for 1,000 head of boarded horses the next time the BLM offered 200 horses to be trained. Senator Goicoechea said he would raise that issue with the BLM State Director.

Mr. Connett thanked Senator Goicoechea, and added that the Prison Industries staff was extremely proud of its programs, and the training provided to the inmate workers. He recalled providing a tour of the Garment Shop to Senator Parks, and how impressed he was by the operations. He encouraged the Committee members to visit the programs.

Senator Parks said the trip to the Garment Shop was part of the Legislative Committee on Public Lands tour. He recalled there were a number of LCB staff members present as well. He was greatly impressed with the Garment Shop operations, and knew that Assemblyman Ohrenschall would be impressed with the equine products that were produced there.

Senator Parks asked if there had ever been a situation where the owners of the vehicles being restored in the Auto and Upholstery Shops failed to pick up or pay for the work done on their vehicles.

Craig Korsgaard, Marketing Coordinator, Prison Industries, NDOC, replied that a certain percentage of the quoted price, usually 50 percent, was collected as a down payment. In the process of taking the vehicle apart, other issues inevitably arose that were not included in the initial quote. The quote may be modified based on those other issues.

Mr. Korsgaard said there were some cases in which the customer could not be located to either approve the quote or claim the vehicle. Program staff attempted to locate the customers through DMV using the VIN of the vehicle being refurbished. He estimated that about 9 vehicles had been left unclaimed over the past 12 years. One customer passed away, and family members did not know the vehicle was being refurbished. He explained that the job had not been completed, so there was not much money owed.

Senator Goicoechea asked if there were facilities in both Northern and Southern Nevada.

Mr. Connett said there was a small paint shop in Northern Nevada. He said customers brought cars and other items to be painted. For example, tractors that had been idle for decades were restored to look like they did when they were operational. He noted that the paint shop did not perform mechanical work.

Assemblyman Ohrenschall said the skills acquired by the men in the Auto and Upholstery Shops were very marketable. He assumed that the program resulted in a lower recidivism rate. He said people with skills in mechanics and body work could find good paying jobs, which could help them not return to prison. He asked about the recidivism rate of the inmates in the program.

Mr. Korsgaard said he did not have recidivism statistics, but knew of about ten former inmates in the training program that had gone on to run shops of their own after their release. He noted the training program included welding, upholstery, sewing, wood working and painting. In addition, although he did not have specific numbers, he encountered former inmates that had been in the training program who were employed in related jobs.

Mr. Dzurenda noted that inmates were not allowed to apply for master auto mechanic licensure until after they were discharged. Licensure was a six-month process. He noted the most difficult time for an offender was the first 90 days after discharge. He was working to find a way to change the statute or licensure rules to allow inmates to apply for their licenses well in advance of their discharge.

Mr. Connett said the same was true for cosmetology and barber licensure.

Mr. Dzurenda added that statute prohibited an inmate that served 12 months and one day from obtaining a barbers license. He noted the master barbers in the prisons were providing 13,500 haircuts every couple of weeks. He said NDOC was working to change that statute so that inmates would have jobs upon their release.

Senator Goicoechea asked if the barbers license directive was under Nevada Administrative Code or NRS. Mr. Dzurenda said he believed it was in statute.

Senator Goicoechea said, in order to update the statute, a housekeeping bill might be needed for NDOC.

Mr. Dzurenda added that certain inmates were trained to fight forest fires, but they were prohibited from pursuing that work after their release, because it was against the law.

Assemblyman Ohrenschall said he had no idea there were so many statutory barriers to reentry, especially after the inmate had received that specific training in order to obtain skills for marketable employment. He did not know whether there were any BDRs available to the Committee, but if there were none, BDRs could be requested by the legislative members.

Senator Goicoechea said, regardless of the outcome of the November 2016 election, either he or Senator Parks would likely be chairing the Government Affairs committee, which oversaw those statutes.

Mr. Connett said the inmates trained in the welding program received certification to allow them to qualify for good paying jobs.

Senator Parks noted that there was discussion in Nevada and other states as to whether job applications should include questions about an applicant's arrests or convictions in order to give them a chance to get beyond the application stage and meet face-to-face with potential employers to talk about their skills and explain their circumstance.

## **XI. PUBLIC COMMENT.**

There was no public comment.

## **XII. ADJOURNMENT.**

The meeting was adjourned at 2:53 p.m.

Respectfully submitted,

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Becky Lowe, Transcribing Secretary

APPROVED:

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Assemblyman James Oscarson

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