

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
September 21, 2018**

The fifth meeting of the 2017-18 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 1:00 p.m. on Friday, September 21, 2018, 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
Assemblywoman Daniele Monroe-Moreno
Pete Aguilar, Representing Manufacturing
Randy Soltero, Representing Organized Labor
Beverly Williams, Representing Organized Labor

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator Pete Goicoechea
James Dzurenda, Director, Nevada Department of Corrections
Jeffrey Haag, Administrator, Purchasing Division, Department of Administration

COMMITTEE MEMBERS ABSENT:

Assemblyman James Oscarson
Bruce Aguilera, Representing Business
Allen J. Puliz, Representing Manufacturing

STAFF MEMBERS PRESENT IN LAS VEGAS:

Kristina Shea, Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

Sarah Coffman, Principal Deputy Fiscal Analyst
Brody Leiser, Senior Program Analyst
Nick Anthony, Senior Principal Deputy Legislative Counsel, Legal Division
Donna Thomas, Secretary, Fiscal Division

OTHERS PRESENT IN LAS VEGAS:

Diane Dastal, Administrative Services Officer II, NDOC
Bill Quenga, Marketing Coordinator, Prison Industries, NDOC

OTHERS PRESENT IN CARSON CITY:

Justin Pope, Supervisor, Prison Ranch, NDOC
Mary Byington, Supervisor, Prison Industries, NDOC

EXHIBITS:

Exhibit A: Agenda and Meeting Packet

I. ROLL CALL.

Chair Parks called the meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs to order at 1:05 p.m. The secretary called roll. All members were present except for Assemblyman Oscarson, Mr. Aguilera and Mr. Puliz who were excused.

II. PUBLIC COMMENT.

There was no public comment.

III. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR JUNE 22, 2018.

Chair Parks stated that he had corrections to the June 22, 2018, meeting minutes. He noted that the correct spelling for the presenter from Ink2Work was Mr. Herbert. In addition, on page 17 ([Exhibit A](#)), the percentages given in Mr. Herbert's testimony should be 0.4 percent and 0.9 percent instead of 4 percent and 9 percent.

Chair Parks requested a motion for approval of the minutes of the June 22, 2018, meeting with the noted changes.

ASSEMBLYWOMAN MONROE MORENO MOVED TO APPROVE THE MINUTES OF THE JUNE 22, 2018, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS WITH THE NOTED CHANGES.

MR. SOLTERO SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

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

David Tristan, Acting Deputy Director, Prison Industries, stated that he wanted to thank Chair Parks and the Committee for their guidance and support of Prison Industries (PI). He noted their work was appreciated. In addition, he commended Mr. Quenga, Marketing Coordinator, Prison Industries and Ms. Dastal, Administrative Services Officer II, Nevada Department of Corrections (NDOC), and staff for the excellent work they provided while he was the Acting Deputy Director of Prison Industries. He said that he was resigning from his position at the end of the year and it was the last Committee meeting he would be

attending. Mr. Tristan shared with the Committee that he was extremely proud of Mr. Quenga and Ms. Dastal for expanding Prison Industries programs. He was aware it was difficult bringing in new businesses for PI because of all the requirements in statute in terms of not competing with the local workforce and businesses. He added that Mr. Quenga, in conjunction with individuals like Mr. Herbert from Ink2Work, have done an outstanding job promoting new industries. Mr. Tristan said that he was working with Mr. Quenga and NDOC to establish an interagency agreement between PI and NDOC. In discussions with James Dzurenda, Director, NDOC, they were working to establish teams to work on quality control for PI products because prisons may have different needs and “one size does not fit all”. He said that Harold Wickham, Deputy Director of Operations, would work with the prison wardens to ensure the products PI provided were needed with a quality that would serve the prisons well. He noted that sometimes inmates were rough on products, whether working on mattresses, linen or clothing, and PI wanted to work as a team with NDOC so that there were no disputes between the products provided and the quality of the products. He stated that hopefully, with support from the Legislature, PI could get clarification on language relative to the way the current bill was structured. Mr. Tristan stated the language was very clear to him that everything being equal relative to the price and quality of products provided with inmate labor that PI would be given preference in terms of NDOC purchasing from PI; however, there seemed to be some ambiguity for people as it related to the word preference. Mr. Tristan hoped that working with State Procurement, NDOC, the Legislature and others, that language could be crafted that would not be onerous to private industry, but at the same time serve PI and NDOC well.

Chair Parks thanked Mr. Tristan on behalf of the Committee for his comments and wished him well in his future endeavors. He added that he appreciated his hard work to help make PI programs successful.

Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections summarized the status report on outstanding debt owed to PI, Tab IV of the meeting packet ([Exhibit A](#)). She noted the customer aging report was current as of June 30, 2018, and the receivables totaled \$681,809. The largest balances outstanding on the aging report were noted with an asterisk and made up the top ten accounts with balances due, and owed \$465,073, or 68 percent of the total receivables. Three of the top ten accounts were private customers that had continued business with PI and were good at paying within PI’s terms of net 30. Seven of the top ten accounts were government agencies and were a sure pay. She noted that all of the receivable balances listed on the customer aging report were paid in full.

Chair Parks asked about the large outstanding balances for NDOC Administration-Milk, page 23 ([Exhibit A](#)) and Northern Nevada Correctional Center (NNCC), page 24 ([Exhibit A](#)), and Ms. Dastal replied that NDOC was normally behind on its payables at the end of the fiscal year.

Senator Goicoechea asked about the customer World Class Equine, and Mr. Quenga responded that PI produced products for the company for several years using inmate labor. He noted the items made were feeding bags, clothing bags and other products related to

competition horses. He stated the items were produced at the Garment Factory, located in the Lovelock Correctional Center. He added that World Class Equine was based out of state and was a good paying customer.

Chair Parks noted that he recently visited the Lovelock Correctional Center in Winnemucca and was given an explanation and showing of the high-quality products manufactured at the facility.

V. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2014 THROUGH JUNE 2018.

Ms. Dastal directed the Committee to the report on the number of inmates that worked from July 2014 through June 2018, Tab V of the meeting packet ([Exhibit A](#)). She stated in FY 2015, PI averaged 492 offenders working, or 4.1 percent of the offender population; in FY 2016, PI averaged 482 offenders working, or 3.6 percent of the offender population; and in FY 2017, PI averaged 465 offenders working, or 3.3 percent of the total offender population. She stated that FY 2018 had an average of 3.6 percent of the prison population working with 494 offenders. Ms. Dastal noted the number of offenders working in FY 2018 as compared to FY 2015 was flat, and the average was two additional offenders working in FY 2018, while the prison population increased by 929 offenders. She stated that Fiscal Year 2019 should reflect an increase in offenders working with the new industries.

VI. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2016, FY 2017 AND FY 2018.

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 VI of the meeting packet ([Exhibit A](#)). She stated that 24.5 percent of the wages for offenders were deducted for room and board; 5 percent of wages for offenders were deducted for the Victims of Crime Fund; and 5 percent of wages were deducted for the Prison Industry CIP Fund. In FY 2016, \$405,016 in wages were deducted from offenders' wages for the three funds; in FY 2017, \$450,620 in wages were deducted for the three funds; and FY 2018 improved slightly over FY 2017 with \$456,883 deducted from offenders pay, which was approximately a \$52,000 improvement over FY 2016 and an increase of about \$6,000 over FY 2017. Ms. Dastal noted that PI was optimistic about FY 2019 with the new industries that were being implemented.

VII. REVIEW SILVER STATE INDUSTRIES FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 2018.

Ms. Dastal reviewed the financial statements from Silver State Industries, Tab VII of the meeting packet ([Exhibit A](#)). She noted the financials were not finalized because NDOC staff was still working on the FY 2018 financials at the time the meeting material was due to Fiscal staff. Ms. Dastal stated that the combined industries and Prison Ranch unrestricted cash increased by \$550,000. The total cash for Prison Industries increased

approximately \$399,000, or 19 percent compared to the same period a year ago. The cash for the Prison Ranch increased about \$151,000, or 13 percent. The PI capital restricted balance increased by approximately \$72,000, or 20 percent. Ms. Dastal stated that PI retained earnings increased approximately \$482,000, or 14 percent to approximately \$4.0 million. Net income for FY 2018 was approximately \$482,123.

Ms. Dastal stated that the Prison Ranch and the PI Capital Projects accounts ended FY 2018 in the black. Prison Industries contributed approximately \$366,000 toward program support; the Prison Ranch contributed approximately \$58,000; and the PI Capital Fund contributed almost \$58,000 toward program support.

Continuing, Ms. Dastal referenced the Consolidated Statement of Cash Flows from Operating Activities for FY 2018, page 37 ([Exhibit A](#)) and the total cash at the end of FY 2018 increased 17 percent, or approximately \$622,000. Central Administration Statement of Operations showed that license plate fees decreased by about \$19,000, or 3 percent. Capital Improvement, which was the offender wage assessments, increased by \$1,000, or 2 percent. Rental income decreased slightly by approximately \$5,000; and administrative fees were down by approximately \$70,000. Total revenue also decreased by \$70,000; Central Offices General and Administrative Expenses decreased \$119,000, which helped the administrative section. She noted that in FY 2018 there was no bad debt expense. The State Cost Allocation decreased by \$125,000 and although it had a net loss, there was a turnaround of approximately \$78,000.

Ms. Dastal moved to the Northern Nevada Correctional Center (NNCC) Mattress Shop Statement of Operations, Tab VII of the meeting packet ([Exhibit A](#)), and noted sales for the Mattress Shop decreased approximately \$56,000. The mattress factory's contribution toward program support decreased approximately \$36,000; however, it had a \$61,000 contribution toward program support.

Continuing with her presentation, Ms. Dastal stated that NNCC Printing/Bindery Shop sales decreased approximately \$77,000. The Print Shop still ended the year with approximately \$38,000 available for program support, a decrease of approximately \$30,000.

Ms. Dastal indicated that the Statement of Operations for the Furniture and Metal Shop showed the Furniture Shop revenue decreased approximately \$40,000. The Metal Shop revenue decreased approximately \$451,000. The Furniture Shop's share of the combined total revenue of \$811,110 was 51 percent and the Metal Shop's share was 49 percent. Applying those percentages to the general and administrative manufacturing expenses, currently the Furniture Shop experienced a \$124,000 net, while the Metal Shop had a net of \$55,749. She stated that the Furniture and Metal Shop combined contributed approximately \$179,000 for program support in FY 2018.

Ms. Dastal moved to the SDCC Auto and Upholstery Shop Statement of Operations, Tab VII ([Exhibit A](#)), which showed that auto sales decreased approximately \$83,000. The Auto Shop contributed approximately \$1,500 to general and administrative manufacturing expenses; the card sorting contribution was approximately \$10,000, while Opportunity

Village contributed approximately \$1,400 from the small greeting card project. Allocating one-half of the general and administrative expenses to the Auto Shop, and one-half to Manpower operations, the Auto Shop ended with a \$38,000 loss, while Manpower operations had an approximate \$28,000 loss. Between the Auto and Manpower operations, the Auto Shop experienced a combined \$66,000 loss. She noted that PI was tentatively planning to add other industries if approved, such as Ink2Work and part of the hanger operation to help with the fixed expenses.

Moving to the Garment Factory Statement of Operations, Ms. Dastal noted garment sales increased about \$232,000 mainly due to a private customer. She added that the Garment Factory was the best performing shop and FY 2018 was an excellent year with a \$285,000 contribution for program support.

Ms. Dastal directed the Committee to the Prison Ranch Statement of Operations, Tab VII ([Exhibit A](#)). She said total sales decreased approximately \$278,000, which in part was due to the Bureau of Land Management (BLM) horse head count. The head count was down in FY 2018, and currently the Ranch was boarding 880 horses; 300 of the horses were recent additions to the Ranch. She indicated that the Ranch manager was told to expect 300 to 400 more horses in addition to 160 young studs. The BLM informed the Ranch manager that by November or December, the Ranch should be close to capacity with 2,000 horses. The daily per diem rate in August was \$5.50 per horse and the per diem rate in September was approximately \$4.36 per horse. Ms. Dastal noted that the Prison Ranch still ended FY 2018 with a contribution of approximately \$58,000 for program support.

Ms. Dastal continued with the Schedule of Interfund Sales, which showed that PI ended FY 2018 with \$482,123 available for program support. She added that the finalized version of the financial statement was approximately \$27,000 more than the current total, and PI ended FY 2018 with \$509,345 in earnings available for program support.

Senator Goicoechea stated he was aware that due to the emergency horse gathers the Prison Ranch would receive a lot of horses. He expressed his concern increasing from 900 horses to 2,000 horses and the increase to hay costs. He asked if the contract with the BLM had an allowance to adjust the per diem rate for increasing hay prices.

Justin Pope, Ranch manager, stated that he recently purchased 2,000 tons of hay at \$168 per ton delivered, which was down from previous purchases. He indicated that he was trying to secure more places to grow hay, which was the only way the Prison Ranch could stabilize its hay market. The Ranch would know what it was paying to grow the hay or to have it custom grown, and the cost for the hay, and could keep that cost below the set per diem rate. He noted that in the current BLM contract there was no allowance for adjusting the per diem price of hay; however, if the cost of hay increased above the set per diem rate, the BLM allowed the Prison Ranch to charge that difference.

Senator Goicoechea clarified that the price of hay was currently \$168 a ton. He asked if hay ended up costing \$200 per ton if there was a mechanism in the contract to increase

the per diem rate by the additional \$40 per ton, and Mr. Pope agreed. Mr. Pope clarified that the per diem cost was built in a little higher and he took the average price of hay over the last ten years and increased it a percentage to account for inflation.

Chair Parks asked if there was an update on the Walker River land acquisition that the Nevada Division of State Parks acquired in 2017. He recalled discussion at a previous meeting about using some of the land to grow alfalfa.

Mr. Pope replied that he was in the process of completing an agreement with the Division of State Parks for a nine mile portion of the Flying M Ranch owned by the Hiltons, which had 185 acres of land with a two-pivot irrigation system that could be used for growing hay. However, the disadvantage was that the Flying M Ranch was located 60 miles from the Prison Ranch. Therefore, he thought it might be better if the hay was custom farmed for the Ranch if an agreeable rate was determined.

Mr. Pope added that the Prison Ranch completed an agreement for a 300 to 400 acre facility at Fort Churchill and was currently grazing cattle on the land. In addition, there was definitely an opportunity to bring that hay to the Ranch in the spring.

Senator Goicoechea asked if the pivot irrigation system on the Fort Churchill property had ground water rights. He thought the water rights were dedicated to the whole parcel to maintain, but the Prison Ranch would be able to use the four acre feet on one pivot without impacting the rest of the system.

Mr. Pope responded that the land had ground water rights that were retained by the state when it acquired the land. He added that apparently the group that purchased and sold the land to the state retained the decree rights, so the water flowed down the river.

Senator Goicoechea said it was his understanding that the Ranch was going to try to use the ground water for the park to maintain riparian areas, but it clearly made sense that if the Ranch farmed on the land that it was riparian area.

Mr. Pope added that the Department of Wildlife also had an interest in the Fort Churchill property and whatever the Prison Ranch did at Fort Churchill would also benefit the Department of Wildlife and its goals, at least on that particular property. He stated the Prison Ranch was hoping to get an agreement in place for the Scripps Ranch, a smaller parcel of land in Washoe Valley with the infrastructure needed. Currently, the water was running into Washoe Lake, so it was a resource and close to the Prison Ranch, and it made sense to utilize the water and land.

Jeffrey Haag, Administrator, Purchasing Division, Department of Administration commented that were some exciting things for the Prison Ranch with the run on horses and emergency gathers, and asked if it caused the Prison Ranch to reconsider the horse facility in Ely.

Mr. Pope replied that he was always open to exploring additional programs, but at this point it did not make sense to incur the costs for the infrastructure and to hire an additional supervisor and staff, although it would definitely put offenders to work training the horses. However, he did not think the BLM would be as willing to pay for these types of programs since the Prison Ranch went to a regular contract and not an assistance agreement with the BLM.

Chair Parks asked about Opportunity Village and the opportunities it could present for PI, and Mr. Quenga replied that PI recently completed a greeting card project through Opportunity Village, which was a one-time project. Mr. Quenga stated that he was having ongoing discussions with staff from Opportunity Village on other projects for PI.

Mr. Haag asked about the 33,386 NNCC mattresses shown in the chart under finished goods, page 50 ([Exhibit A](#)), and Mr. Quenga clarified that those were dollar amounts for the raw material inventory that PI had in the mattress factory, and was not the number of finished mattresses.

VIII. STATUS OF AND PROPOSED EXPENITURES FROM FUND FOR NEW CONSTRUCTION OF FACILITIES FOR PRISON INDUSTRIES – NRS 209.192.

Ms. Dastal referred to Tab VIII ([Exhibit A](#)) and stated the Capital Improvement Project (CIP) ending balance was flat compared to FY 2014; however, in FY 2016, PI spent \$297,118 to purchase needed equipment to update and assist with PI's operations. The CIP balance at the start of FY 2018 was \$371,715, wage assessments totaled \$66,219, and interest increased \$5,687. She indicated that total revenue was \$71,906 between the inmate wage assessments and interest income and FY 2018 ended with a CIP balance of \$443,621. Per NRS 209.192, PI was required to obtain approval for expenditures from the CIP Fund from the Board of Examiners (BOE) and the Interim Finance Committee (IFC), in addition to the Committee on Industrial Programs. She recalled that all equipment, except for the feeder steers and game birds, were approved by the Committee at its June 22, 2018, meeting. She said it would be more efficient and cost effective to combine the other equipment with the feeder steers and game birds if the Committee approved them before the BOE and IFC reviewed those requests. Ms. Dastal hoped to obtain approval from the BOE and IFC for all of the items at one time. Per NRS 209.459 and 209.461, PI obtained impact studies on the proposed expansion of the Ranch to raise feeder steer and game birds. She noted the impact studies report was located on page 62 ([Exhibit A](#)).

Continuing, Ms. Dastal indicated that the Department of Employment, Training and Rehabilitation (DETR) estimated that there were 1,800 animal breeders in the Carson City (CC) area and the Prison Ranch projected it would require two offenders for the feeder steer program and two offenders for the game bird program. The breeders in the CC area earn a mean wage of \$20.98 per hour and a 10th percentile wage of \$12.30 per hour. The Governor's Office on Economic Development (GOED) used an input/output data model for the impact study. GOED projected a \$159,008 change in earnings, which would produce an initial effect of \$124,378 and a \$15,678 direct effect. The direct effect was the Ranch spending its fund on supplies needed for the program. The model determined this would

produce a \$2,902 indirect effect, which were items purchased by employees, or in this case, the offenders purchasing items from the commissary at the prison. The model determined a \$16,049 induced effect, which were the jobs that supported the employees, such as doctors and dentists. In addition, DETR broke down the local, state and federal taxes that Nevada would receive. Ms. Dastal noted the data was based on patterns that emerge based on relationships, such as where goods were purchased and who purchased the goods and every action produced consequences that rippled in the economy. Pursuant to statute, NDOC contacted the Department of Business and Industry (B&I); however, it did not perform impact studies and referred NDOC to the DETR. Beverly Williams, Teamsters Local 986, and member of the Committee on Industrial Programs, checked with organized labor and discovered that teamsters do not occupy the animal breeder occupation. Offenders would learn skills related to caring for the cattle, which included animal husbandry, range land management, disease identification and treatment, fence building, equipment operation, and livestock marketing. In addition, offenders would learn about customer service, interpersonal skills, oral communication, diversity, work ethic, responsibility, dependability, teamwork, strategic thinking, motivation, planning and organizing, the importance of quantity and quality, safety and security, adaptability, and initiative. Furthermore, deductions from offenders' wages would contribute to room and board for NDOC and deductions would be made from inmate wages for the Victims of Crime Fund and PI Capital Improvement Fund. The program would also assist with improving PI's contribution to program support and approval of the feeder steers and games bird would be appreciated.

Kristina Shea, Program Analyst, Fiscal Analysis Division, stated at the June 22, 2018, meeting the Committee approved the recommended equipment from the CIP Fund (pages 60 through 61, [Exhibit A](#)) except for the feeder steers (\$75,000) and game birds (\$7,500) in order to allow Fiscal staff time to review the requirements due to the indication of the agency that the recommended equipment was considered a new program pursuant to NRS 209.4818. After further review, Fiscal staff with dialogue from the agency, determined that the purchase of feeder steers and game birds were an expansion to an existing program at the Prison Ranch. Currently, the Prison Ranch had a beef herd that it raised and sold at private auction. Therefore, since it was an expansion of an existing state-sponsored PI program it does not fall under the requirements of NRS 209.4818, and therefore, does not necessitate approval by the Committee under that statute. Ms. Shea added that the agency provided the impact analysis report located on pages 62 and 63 of the meeting packet ([Exhibit A](#)) for informational purposes only.

Senator Goicoechea asked if the Prison Ranch was going to purchase feeder steers and heifers from the open market, and Mr. Pope concurred. He added that he wanted to take advantage of the extra feed that PI came up with in the agreements. For instance, Fort Churchill had enough pasture to sustain the cattle since the beginning of summer, and there was still around three to four months of feed on the land; although, the Prison Ranch would pull the cattle out of Fort Churchill to calf before the cattle were done pasturing.

Senator Goicoechea asked if the Prison Ranch would purchase cattle in the spring and let the feeder steers graze through the summer on state lands. He indicated that he has been

in the cattle industry for many years and sometimes the business was lucrative and sometimes unprofitable. He believed it would be a good business for PI to try, especially if the cattle were returned to Prison Ranch after they finished grazing on state land.

Mr. Haag asked if the feeder steers would be an ongoing project for the Prison Ranch expansion or was it a one-time purchase, and Mr. Pope replied that it depended on the steers the Ranch purchased. The Ranch could purchase cattle and get some revenue from the sale of the cattle, and if successful, it could be an ongoing project. If the Prison Ranch purchased decent cattle with the money it had, it could keep some of the cattle for replacements to increase its herd. He said it would be advantageous to purchase bred heifers at a good price. He stated the good thing about cattle was that they could be sold if the Prison Ranch ran out of feed or had other issues, because the cattle were considered liquid and similar to cash with little or no loss in value.

Mr. Haag stated that assuming the initiative was profitable if there was a mechanism within the budget to reinvest the profit from the heifer program in a similar product.

Mr. Pope replied that the Prison Ranch spending authority was limited to how it currently operated, but the heifer program would give the Ranch the means to prove that it was able to sustain a similar program.

Chair Parks stated that Agenda Item IX was a discussion of the status of the new PI programs.

Ms. Shea reiterated that at the June 22, 2018, meeting, the Committee approved all of the items except for the feeder steers and game birds.

MR. SOLTERO MOVED TO APPROVE THE EXPENDITURES FROM THE CIP FUND FOR THE FEEDER STEERS AND GAME BIRDS AS AN ADDITION TO THE EXISTING PRISON INDUSTRY PROGRAMS APPROVED AT THE JUNE 22, 2018, COMMITTEE ON INDUSTRIAL PROGRAMS MEETING.

SENATOR GOICOECHEA SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

Senator Goicoechea commented that he wanted to ensure the feeder steer program did not take away from the wild horse program, because the horse program was a guaranteed profit for PI. He was unsure it would be the same for the feeder cattle, because that industry had a tendency to cycle. He thought the feeder steer program was worth trying, because it would put inmates to work and provided job skills.

IX. DISCUSSION OF STATUS OF APPROVED NEW PRISON INDUSTRIES PROGRAM – NRS 209.4818.

Ms. Dastal referenced Tab IX of the meeting packet ([Exhibit A](#)), which provided a status update on the new PI programs. She stated that Nevada Organics currently employed 17 offenders and was still operating at the old composting site while waiting approval for the new site from the Nevada Division of Environmental Protection (NDEP). She noted it was the busy composting season and business was successful. She added that the owner of Nevada Organics made a large investment and purchased a \$1.2 million grinder for the site. Ms. Dastal indicated that Erickson Framing currently employed 9 offenders; originally it employed 10 offenders; however, one worker was transferred to the restitution center. She noted that the inmate was given the opportunity to work if he decided to return to Erickson Framing. Ms. Dastal noted that Erickson Framing was very pleased with the inmate workers; the inmates were hard working and the officer in charge said the inmates seemed like a normal workforce. Ms. Dastal stated that Erickson Framing wanted to double the work crew and was adding a second shift by the end of the month with an additional 10 workers.

Continuing, Ms. Dastal stated that Sewing Collection, Inc. the hanger recycling operation, has not signed its contract because it could not meet the deadline for the October BOE meeting; however, Sewing Collection, Inc. was still interested in business with PI. She hoped Sewing Collection, Inc. would make the deadline for the November BOE meeting. Ms. Dastal added that NDOC was subject to occasional lockdowns; therefore, in order to assist with business interruptions and production delays, NDOC was proposing that the hanger operation operate out of the Southern Desert Correctional Center (SDCC) instead of High Desert State Prison (HDSP), which would also assist the Auto Shop with some of its fixed costs.

Mr. Quenga noted that he has been in contact with the Chief Operating Officer of Erickson Framing and frequently visited the Reno operation, which was going well. He noted that another officer would be added to work the second shift. In addition, 14 additional offenders from the Stewart Conservation Camp would be interviewed for the additional positions, and there was a lot of interest from the offenders to work at Erickson Framing. He added that two offenders were eligible for transitional housing and would be submitting an application upon release to work with the Erickson Framing crew to erect trusses. Mr. Quenga stated the operation was going well and a second van was obtained for the second shift, which would be effective October 8, 2018.

Mr. Soltero asked if Erickson Framing was exclusively building trusses and if the second shift would also be building trusses, and Mr. Quenga agreed. He added that Erickson Framing was behind in making trusses due to the housing boom in Northern Nevada, and there was a high turnover rate of civilian employees. Erickson Framing was pleased that the offenders showed up every day ready to work. He added the Erickson Framing wanted to have offenders trained on the use of forklifts and have added additional work, such as cutting 2 x 4's for wedges, so the company could employ more offenders.

Mr. Soltero stated that when the program was approved there was discussion on the scope of the work for the inmates and it was important to know the inmates were limited to building trusses, because he did not want private industries to be impacted by the jobs the inmates were performing.

Assemblywoman Monroe Moreno asked how the additional officer required for the second shift would impact the manpower at the NNCC since there was a shortage of correctional officers.

Mr. Quenga replied that according to the warden at the NNCC, the officer for the second shift was from the NNCC, and the institution could afford to have the officer work the second shift.

Mr. Haag asked if the new site for Nevada Organics would allow for public drop off, and why it took the NDEP six months to complete the assessment.

Mr. Pope replied that, because of the proximity of the composting site to the Carson River and waterways of the United States, which involved ground water monitoring and a storm water collection basin, obtaining the permit was a lengthy and complicated process and also required public input and comment.

Mr. Haag asked if the new composting facility, once approved by the NDEP, would allow for public drop off, and Mr. Pope agreed. He added that he was unsure if the public could drop off material, but was aware there were contracts with landscapers, waste management and other companies to drop off material at the site.

Chair Parks asked if the biomass generator was still located at the Prison Ranch, and Mr. Quenga replied that the generator was still at the Prison Ranch; although, currently it was non-operable. He spoke with Dane Buk, Owner, Nevada Organics, who showed interest in possibly working with NDOC and PI to see if the generator could be restored as a cost savings for NDOC. However, the generator was owned by NDOC not PI. He has discussed the issue with John Borrowman, Deputy Director, Support Services, NDOC, because Forestry, NDEP, and others also showed interest in the generator, although that interest has recently dwindled. He noted the NDOC was not interested in the biomass generator. Mr. Quenga reiterated that Mr. Buk has shown interest in the biomass generator, and he, Mr. Pope and Mr. Borrowman would be discussing the issue to see what Mr. Buk wanted proposed to operate the generator and offer some skill to offenders.

Chair Parks asked about the Sewing Collection, Inc. proposal and if the guarantee of payment had been resolved, and Mr. Quenga replied that Sewing Collection Inc. would provide a personal guarantee. Currently, Sewing Collection was looking at other opportunities for its business in California. The company was obtaining other contracts to ensure it was financially set up with enough customers once the operation was closed in Mexico and was ready to operate in Nevada.

James Dzurenda, Director, NDOC, asked Mr. Quenga that before he agreed to the second shift with Erickson Framing if language could be included in the contract to ensure Erickson Framing hired a specific percentage of inmates upon discharge, so PI was not just providing labor and there was a benefit for the inmates.

Mr. Quenga replied that language was in the contract to ensure Erickson Framing had the opportunity to hire a percentage of offenders when released. He said PI did not want the offenders in custody working outside the operation, which was not the scope of the work. However, once the offenders were released, either in transitional housing or released from NDOC, they had the opportunity to work with the crew that installed the trusses. He added that Erickson was short-handed, which caused a backlog in production.

X. DISCUSSION AND RECOMMENDATIONS REGARDING POTENTIAL PRISON INDUSTRY PROGRAM – NRS 209.4818 – Ink2Work, LLC.

Ms. Dastal stated that Tab X of the meeting packet ([Exhibit A](#)) contained the Impact Studies for Ink2Work, LLC. She stated that Ink2Work recycled larger printer cartridges for businesses. Currently, Ink2Work had operations in Belmarsh Prison in London, Indian Creek Correctional Center in Virginia, and in Ventura California. However, Ink2Work would like to shut down that location and partner with PI in Nevada. Per NRS 209.459 and 209.461, the Director of NDOC obtained an impact study from DETR, GOED, B&I, and representatives of organized labor on the impact of the contract on private industry in Nevada. She noted that B&I referred her to GOED, and organized labor stated that it did not occupy this occupation. Ink2Work projected that it would need one office clerk, and 9 to 14 assemblers. DETR estimated that there are 20,820 office clerks in Clark County who earned a mean wage \$16.94 per hour and a 10th percentile wage of \$9.50 per hour. DETR estimated that there were 2,880 assemblers and fabricators in Clark County. Assemblers and fabricators earned a mean wage of \$16.48 per hour and a 10th percentile wage of \$9.81 per hour.

Continuing, Ms. Dastal stated that GOED based its data on 10 jobs in the computer and office machine repair and maintenance category. GOED's input/output model came up with a 1.62 multiplier that would result in an \$836,273 change in earnings to the economy, which produced an additional 17 jobs in the state and an additional \$76,566 in local state and federal taxes. Pages 78 through 84 ([Exhibit A](#)) illustrated the effect of earnings from adding 10 jobs to computer and office repair and maintenance. Page 78 broke down the \$836,273 change in earnings from adding the 10 jobs, which resulted in an initial \$515,705 positive effect to the economy. In addition, it created a \$72,027 direct effect, which was the first-level supply chain and included items that Ink2Work purchased from suppliers for production. The indirect effect was \$21,679, which were purchases made by employees; and the induced effect was \$226,862, which were jobs that support employees, such as doctors and dentists. GOED's model broke down the effect on the 17 jobs and there would be 10 initial jobs, and 2 additional jobs would be added as a direct result, and the induced effect would be 5 additional jobs added to Nevada's economy. She noted the effect on taxes for production and imports from adding 10 jobs was \$36,666 for local; \$29,383 state; and \$10,516 federal. Offenders would learn assembling skills, remanufacturing ink

cartridges, customer service, interpersonal skills, oral communication, diversity, work ethic, responsibility, dependability, team work, strategic thinking, motivation, planning and organizing, professionalism, importance of quality and quantity, safety and security, adaptability and initiative. In addition to providing the offenders with viable job training, the program would assist the NDOC with room and board as deductions were taken out of the worker's pay. Additionally, more contributions would be made to the Victims of Crime Fund and PI's Capital Improvement Fund, and PI's financial position would also be enhanced. The operation would assist with reducing government operating costs and provide offenders the skills necessary to successfully reenter society and enhance the safe operation of correctional facilities. Mr. Dastal added that Terry Herbert, Ink2Work was present at the meeting to answer any questions about the Ink2Work operation.

Terry Herbert, Ink2Work, clarified the facility in Ventura, California that was being closed belonged to one of Ink2Works' customers, and the customer acquired the lease through an acquisition of another company, which expired before Ink2Work starting operation. He clarified that Ink2Work was not looking to close the Ventura facility to start up business in Nevada. Currently, the Ventura operation was being performed by a subcontractor in Dallas, Texas, which was far from ideal for servicing customers on the West Coast, which was why he felt that Nevada was a more appropriate and optimal location. He noted that Ink2Work was eager to move forward, it was a great opportunity and he believed that Ink2Work would work well in Nevada.

Chair Parks recalled that Mr. Herbert provided a detailed presentation on the Ink2Work program to the Committee at its June 22, 2018, meeting, which was appreciated.

Chair Parks asked Mr. Herbert to discuss how Ink2Work would market the remanufactured toner cartridges and the ability to sell those cartridges to users who may be restricted to using a product directly from the manufacturer.

Mr. Herbert responded that looking at the environment in which Ink2Work operated, it was dominated by one company, Hewlett Packard, in addition to Cannon and Xerox, and together those companies have spent a lot of money creating what was called "fear, uncertainty and doubt" for remanufactured cartridge products. Therefore, it was one influencing factor in Ink2Work's ability to sell to customers. On the contrary, looking at the type of customers that Ink2Work sold cartridges to in other states, those customers valued the triple bottom line benefits that Ink2Work delivered. First, it was a cost reduction and typically, Ink2Work offered a 20 to 25 percent cost savings over buying new cartridges. In most organizations, the cost of print consumables was approximately 10 percent of its IT budget. Therefore, it was a significant cost reduction for large private sector customers, educational establishments, and government agencies. Second, customers valued the environmental impact of how Ink2Work operated. Looking at the large printer cartridges that were being replaced by laser printers, it typically took about three quarts of oil to make one of the cartridge shells, and if a new cartridge was purchased from the original equipment manufacturer, then returned to the manufacturer, the cartridge would be crushed at the end of the process. Therefore, there was a significant savings by reusing cartridges multiple times. Similarly, looking at the lifecycle of a printer cartridge, when buying from one of the three large manufacturers, initially the cartridge would be produced

in China, shipped to the United States to be consumed, and then returned to China to be crushed, which could be done locally with Ink2Work. For example, if Ink2Work provided the Legislature with printer cartridges, the cartridge could be transported from the prison, which was approximately 40 miles away, then returned to the prison when empty to be remanufactured, so it was a great improvement in sustainability. In addition, Mr. Herbert stated that remanufacturing the cartridges also had social benefits, which for PI was rehabilitation of offenders. Increasingly, Ink2Work heard from public and private sector customers that were very enthusiastic with enhancing its corporate social responsibility credentials by supporting this type of initiative within government.

Mr. Herbert noted that Ink2Work was confident providing the remanufactured cartridges. Ink2Work has done it before in different locations and the environmental conditions were no different in Nevada, so he believed the program would be successful in the state. He noted that in Virginia, there were 22 different two-year community colleges, including one of second largest community colleges in the country, and by the end of the month, Ink2Work would supply all 22 community colleges with remanufactured cartridges. He added that the State of Virginia looked at this industry as very compelling, and he believed it could work in Nevada too.

Mr. Haag stated that he shared Chair Parks concern with the customer base, and believed that target audience was more the desktop printer user and less of the network printer user; although, he was aware the trend in the state was moving from desktop printers to network printers and copy machines in a more centralized location. He cautioned on the viability of business opportunities within state government.

Mr. Herbert replied that the industry was moving toward a managed printer service environment where there was a centralized network printer. However, it was moving very slowly and there was still a huge demand for desktop printing within organizations. He was aware that the correctional center in Virginia, which has a similar type of environment as Nevada, supported the program with Ink2Work, but warned that it moved to managed print services with network printers and did not purchase individual toner cartridges. However, Ink2Work still sold the correctional center in Virginia \$700,000 in cartridges within the first year. Ink2Work dealt with some of the large community colleges and the IT director from one college shared that the colleges had a lot of network printers, but also had a lot of individual printers, and he described the process of taking printers from end users as “ripping the printer from their cold dead hands.” He understood the concern but was aware that these things could coexist at least in the short to medium term.

Mr. Haag asked Mr. Herbert if Ink2Work could expand its business strategy beyond government and how the company would approach private sector clientele. He asked if Ink2Work would be pursuing contract and business opportunities with private sector companies in the market, as well as public sector customers.

Mr. Herbert replied that Ink2Work wanted a balanced portfolio of customers and the model was becoming increasingly attractive to both public and private sector companies. Typically, Ink2Work dealt with the public sector directly and through a distribution channel

for the private sector. For example, in Nevada, Ink2Work would be actively looking for resale partners that already had contracts in place with large private sector customers.

Chair Parks asked Mr. Herbert if Ink2Work had a Southern California distribution center since it had a facility in Ventura, California, and Mr. Herbert replied that the distribution center in Ventura belonged to Ink2Work's customer and was managed by Ink2Work on their behalf, so they would be moving that operation to Nevada to manage. He stated that the Ventura operation had an extensive distribution channel throughout the West Coast, not only in Southern California, but also in the San Francisco area, Oregon and Washington. For example, one of the large customers was Boeing Corporation in the State of Washington, so there was significant demand on the West Coast, which has been underserved because of logistical issues.

Ms. Shea stated that per NRS 209.459 and 209.461, the Director of NDOC was required to obtain a written analysis on the number of companies providing this type of service in Nevada. She wanted to ensure NDOC addressed that for the record.

Ms. Dastal replied that DETR indicated that there were no companies in the state that currently provided this type of service.

Chair Parks stated that in order to be in compliance with NRS 209.459 and 209.461, the Committee needed to have written documentation that there were no private companies in the state providing ink cartridge recycling; therefore, Ink2Work would not be competing with an existing business, and Mr. Quenga replied that NDOC would provide the written document to the Committee.

ASSEMBLYWOMAN MONROE MORENO MOVED TO APPROVE THE NEW PROPOSED INDUSTRY - INK2WORK - AS RECOMMENDED BY NDOC, WHICH WOULD ULTIMATELY BE APPROVED BY THE BOARD OF EXAMINERS AND THE PRISON COMMISSION.

MR. SOLTERO SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

Chair Parks commented that he watched a YouTube video showing the process of remanufacturing and reassembly of printer toner cartridges, and he thought Ink2Work would be an ideal program for PI.

XI. PUBLIC COMMENT.

There was no public comment.

XII. ADJOURNMENT.

The meeting was adjourned at 2:37 p.m.

Respectfully submitted,

Donna Thomas, Committee Secretary

APPROVED:

Senator David Parks, Chair

Date: _____