

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
September 25, 2017**

The first meeting of the 2017-18 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 9:00 a.m. on Monday, September 25, 2017, 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 David Parks, Chairman
Senator Pete Goicoechea
Assemblywoman Daniele Monroe-Moreno
Assemblyman James Oscarson
Pete Aguilar, Representing Manufacturing
James Dzurenda, Director, Nevada Department of Corrections (NDOC)
Allen J. Puliz, Representing Manufacturing
Randy Soltero, Representing Organized Labor

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Jeffrey Haag, Administrator, Purchasing Division, Department of Administration

COMMITTEE MEMBERS ABSENT:

Bruce Aguilera, Representing Business

STAFF MEMBERS PRESENT IN LAS VEGAS:

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

STAFF MEMBERS PRESENT IN CARSON CITY:

Sarah Coffman, Principal Deputy Fiscal Analyst, Fiscal Division
Donna Thomas, Secretary, Fiscal Division

OTHERS PRESENT IN LAS VEGAS:

Diane Dastal, Administrative Services Officer II, NDOC

OTHERS PRESENT IN CARSON CITY:

Mary Byington, Supervisor, Prison Industries, NDOC
Justin Pope, Supervisor, Prison Industries, NDOC
Robert Swift, Supervisor, Prison Industries, NDOC
Bill Quenga, Marketing Coordinator, Prison Industries, NDOC

EXHIBITS:

Exhibit A: Agenda and Meeting Packet

I. ROLL CALL.

Kristina Shea, Program Analyst, Fiscal Analysis Division, called the meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs to order at 9:00 a.m. The secretary called roll. All members were present except for Mr. Magnani, who was excused.

II. PUBLIC COMMENT.

There was no public comment.

III. SELECTION OF CHAIRMAN – NRS 209.4817.

Ms. Shea explained that NRS 209.4817, Tabs III and IV of the meeting packet (Exhibit A) described the composition of the Committee and indicated that traditionally the chairman was selected from the legislative members of the Committee. The regular members of the Committee were appointed by the members of the Interim Finance Committee at its June 20, 2017, meeting. The regular Committee members consisted of Senator David Parks, Senator Pete Goicoechea, Assemblyman James Oscarson, Assemblywoman Danielle Monroe-Moreno, Mr. Pete Aguilar, Mr. Bruce Aguilera, Mr. Mike Magnani, Mr. Allen Puliz, and Mr. Randy Soltero. She added that Mr. James Dzurenda, Director of the Department of Corrections, and Jeffrey Haag, Administrator, Purchasing Division, Department of Administration, were standing members of the Committee by virtue of the positions they hold.

SENATOR GOICOECHEA MOVED TO SELECT SENATOR PARKS AS
CHAIRMAN OF THE NEVADA LEGISLATURE'S INTERIM FINANCE
COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

ASSEMBLYMAN OSCARSON SECONDED THE MOTION. THE
MOTION CARRIED UNANIMOUSLY.

Chairman Parks said the appointment of the vice chairman of the Committee would be considered at the next meeting.

IV. APPOINTMENT OF ALTERNATE MEMBERS FOR COMMITTEE ON INDUSTRIAL PROGRAMS – NRS 209.4817.

Chairman Parks explained that NRS 209.4817 provided for the appointment of nine alternate members to serve a two-year term at the discretion of the Committee.

Chairman Parks said Fiscal staff had received the name of Beverly Williams, Teamsters Local 986 as an alternate for Mr. Magnani and Mr. Soltero. Chairman Parks stated that,

if needed, alternates could be requested at the next meeting of the Committee on Industrial Programs. Chairman Parks stated that Senator Denis has expressed interest in participating in the Committee as his alternate, and Senator Kieckhefer expressed interest in being an alternate for Senator Goicoechea.

SENATOR GOICOECHEA MOVED TO APPROVE THE APPOINTMENT OF MS. BEVERLY WILLIAMS AS AN ALTERNATE FOR MR. MAGNANI AND MR. SOLTERO.

ASSEMBLYMAN OSCARSON SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

Chairman Parks welcomed Committee member Jeffrey Haag, who was attending the meeting in Carson City. He recognized Assemblywoman Irene Bustamante Adams, who was in the audience at the Las Vegas meeting location.

Chairman Parks welcomed Pete Aguilar to the Committee and asked him to introduce himself. Mr. Aguilar stated he was owner of Steel Partners, Las Vegas, a full service steel contractor, which provided high quality welding services, steel fabrication and structural erection.

Chairman Parks stated the Committee looked forward to Mr. Aguilar's input. He explained the Committee on Industrial Programs was a little different from other legislative committees in that the Committee sought input from non-legislative members to provide guidance on the programs Prison Industries would like to work with.

Chairman Parks asked the members of the Committee to introduce themselves.

Senator Goicoechea stated this was his second appointment to the Committee and he represented Senate District 19, which was the eastern half of the state and a portion of rural Clark County.

Assemblyman Oscarson stated he represented Assembly District 36. He noted he had the opportunity to chair the Committee on Industrial Programs during the 2015-2016 Interim, and appreciated the leadership of the Committee and the opportunity to move Prison Industries forward with other potential programs.

Assemblywoman Monroe-Moreno stated she represented Assembly District 1 and was very excited to be appointed to the Committee. She noted that, previously, she was in correctional law enforcement for over 27 years.

Mr. Puliz stated he owned Puliz Moving and Storage and Puliz Records Management, and represented manufacturing. He added he was a member of the Committee for over ten years; previously, his father served on the Committee under Governor Richard Bryan.

Mr. Soltero stated he represented organized labor and this was his second term as a member of the Committee on Industrial Programs. Currently, he represented workers in the entertainment industry and previously represented the construction industry.

James Dzurenda, Director, Nevada Department of Corrections, welcomed the members of the Committee and invited them to tour any of the Prison Industries' facilities in Carson City or Las Vegas.

Jeffrey Haag, Administrator, Purchasing Division, said it was his second term on the Committee on Industrial Programs, and he looked forward to serving on the Committee and supporting Prison Industries.

Chairman Parks stated he represented Senate District 7, the southeast part of the Las Vegas Valley. He has been a member of the Nevada Legislature for over 20 years and involved with the Committee on Industrial Programs for many years. He looked forward to chairing the Committee again.

V. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR OCTOBER 21, 2016.

Senator Parks requested a motion for approval of the minutes of the October 21, 2016, meeting.

SENATOR GOICOECHEA MOVED TO APPROVE THE MINUTES OF THE OCTOBER 21, 2016, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

MR. PULIZ SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

VI. OVERVIEW OF THE COMMITTEE ON INDUSTRIAL PROGRAMS' STATUTORY AUTHORITY AND DUTIES.

James Penrose, Senior Principal Deputy Legislative Counsel, Legal Division, referred the Committee to Tab VI of the meeting packet, Overview of Relevant Statutory Provisions (Exhibit A) and provided an overview of the Committee on Industrial Programs' statutory authority and duties.

Chairman Parks stated it appeared there was a vacancy for the Deputy Director for Prison Industries. He asked Mr. Dzurenda for an update on the status of the Deputy Director position.

Mr. Dzurenda responded that Brian Connett, Deputy Director, Prison Industries, retired at the end of June, and currently, there was a vacancy for the position. He noted the

former Deputy Director of Programs, David Tristan, who was also a candidate for the position, was serving as the temporary Deputy Director for Prison Industries until an appointment was made. Mr. Dzurenda added NRS 209.4818 required whenever a vacancy existed, the Committee could recommend three persons to the Director for appointment of the Deputy Director, Prison Industries. Mr. Dzurenda hoped to get three recommendations from the Committee at the next meeting.

Chairman Parks stated that the Committee meets quarterly. He asked Mr. Dzurenda if a delay in timing for a recommendation caused any difficulties for the operation of Prison Industries.

Mr. Dzurenda replied that Mr. Tristan has been filling in for the position since Mr. Connett retired and previously, he assisted Mr. Connett. He added that Mr. Tristan had over 45 years' experience working with prison industries in California and worked at the Nevada Department of Corrections (NDOC) for over a year.

Senator Goicoechea asked Mr. Dzurenda if he would look at other candidates to fill the position of the Deputy Director of Prison Industries. He wanted to ensure the Committee had the chance to review all the candidates before an appointment was made.

Mr. Dzurenda replied he would conduct a national recruitment for the position. He stated he would interview the top five candidates that he thought would be the best fit for the position. He reiterated NRS 209.4818 stipulated the Committee could recommend up to three candidates to add to the list of people to interview for the position before making a recommendation to the Governor for the appointment.

VII. STATUS REPORT ON OUTSTANDING DEBT OWED TO PRISON INDUSTRIES.

Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections summarized the status report on outstanding debt owed to Prison Industries (PI), Tab VII of the meeting packet (Exhibit A). She noted the customer report was current as of June 30, 2016. The amounts listed in parenthesis in the report were deposits or overpayments on accounts and the majority of the overpayments were from the auto shop, because a 50 percent down payment was required from customers when vehicles were restored. Ms. Dastal indicated all the positive amounts listed on the report, Tab VII (Exhibit A) were receivables, and the largest balances owed were marked with an asterisk. She stated the majority of the total balances owed were composed of these ten accounts representing 77 percent of the total receivables due. Eight of the top ten accounts were government agencies, and the other two accounts were private customers that worked closely with PI. She noted the accounts for the private customers were current and within their terms of net 30 days. The government agencies were known to be slow payers, but PI could depend on them paying. She reported all the receivable balances listed on the report were paid in full. Ms. Dastal added that Alpine Steel had been written off the aging report and all future receipts would be considered miscellaneous revenue. In addition, any proceeds received for

Alpine Steel would be applied toward the debt that was written off, which was \$395,865.55. She noted there was some equipment remaining at High Desert State Prison, and the disposal of those items had been delayed because Prison Industries did not have titles for the equipment.

Robert A. Whitney, Deputy Attorney General, Attorney General's Office (AGO), stated he would discuss the execution of the summary judgement for the vehicles related to Alpine Steel. He noted there were still a few vehicles and trailers left at High Desert State Prison (HDSP) and the AGO had been dealing with the disposal of the vehicles for some time. He stated he misunderstood NRS Chapter 21, Enforcement of Judgments, which accounted for some of the delay with disposing the vehicles. Mr. Whitney said he had been in communication with the Clark County District Attorney's Office for several months related to the vehicles, and noted the main problem for the delay was the condition of the vehicles and the cost for the Clark County Sheriff to tow and store those vehicles. He said that no one wanted the vehicles towed and stored in Las Vegas for public auction, because it would eat into most of the money received from the auction, and Prison Industries could possibly owe money. However, the sheriff's department expressed concern if they did not take control of the vehicles and wanted a hold-harmless or indemnification agreement in case something happened during the time they would normally take possession of the vehicles and store them. Mr. Whitney stated the AGO looked at whether to implement a hold-harmless or indemnification agreement and eventually offered to indemnify the sheriff's department up to the statutory limits, which was not accepted. The AGO was referred to Constable Jordan Ross, Laughlin, and a new writ was drafted for the Laughlin Constable's Office to use as an execution of judgment to serve Alpine Steel. He noted there was an agreement to hold the auction at HDSP. Mr. Whitney stated that at this point, the writ needed to be sent to the First Judicial Court in Carson City to be signed and sent to the Constable's Office in Laughlin to begin the process of advertising for the public auction.

Chairman Parks expressed concern with the lack of movement to dispose of the property left by Alpine Steel at HDSP. He appreciated the efforts of the AGO and the Laughlin Constable's Office.

Senator Goicoechea expressed his concern with some of the accounts on the aging report, Tab VII of the meeting packet (Exhibit A). He said some of the aging accounts prior to March 1, shown in parenthesis on the report, seemed to be individuals with outstanding balances.

Ms. Dastal replied every account shown in parenthesis on the report was revenue from customer deposits made to Prison Industries. She explained most of the revenue owed was from the auto shop, which required a 50 percent down payment for autos being restored. She added the accounts in parenthesis were positive numbers that had been prepaid and were tied to the body shop.

VIII. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2014 THROUGH JUNE 2017.

Ms. Dastal summarized the report on the number of inmates that worked from July 2014 through June 2017, Tab VIII of the meeting packet (Exhibit A). She stated in FY 2015, PI averaged 492 offenders working, which was 4.1 percent of the offender population; in FY 2016, PI averaged 482 offenders working, 3.6 percent of the offender population; and in FY 2017, PI averaged 464 offenders working, 3.3 percent of the offender population. She stated the prison population was gradually increasing and there was an average of 12,876 offenders in FY 2015, and 14,096 offenders at the end of FY 2017, which was an increase of 1,220 offenders or approximately 9 percent. Ms. Dastal noted that PI was hoping to improve the percentage of the offender population working with the three new proposed industries, which would be discussed later in the meeting.

Mr. Haag asked about the three-year downward trend of offenders working in Prison Industry programs. He asked if there was an explanation as to why Prison Industries was seeing the decrease in the percentage of offenders participating in these programs.

Ms. Dastal replied the repackaging operations at Florence McClure Women's Correctional Center originally had three shifts working; however, the industry lost its contract with its largest national retail outlet and was currently down to one shift. In addition, Prison Industries lost its card sorting operation with Opportunity Village at Southern Desert Correctional Center, which was a financial loss to Silver State Industries.

Mr. Haag noticed the hit to Opportunity Village on the report and asked Ms. Dastal to expand on that relationship.

Ms. Dastal explained the card sorting company had approximately five years' worth of surplus in a warehouse and decided additional inventory was not needed. She thought it would be many years before their inventory was depleted and they would need more cards sorted.

IX. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2015, FY 2016 AND FY 2017 YEAR-TO-DATE.

Ms. Dastal summarized the deductions from the inmate wages for room and board, the Prison Industry Capital Improvement Fund (CIP) and the Victims of Crime Fund, Tab IX of the meeting packet (Exhibit A). She stated that 24.5 percent of offenders had wages deducted for room and board; 5 percent of offenders had wages deducted for the Victims of Crime Fund; and 5 percent of offenders had wages deducted for the Prison Industry CIP fund. In FY 2015, \$469,132 in wages was deducted for the three funds; in FY 2016, \$405,017 in wages was deducted for the three funds; and \$450,620 in wages was deducted for the three funds in FY 2017. She noted the deduction in inmate wages

for FY 2017 showed an improvement over FY 2016 and PI was projecting an upward trend if the proposed new industries were approved.

Chairman Parks asked if there has been discussion on changing the current percentages used to calculate the deductions from inmate wages for room and board, the PI Capital Improvement Fund, and the Victims of Crime Fund, and Ms. Dastal replied she has not heard any talk on changing the current percentages.

X. REVIEW SILVER STATE INDUSTRIES FINANCIAL STATEMENTS FOR THE YEAR ENDING JUNE 30, 2017.

Ms. Dastal reviewed the financial statements from Silver State Industries, Tab X of the meeting packet (Exhibit A).

Chairman Parks asked if the net loss shown on the report was from the card sorting operation, and Ms. Dastal replied the loss of the card sorting company was a large contributor to the loss. In addition, the auto and upholstery shop was only allocated one-half of the total general administrative manufacturing expenses, which was approximately \$52,000, and if the auto and upholstery shop was charged all of those expenses, the shop would have a loss.

Chairman Parks asked if there were any problems specific to the auto and upholstery operations.

Ms. Dastal responded there were no significant problems with the operation of the auto and upholstery business, but a matter of how many cars the auto and upholstery business could restore per year. She added one car took a long time to restore. Additionally, Ms. Dastal stated the supervisor of the auto and upholstery business mentioned the shop often waited for parts when restoring cars, because the customer supplied the parts, which were often difficult to find.

Continuing, Ms. Dastal stated that previously drapery was considered its own cost center but was now a product line of the garment industry and had its best performance ever. She stated drapery sales alone totaled \$86,664; total garment sales, which included drapery, increased approximately \$220,000, and the garment factory had its best year with a \$251,000 contribution to program support.

Ms. Dastal stated total sales for the Prison Ranch decreased approximately \$199,000, which was largely due to the Bureau of Land Management (BLM) horses. Headcount for the wild horses was down to 1,150 horses and Silver State Industries was projecting that count to decrease to approximately 900 horses by mid-October 2017. The BLM contacted with five long-term holding facilities in the Midwest to save on costs. Ms. Dastal stated the Prison Ranch was reimbursed a per diem rate based on a combination of the daily head count and price of hay. Currently, the price of hay was down and the per diem rate was \$2.76 for each horse. She indicated the BLM wanted holding facilities in all states to convert their grants into contracts and move away from

the per diem rates. Ms. Dastal stated that Silver State Industries would be working on the contract once they received direction from the BLM, although there were many unknowns with that at this time. In addition, the Prison Ranch manager was looking at different cost centers at the Prison Ranch to make up for lost revenue; however, the Prison Ranch still ended positive with a contribution of \$40,926.

Senator Goicoechea commented there was no shortage of wild horses in Nevada for the short term or long term holding facilities, and the Prison Ranch had the ability to hold up to 1,800 horses. He asked if the stray horses were state horses.

Ms. Dastal clarified the Prison Ranch had the capacity to hold 2,000 horses.

Justin Pope, Prison Ranch Supervisor, Prison Industries, NDOC, stated that stray horses were wild horses from the state versus the federal BLM. State horses were brought in by the Department of Agriculture from state and private lands and were held short-term up to 15 days.

Senator Goicoechea said statute specified horses could only be held for 10 to 15 days before they were sold. He said it would make sense to be at full capacity at the Prison Ranch given the holding reimbursement rate from the BLM of \$2.76 per horse, which was significantly cheaper than the private sector rate to hold horses, other than long-term holding. He commented the wild horse-boarding program could generate a lot of money for Prison Industries.

Mr. Pope added if the contract for the Prison Ranch was reorganized, certain things would be implemented to ensure the BLM would send horses to the Prison Ranch. He thought there could be a penalty if the BLM fell below a minimum amount of horses to be more in line with other holding facilities.

Senator Goicoechea asked if the Prison Ranch labor force for the wild horse program included the gentling program, and Mr. Pope responded the gentling program was not broken out separately in the chart, but rather was included in the Prison Ranch financials.

Senator Goicoechea asked if that information could be broken out to show whether there was an actual profit for the gentling program. He said at \$1,100 a horse it would be nice to have 5,000 horses go through the program. He noted that training horses was labor intensive. It did not make sense to bill that labor at \$1,100 per horse.

Mr. Pope replied the training program was subsidized by the holding program and when the Prison Ranch entered the program, it was a partnership with BLM. They were making it work for both the holding and the training of the horses. He said as Prison Ranch entered into a new contract, he believed the friendliness felt previously would be a little different. The contract would gravitate into a legal contract and every aspect had to be looked at to ensure the contract was in good shape.

Senator Goicoechea stated he talked to the District Manager in Ely, and in August 2016, a burrow and three horses were sold at the Ely Fair. He said the District Manager thought the Prison Ranch received part of the sale, especially on the more expensive horses; however, the state only received a flat fee. He was looking for some equity for the inmates, and if a horse was worth \$10,000, he thought Prison Industries should receive a portion of the profit when the horse was sold, not just a flat rate. He agreed they needed to look at the issue, because clearly it would generate revenue for the state.

Chairman Parks clarified he did not think Prison Industries needed to separate out a full-fledged statement on the gentling program, but thought the costs and profits made from the program would be good to know.

Mr. Puliz thanked Ms. Dastal for her thorough receivables chart, Tab VII of the meeting packet (Exhibit A).

Assemblywoman Monroe-Moreno stated she was new to the Committee and had reviewed the previous meeting minutes in the meeting packet (Exhibit A). She asked about the status of the personal guarantee for the Jacobs Trading Company contract. Additionally, she asked about the Mattress Shop and the possibility of a partnership with the Nevada System of Higher Education to discuss reupholstering projects.

Ms. Dastal replied that Jacobs Trading Company provided a surety bond to Prison Industries, which was effective at the start of its new contact.

Responding to Assemblywoman Monroe-Moreno, Bill Quenga, Marketing Coordinator, Prison Industries, NDOC, stated he was in touch with a representative from the University of Nevada Las Vegas (UNLV), and would be meeting soon with the representative to discuss reupholstering projects at UNLV. In addition, Prison Industries has made efforts for discussions with the University of Nevada, Reno to provide the same service to them.

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

Ms. Dastal stated the Capital Improvement Project (CIP) balance in FY 2017 was flat compared to FY 2013. However, in FY 2013, Prison Industries was able to purchase a roll-up door for the repackaging area at the Florence McClure Women's Correctional Center. In addition, Prison Industries obtained \$297,118 in equipment in FY 2016 that greatly enhanced Prison Industries' operations. The beginning CIP balance at the start of FY 2017 was \$303,821; wage assessments totaled \$65,161; interest increased to \$2,725; and a small credit card rebate of \$7.00 was received for a total of \$67,893 added to FY 2017, with an ending CIP balance of \$371,714. She stated Prison Industries was planning to submit a proposal at the next meeting to put some of the CIP funds to good use to improve Prison Industry programs.

XII. DISCUSSION OF POTENTIAL PRISON INDUSTRY PROGRAMS AND COMMITTEE RECOMMENDATIONS – NRS 209.4818.

a. Terra Firma Organics, Inc.

Dane Buk, Owner, Terra Firma Organics, Inc. thanked the Committee for the opportunity to discuss his company. He referred to his presentation, Tab XII of the meeting packet (Exhibit A), which provided some background information on Terra Firma Organics and their operations, in addition to photographs of their facilities. He believed Terra Firma potentially could operate a profitable program at some of the Prison Industries locations. He explained that Terra Firma Organics was an organic waste diversion firm that recycled waste into innovative products to help improve the air, soil and water quality. He said Terra Firma Organics was based in Jackson Hole, Wyoming, and diverted approximately 40 percent of the waste in Jackson Hole. He added that recently, Terra Firma purchased a facility in Las Vegas, Nevada, that diverted organic waste from the landfills. He stated Nevada has done an excellent job keeping their landfill costs extremely low, but with that, it posed a challenge for the developing markets in green waste recovery or recycling efforts. Mr. Buk said he wanted to discuss opportunities to use prison labor as potential staff at their facilities to help offset costs for green waste recovery.

Continuing, Mr. Buk stated that Terra Firma Organics has been in the composting industry for 15 years and specialized in organic recovery, which included trees, branches and any material that once had a life cycle and could be derogated back into the soil and sold to local markets. Since moving to the Las Vegas market three years ago, Terra Firma Organics presold over 50,000 yards of material locally, which helped reduce costs for trucking and filling the local landfill. He stated that Terra Firma Organics was proud not to run dirty sites, as shown in the photos under Tab XII of the meeting packet (Exhibit A). In addition, they worked with dimensional lumber, which was anything from the construction industries, woody brush and grass. Mr. Buk hoped to work some of the manure from the Prison Ranch to help provide some sustainable cost estimates. He has been working with Mr. Pope from the Prison Ranch to find a potential site at the Prison Ranch that would allow public access to the facility, because there was no organic collection center or receiving in Carson City, except for Full Circle Compost, who Terra Firma Organics was looking to acquire.

Senator Goicoechea asked Mr. Buk the amount of space needed for the composting operation. He assumed the compost material would be stored onsite during the composting period.

Mr. Buk replied that he needed a minimum of 10 acres to start the operation, although, they could operate on much less acreage, but the costs would be lower with a larger operation. He noted the current operation at the Prison Ranch was on 40 acres. He added that Terra Firma Organics would be changing the Full Circle Compost model; currently, the strategy used at Full Circle Compost was windrow turning. However,

Terra Firma Organics used static pile management, which was a lower cost and footprint required.

Senator Goicoechea asked, for security reasons, if the total composting operation would be within the confines of the Prison Ranch.

Mr. Buk stated the site he was looking at was located on the eastside of the Prison Ranch. He said Terra Firma hoped to minimize access into the facility by way of a check-in process.

Senator Goicoechea stated that possibly 65 to 70 inmates could be put to work if the three proposals for potential Prison Industries programs were implemented. He assumed the inmates working in these industries would be stable and trustworthy.

Mr. Buk stated the mission for Terra Firma Organics was to start with a program that would effectively use certain inmates, such as inmates that were near release and moving to transitional housing. Once training was complete for the inmates, he hoped to move those inmates through their operations in Carson City to finish out the program. In addition, he would like to provide training opportunities for inmates through larger companies, such as Caterpillar. However, there was a potential exposure risk for companies when inmates used large equipment that was worth millions of dollars. Mr. Buk stated he hoped to grow the composting program and look at the current assets that were idle for Prison Industries, such as the cogeneration (cogen) facility. He stated that Terra Firma Organics was one of the larger cogen purchasers in the northern states, and supplied a large cogen facility in Idaho, which was the largest in three states.

Continuing, Mr. Buk stated the goal was to do some minor retrofits to the cogen facility that he thought were detrimental to its operations and change the model from a purchase wood agreement, to allowing the public to drop off at the facility to eliminate shipping costs and have a cash base to operate the facility. Mr. Buk stated he was looking for permission to have engineers look at the facility to see the feasibility before anything was actually considered, which would require a \$5,000 investment for Terra Firma Organics. He stated if that was not an option, Terra Firma Organics would like to purchase the cogen equipment for potential operations in other states.

Senator Goicoechea stated the composting operation was clearly a good program and he would love to put inmates to work, but they had to consider the available space and the security of the program.

Assemblywoman Monroe-Moreno asked Mr. Buk if Terra Firma Organics was operating on any prison facilities in other states, and Mr. Buk replied Nevada would be the first prison facility with a Terra Firma composting operation.

Mr. Puliz asked Mr. Buk if inmates would be paid minimum wage. In addition, he asked if Terra Firma would pay the security costs to transport inmates to the composting operation from the prison facility.

Mr. Quenga clarified that Terra Firma Organics was looking at approximately ten acres east of the Prison Ranch, which was currently operated by Full Circle Compost. He said landscapers come to the property through the Stewart Conservation Camp in Carson City, which was outside of the Northern Nevada Correctional Center. Currently, there was a lot of traffic in the center of the Prison Ranch, which was a high risk for transporting contraband. He stated that Terra Firma Organics would be east of the Prison Ranch and the only public road was on the opposite side of the operation. In addition, Terra Firma was looking into setting up cameras to follow the inmates from the composting operation to the Stewart Conservation Camp to reduce the public from entering that area so there was no access to the Prison Ranch. He added there would be no transportation fees for the inmates or any additional security fees.

Mr. Puliz said there was a shortage of labor in the Reno area. He said the composting operation was a great program, but thought Terra Firma should really look at security costs, in addition to adding a subsidy to protect its business. He added that security cameras could cost over \$100,000 to install.

Mr. Quenga noted the officers assigned to the Stewart Conservation Camp conducted routine patrols. He stated his main concern was the inmates' interaction with the public, so there would be a fenced area to keep the inmates away from the public.

Mr. Dzurenda asked Mr. Buk if the pictures provided under Tab XII of the meeting packet (Exhibit A) were from Terra Firma's Nevada operations or other states. Mr. Buk replied the pictures with the palms were from the Las Vegas composting operation.

Mr. Dzurenda stated there were two transitional centers for inmates in Nevada and asked if the inmates that received training while in prison would have an opportunity to get employed at other facilities operated by Terra Firma Organics.

Mr. Buk explained that Terra Firma operated in multiple states and dealt with a huge amount of biomass, which included forestry work, trails, compost operations and waste diversion. He stated the inmates who received training while in prison could find work after release at other facilities operated by Terra Firma Organics.

Senator Goicoechea asked Mr. Pope what was being done with the manure from the Prison Ranch, because he was aware there were costs associated with the disposal of the manure.

Mr. Pope replied the manure from the Prison Ranch was hauled to another composting site – Bentley Agro Dynamics. The manure was accepted by Bentley free of charge, and the Prison Ranch only had to pay the shipping costs. In the current contract, the cost to remove the manure from the Prison Ranch was approximately \$50,000 per year.

Mr. Haag asked if the intent of the point of operation was to allow the public to have access to the composting site to drop off material and purchase the composted material at the correctional facility.

Mr. Buk replied the intent at the point of operation was mainly to drop off material. He hoped to move the product off site for purchase through retail operations.

Mr. Haag asked if the viability of the program was contingent on Terra Firma Organics acquisition of Full Circle Compost, and Mr. Buk agreed. Mr. Buk added that he was optimistic on the purchase of Full Circle Compost but thought the first step was to see if the composting operation was something the state had interest in before he proceeded. He noted that he would have more extensive knowledge on the purchase of Full Circle Compost soon.

Chairman Parks asked Mr. Buk if Terra Firma Organics final product would be in competition with any current businesses operating in the local area.

Mr. Buk thought it could be in competition with local vendors, because it was an open market. However, from what he has seen, those markets do not exist and the current operator, Bentley Agro Dynamics, only used the material for its own use. The only compost operator in the region was Full Circle Compost, which Terra Firma was looking to acquire. He said Terra Firma would be the only supplier of compost material in the region.

Mr. Quenga added per statute, Prison Industries was in the process of obtaining that information, in addition to conducting an impact analysis on the number of residents in Nevada that would be affected and the other companies currently operating in the area. Currently, he was in the process of the impact analysis with the Department of Business and Industry, Governor's Office, Department of Employment, Training and Rehabilitation, Office of Economic Development, and Organized Labor, and would present that information to the Committee when complete.

Senator Goicoechea stated his concern for security at the facility and the possibility for the public to smuggle contraband into the site when dropping off material.

Mr. Buk replied that he was also concerned about security at the site. The first step in the process was to determine if this was something Prison Industries was interested in as a potential industry. He was unsure how the operations worked at the Prison Ranch; therefore, it would be hard to have the security issues resolved at this time. He stated Terra Firma would not move forward if it believed the Prison Ranch or Terra Firma were at risk, and he hoped they could work together to solve all the issues or move in another direction. In addition, he said Terra Firma was interested in the cogen operations, which he believed would be a good asset, not only for Prison Industries, but also something that could grow large enough to utilize waste from the region, which currently had no outlet. He thanked the Committee for its time and consideration.

Mr. Pope explained that currently Full Circle Compost operated on 40 acres on the Prison Ranch, and Terra Firma wanted to move to a different part of the Prison Ranch and condense the operation to an 18-acre parcel. The 18-acre parcel would be divided, with 1/3 acre fenced to allow outside vendors to drop off material. The inmates would

be contained on the remaining 2/3 acres. He added the material brought to the operation was ground and processed, which would take care of the contraband issue. Currently, there were approximately 10 to 20 trucks per day dropping off pine needles from Lake Tahoe, multiple landscapers with lawn and landscape clippings, and once the operation was moved from the current site, it would be a more secure operation. Mr. Pope believed the process would be a huge improvement once Terra Firma was operating at the Prison Ranch.

b. Erickson Framing Holdings, LLC.

Ms. Dastal stated that Erickson Framing Nevada, LLC recently opened a location in Reno, Nevada, and showed an interest in working with Prison Industries. She stated that Reed Graham, Chief Operating Officer, Erickson Framing, and Aaron West, Chief Financial Officer, Nevada Builders Alliance, were present at the meeting to discuss their operations.

Mr. Quenga stated he recently attended an open house for Erickson Companies in Reno to look at their operations. He said Erickson Companies wanted to employ 12 inmates and transport those offenders to a secure job site in Reno. He added Erickson was currently working with the correctional industry in Arizona.

Reed Graham, Chief Operating Officer, Erickson Companies, stated that Erickson Companies (Erickson) had been in business for over 40 years. Erickson fabricated and assembled wooden trusses, wall panels, and doors and trims for the Nevada residential housing market. In addition, Erickson provided all the material for its other facilities in California, Nevada and Arizona, and had a rail spur and large-acre facilities. He explained that Erickson has used inmate labor through the Arizona correctional industries for approximately 18 months, and 31 inmates were used daily to work a second shift. Mr. Graham stated there was a severe labor shortage, specifically in construction, and Erickson was trying to be creative in how it sourced labor, which led the company to correctional industries. He stated that approximately two years ago, Erickson started conversations with the correctional industry in Arizona, which has been successful, not only in sourcing labor, but also offering jobs to inmates upon release. Mr. Graham stated that 12 inmates were hired in Arizona and Erickson was also currently active in recruiting inmates near release in California and Nevada. He estimated more than 50 previous inmates were hired to work for Erickson.

Senator Goicoechea asked if Erickson would utilize offenders in transitional housing and transport inmates to the job site, similar to an honor crew.

Mr. Dzurenda replied he met with Chuck Ryan, Director, Arizona Department of Corrections, to see how its operation worked, the type of inmates employed, and whether those inmates obtained employment upon release. He noted there was a 100-bed transitional center for offenders in Reno, which had a low success rate for inmates looking for employment. Inmates in the Reno transitional housing were able to look for jobs in the community during the day, which was not as successful as it was for

inmates looking for jobs in Las Vegas. Mr. Dzurenda said the majority of offenders who would work at Erickson would be coming from the transitional center. He indicated there were more than 12 inmates from the transitional housing facility looking for jobs in the community, so those inmates were already in the community unsupervised while seeking employment. Inmates would receive training from Erickson while in transitional housing and were evaluated on their work. He believed that 90 percent of the inmates working at Erickson would find employment upon release.

Senator Goicoechea asked Mr. Dzurenda how the inmates in transitional housing were selected to work at Erickson. He asked if age and physical capabilities were considered when they transitioned into housing, understanding they would have the opportunity for training and employment with Erickson. He noted that years ago, inmates in honor camps were working on different projects and received great training while working, and upon completion, those inmates were qualified and could find jobs in the construction industry. He believed inmate construction was looked at as direct competition for the construction industry, because those jobs would have been bid by local governments. Senator Goicoechea believed it was a great program. He added he did not realize there was a 100-unit transitional housing center in Reno, which could provide inmates training at companies like Erickson.

Mr. Graham explained Erickson had a strict policy in Arizona when hiring offenders. Erickson did not hire violent offenders, so offenses were either drug-related charges or driving under the influence. In addition, some of the offenders had previously worked for Erickson prior to arrest and were rehired upon release, which worked out well for Erickson. Mr. Graham noted he wanted to be included when interviewing the offenders that qualified, because the individual needed the right mentality to qualify for the investment from Erickson into training that individual. He said he wanted the offender to realize it was a privilege and to consider training as an opportunity to regain a healthy foothold back into civilization.

Senator Goicoechea stated that Erickson typically looked for offenders working in honor camps. He asked if the offenders with non-violent offenses qualified for transitional housing, because it was critical to train the right person for the job.

Mr. Dzurenda replied non-violent offenders were not necessarily going into transitional housing. He stated it would have to be a partnership between NDOC and Erickson. A classification of inmates would have to be done first, and then Erickson would use that list to find qualified offenders to apply for the training program. Mr. Dzurenda stated through the classification process, the NDOC could find offenders that were eligible and still in facilities to transition into the program.

Mr. Graham clarified that Erickson would be starting with 12 inmates, because introducing and training new offenders into an organization would cause a significant negative impact on productivity. However, that number would grow until the appropriate threshold was reached. He noted that Arizona used a 1:31 threshold, which was governed by the warden of the prison who had a guard-to-inmate ratio he was

comfortable with. He noted that Erickson would look for the proper threshold as soon as the first 12 inmates were trained, efficient and ready to be bolting on individuals that were inexperienced.

Mr. Puliz asked where Erickson was located in Reno. Mr. Graham replied that Erickson was located off Parr Boulevard in north Reno.

Chairman Parks asked if offenders would be paid the current minimum wage and if overtime would be paid when needed.

Mr. Graham replied inmates would be paid minimum wage. He added that Erickson covered the costs associated with transportation, which was approximately a 40-mile one-way trip. In addition, Erickson would pay a guard \$40.00 per hour to transport the inmates. He said the guard was paid during the time of transportation, so if Erickson started out with only 12 inmates, and subsidized a \$40.00-an-hour guard, at 80 miles round trip for 12 offenders, that would drive the hourly rate up significantly. Therefore, for the first several months, it would be an investment for Erickson, and the return would not be seen until Erickson increased the number of inmates working to manufacture wall panels and trusses and pull lumber loads at the job site. Mr. Graham stated he would like to increase the number of inmates to between 25 and 30 quickly, so there were economies of scale associated with it. He added that inmates and guards would qualify for overtime pay when needed.

Assemblywoman Monroe-Moreno asked Mr. Graham if he knew the background requirements for staff working with the inmates in Arizona, and if it was comparable with the background check for staff working with the inmates in Reno to ensure safety for staff.

Mr. Graham replied there were requirements for Erickson staff. In Arizona, inmates could not supervise other inmates, and Erickson supplied all supervision with a defined structure. The supervisors on the wall line production were called "sawyers," with a 1:5 ratio, five inmates for every sawyer to check quality, ensure productivity, and see that material was lined up in advance of need. Mr. Graham added the Arizona correctional facility provided training for Erickson employees that worked directly with the inmates, in addition to a background check for all individuals on the second shift. Previously, this was done in Arizona for the second shift to minimize the number of individuals that would be in contact with the inmates. He said the same process would be conducted for the Reno facility. He reiterated there would be a background check done by Erickson, in addition to the training from the correctional center in Nevada. He added that Mr. Quenga stated that Prison Industries would also provide training for Erickson employees.

Mr. Quenga added there would be background checks and Erickson employees would have to go through in-service training to get familiar with working and dealing with inmates, which was basic training provided by the Nevada Department of Corrections.

Senator Goicoechea asked for clarification and whether inmates were coming from the prison system or transitional housing to work for Erickson.

Mr. Dzurenda responded those details had not been determined, but he believed it would be a combination of inmates from the correctional facility and transitional housing. He stated there were not enough inmates he would want to use for the program from the transitional housing center in Reno. He said that was what the camps and lower-level facilities were for, so it would be a combination of offenders from both places. In addition, federal law required the prison system to conduct background checks on individuals who had contact with inmates under the Prison Rape Elimination Act of 2003 (PREA). Therefore, a background check was needed before anyone could have contact with inmates. He reiterated he was unsure where the inmates would come from at this point and suggested the Reno transitional housing center, because it would be a great opportunity for those offenders.

Chairman Parks added that Fiscal staff would provide assistance and guidance with ensuring any recommendation brought forward to the Committee was properly reviewed.

Mr. Graham ended his presentation stating that he appreciated the Committee's time and consideration on this agenda item.

Aaron West, Chief Financial Officer, Nevada Builders Alliance, stated for the record that he appreciated the Committee's consideration of this new potential prison industry program. On behalf of the Nevada Builders Alliance, Mr. West said there were 750 construction-related companies statewide facing tremendous shortages on the labor side. He appreciated that Erickson was being as creative as possible when looking for opportunities to train and provide offenders opportunities for a career and give them the best chance going forward on reentry. He stated the Nevada Builders Alliance was happy to help in any way to support the program. He looked forward to working with the Committee on more programs similar to this to create positive outcomes and add to the workforce in Nevada.

Senator Goicoechea appreciated Erickson for coming forward with the potential prison industry program, because Erickson would face possible risks and exposure when training inmates in a private facility where something could go wrong.

c. Sewing Collection, Inc.

Ms. Dastal stated that Sewing Collection, Inc. (SCI) was in the business of recycling clothes hangers. The company purchased and picked up used plastic hangers from many large stores and wanted to employ offenders to sort the hangers by size, type and rebox them. Ms. Dastal indicated that SCI would like to utilize a bay at High Desert State Prison starting with 12 offenders.

Mr. Quenga stated he visited the SCI operation in Southern California, and added the company was in partnership with another correctional industry in Ohio.

Rob Molaie, SCI, stated he was an 18-year employee of the company and would discuss hanger recycling and how SCI could build a partnership with Prison Industries in the State of Nevada. He introduced Ben Nazarian, Director of Operations, SCI, and Mariel Aliwalas, Business Development, SCI.

Mr. Molaie explained that SCI has been in business over 35 years with corporate headquarters in Los Angeles, California; a Midwest facility in Ohio; an East Coast facility in New Jersey; and a recently opened operation in Tijuana, Mexico. He said SCI was a full service packaging supply company, mainly for the apparel industry. He said that SCI products included new and recycled hangers, corrugated shipping boxes and packaging supplies, tape, shrink wrap and shipping labels. In addition, SCI was the largest hanger recycling company in North America. He stated the SCI had contracts with a majority of the department stores in the United States, mainly Nordstrom, Macy's, Sear, Dillard's, Saks Fifth Avenue, J.C. Penney, Lord and Taylor, and other retailers. Mr. Molaie stated that SCI's hanger recycling program was very successful and started over 20 years ago before all the hangers accumulated at the store level were going into landfills. Originally, SCI started with Macy's in Los Angeles with only one distribution center. In the past, department stores paid to divert their hangers to the landfill, which was over one billion hangers annually.

Continuing, Mr. Molaie noted that 80 to 90 different style hangers were sorted with the highest standards; broken hangers were removed in addition to the contaminate hangers, which were wooden or dirty hangers. The good hangers were identified and sold to the garment manufacturers, department stores and retailers. Mr. Molaie stated SCI faced a shortage of labor and space. The company recently opened a facility in Tijuana, Mexico, because of the low-cost of wages. However, it was very difficult to work in Mexico, because of issues with customs and control over transported items to Mexico. He said SCI believed if it brought the operation back to the United States it would have more control over operations. However, there was limited space in California; therefore, SCI started working with a correctional facility in Ohio, and would start working at a second prison in Oregon. He stated in the beginning he was hesitant working with inmates, but those inmates were excited to get out of their cell and work and make money, and the results had been great. The program in Oregon would be set up in November 2017 and would service the Nordstrom Northwest distribution center, which purchased approximately ten million hangers, but overall, SCI took in approximately one billion hangers annually and serviced many distribution centers across the United States. He stated SCI was the largest hanger recycling company in North America. He said SCI could fill up a football stadium with all the hangers it collected every year. There was a lot of material to sort and orders to fill, and SCI needed help with the production aspect of the business. Mr. Molaie stated SCI's objective was to work with Silver State Industries to use inmate labor and the institution within the prison ground to help sort hangers.

Mr. Nazarian, Director of Operations, SCI, referred to the SCI presentation under Tab XII of the meeting packet (Exhibit A), which showed the hanger sorting operation. He explained the hangers were collected throughout different parts of the United States and transported and offloaded to one of the prison. He explained there were over 100 different styles of hangers, and typically, 75 percent of the hangers were sorted and processed. The unusable hangers were discarded into large containers for SCI to pick up later. He explained that approximately 75 percent of the workers were used as sorters, and 25 percent of the workers provided support. Therefore, if SCI started with 10 people in Nevada, 7 people would sort hangers and approximately 2 to 3 people would transport hangers from table to table. During the presort process, workers would separate top hangers for shirts, from bottom hangers for pants. Those hangers would be taken to two different processing tables and typically, a person would sort between 7 to 9 boxes an hour, which represented approximately 7,000 to 9,000 pieces an hour. After the training process, a person could sort up to 9,000 pieces per day, which was great production. Normally, toward the end of the day, the sorted boxes were collected and palletized by style, and collected on a daily basis, so there was no need for storage of hangers at the prison facility. He noted that once SCI dropped the unsorted hangers at the facility in the morning, they would pick up the finished products from the prison site the same day.

Mr. Molaie expressed this was a proven concept with prison industries. SCI started working with the Ohio Penal Industries in December 2016, and then with the Ohio Reformatory for Women, a medium security female prison. Eventually, SCI had 40 inmates working; production was amazing and every day the inmates showed up to work with excitement and joy, and it provided some motivation for the inmates. Because of that success, SCI started in the Madison Correctional Center in Ohio in July 2017. In addition, two other prisons would start production soon – the Northeast Reintegration Center in Cleveland, Ohio, scheduled for September 2017, and the Oregon Corrections Enterprises, scheduled for November 2017.

Senator Goicoechea asked about the 25 percent of hangers that were unusable, and Mr. Nazarian replied SCI not only reused good hangers but also recycled hangers. Therefore, the 25 percent of hangers that were unusable were recycled. In addition, SCI ran a shredding operation that shredded hangers and removed the metal hooks. The material was sold to various corporations and companies.

Concluding his presentation, Mr. Nazarian stated SCI had racks to help facilitate the sorting process and the hangers were packed in boxes of 100 to 200 pieces. He noted SCI anticipated that between 50,000 to 150,000 hangers were sorted per day.

Mr. Puliz asked if SCI hauled the sorted hangers from Nevada to Los Angeles, or if a facility would be set up in Las Vegas. He thought Las Vegas would be a better place for a distribution facility as opposed to Los Angeles.

Mr. Molaie replied a majority of the hangers would be hauled to the Los Angeles distribution center, because most of the customers were located on the West Coast.

In addition, there were distribution centers in Ohio and New Jersey, so depending on the style of hangers, some could also be hauled to one of those facilities. Mr. Molaie stated SCI worked with Goodwill Industries, and Las Vegas was a large purchaser of hangers, which was great for the company, because having a distribution center in Las Vegas would reduce the costs for shipping, especially to the surrounding states. He stated the goal of SCI was to find a way to shut down its operation in Mexico and consider Las Vegas as a possible West Coast partner.

Mr. Molaie explained the hanger recycling business was not a seasonal business, but a year-round business that was still alive even with all the recent store closures. In addition, SCI's competition was new hanger manufacturers, and the hangers sold in the United States was only 10 percent of the entire hanger business. Obviously, there was a lot of garment production in Asia, Vietnam, Bangladesh, China and other parts of the world, and SCI wanted to find a way to compete with the new hanger manufactures. Therefore, SCI wanted to find a way to sell its products in China, Bangladesh and Vietnam. He noted that SCI had freight-forwarding experience so it could transport hangers to Los Angeles and export them out of the Los Angeles port.

Assemblywoman Monroe-Moreno asked how much square footage was needed for a distribution space in Las Vegas. In addition, she asked if the current inmates working for SCI would be able to obtain employment in Las Vegas.

Mr. Molaie explained that hangers were very small and approximately 250,000 hangers would fit into a 53-foot trailer, so in terms of square footage, a 10,000 square foot warehouse could hold approximately five million hangers. The hangers were easily palletized and could be double-stacked 12-feet high, so a small storage space was sufficient to accumulate the hangers. He added SCI invested a lot of time and money to train people on the different types of hangers, and it took approximately two months for people to learn the 80 different styles of hangers. He added that once the inmates were trained on the sorting process and released, they could continue working for SCI if interested.

Chairman Parks asked if there were any hanger manufacturers in the United States, and Mr. Molaie replied the majority of the manufactures were in Asia, Vietnam and China; however, there were some manufactures in Central America and India, but none in the United States. He added there was a small hanger manufacturer in Mexico.

Mr. Puliz asked the intended location for the hanger sorting operation, and Mr. Quenga replied there were approximately two 10,000 square foot spaces, occupied by a previous company. He said Silver State Industries was looking to locate the hanger sorting operation at High Desert State Prison.

Senator Goicoechea asked if the inmates would be paid minimum wage to work in the hanger sorting operation, and Mr. Quenga replied he checked with the Bureau of Justice Assistance and since the business was already interstate commerce, it did not

fall under minimum wage. He said Prison Industries would work out a rate per hanger and would try to mimic what was being done in Ohio.

Chairman Parks thanked the presenters for their insightful presentations on the potential prison industry programs. He stated there was no plan to make a final determination today; however, he thought Prison Industries would be working on how to move forward with the potential prison industry programs discussed at the meeting.

XIII. PUBLIC COMMENT.

There was not public comment.

XIV. ADJOURNMENT.

The meeting was adjourned at 11:15 a.m.

Respectfully submitted,

Donna Thomas, Committee Secretary

APPROVED:

Senator David Parks, Chairman

Date: _____