

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
December 14, 2018**

The sixth 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, December 14, 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
Pete Aguilar, Representing Manufacturing
Bruce Aguilera, Representing Business
Robert Conway, Representing Organized Labor, for Beverly Williams

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator Pete Goicoechea
Jeffrey Haag, Administrator, Purchasing Division, Department of Administration

COMMITTEE MEMBERS ABSENT:

Assemblywoman Daniele Monroe-Moreno
James Dzurenda, Director, Nevada Department of Corrections
Allen J. Puliz, Representing Manufacturing
Randy Soltero, Representing Organized Labor
Beverly Williams, Representing Organized Labor

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 1:07 p.m. The secretary called roll. All members were present except for Assemblywoman Monroe-Moreno, Mr. Aguilar, Mr. Dzurenda, Mr. Puliz, Mr. Soltero, and Ms. Williams, who were excused.

Chair Parks stated that the Committee was one member short for a quorum; therefore, there would be no vote taken at the meeting. However, the Committee could go through the agenda and receive a status report on the various items on the agenda.

II. PUBLIC COMMENT.

There was no public comment.

III. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR SEPTEMBER 21, 2018.

Chair Parks stated that since there were not enough members for a quorum, the September 21, 2018, minutes would not be approved at the meeting. He said the minutes would be withheld and approved at the next Committee meeting.

IV. 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 IV of the meeting packet ([Exhibit A](#)). She noted the customer aging report balance was current as of September 30, 2018, and the receivables totaled \$489,994. The largest balances outstanding on the aging report were noted with an asterisk and made up the top ten accounts with balances due. The top ten accounts with balances due totaled \$399,608, or 82 percent of the total receivables due. 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. The remaining top ten customers were government agencies and a sure pay. She noted that all of the receivable balances listed on the customer aging report were paid in full.

Senator Goicoechea asked about Diamond Mountain Distributing, and Mr. Quenga, Marketing Coordinator, Prison Industries, NDOC, replied that Diamond Mountain Distributing was a card sorting operation located at the Southern Desert Correctional Center (SDCC) and High Desert State Prison (HDSP). He stated there were approximately 130 inmates at HDSP and approximately 15 inmates at the SDCC that sorted cards from the casinos, which were then sold to customers for resale. He added that the card sorting operation was an ongoing operation for PI.

V. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2015 THROUGH SEPTEMBER 2018.

Ms. Dastal directed the Committee to the report on the number of inmates that worked from July 2015 through September 2018, Tab V of the meeting packet ([Exhibit A](#)). She stated page 21 showed that PI averaged 482 offenders working in FY 2016, or 3.6 percent of the offender population; in FY 2017, PI averaged 465 offenders working, or 3.3 percent of the offender population; and in FY 2018, PI averaged 494 offenders working, or 3.6 percent of the total offender population. She stated page 24 showed that FY 2019 started with an average of 3.9 percent of the prison population working with 488 offenders. Ms. Dastal noted the number of offenders working has remained flat.

Senator Goicoechea referenced page 24 of the meeting packet ([Exhibit A](#)), Report of Offenders Working for FY 2019. He asked if it was correct that 55 to 60 inmates were working at the Stewart Conservation Camp, and 32 inmates were working at the Prison Ranch with approximately 24 inmates working with the horses, and Ms. Dastal concurred.

VI. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2017, FY 2018 AND FY 2019 (FOR THE QUARTER ENDING SEPTEMBER 30, 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 Capital Improvement Fund (CIP) Fund. In FY 2017, \$450,620 in wages were deducted from offenders' wages for the three funds; in FY 2018, \$456,883 in wages were deducted for the three funds; and in the first three months of FY 2019, a total of \$119,001 was deducted from offenders pay. She noted that if the same percentages held up for the remainder of the year, approximately \$476,004 would be deducted from offenders pay, an increase of about \$19,000 over FY 2018. However, Ms. Dastal noted that Marsy's Law was approved by voters and became effective the end of November 2018. Marsy's Law required restitution payments to court-ordered victims a top priority above all other offender payments, which included room and board, Victims of Crime Fund and the PI CIP Fund. She indicated that inmate banking has begun redirecting payments that would have been made to those funds, and at this point, it was difficult to estimate the true impact. Inmate banking has made projections, which were based on historical data from October 2017 through October 2018 with an estimated annual loss of \$17,623 to the CIP Fund and a loss of \$489,271 in room and board payments to the Nevada Department of Corrections (NDOC); however, that was for NDOC as a whole, not just PI workers.

Mr. Aguilera asked about Marsy's Law, and if a crime victim was owed money was the whole amount owed paid to the victim before any amounts owed to the government were paid, and Ms. Dastal concurred.

Bill Quenga, Marketing Coordinator, Prison Industries, interjected that PI received a list of the inmates that were working in PI to see what was owed for each PI location. He noted the amounts owed were as low as \$45.00 and up to \$60,000 or more. Therefore, those debts would be a priority before any inmate deductions were made for room and board and the CIP Fund. He said PI was working to identify the inmates working in PI with court-ordered victim restitution payments to ensure those payments were a top priority.

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

Ms. Dastal reviewed the financial statements from Silver State Industries, Tab VII of the meeting packet ([Exhibit A](#)). The total cash for Prison Industries increased approximately \$179,000, or 7.6 percent compared to the same period a year ago. The cash for the Prison Ranch increased about \$291,000, or 23.8 percent, and combined, those industries had an increase of approximately \$470,630, or 13 percent. The PI capital restricted cash balance increased by approximately \$72,000, or 19 percent. Ms. Dastal stated that PI retained earnings increased approximately \$336,000, or 9 percent to approximately \$3.9 million. The net income loss, page 30 ([Exhibit A](#)), for the three months ending September 30, 2018, was \$117,136.

Ms. Dastal stated that PI sales had a loss of \$210,711; the Prison Ranch contributed almost \$77,000 toward program support; and the CIP Fund contributed approximately \$16,600 toward program support.

Continuing, Ms. Dastal stated that the Central Administration Statement of Operations showed that license plate revenue was relatively flat with a slight increase of \$5,000, or 2.6 percent. Rental income remained the same and administrative fees were relatively flat, increasing approximately \$2,000. Total revenue increased by approximately \$9,000; interest revenue increased by approximately \$11,000; and administrative expenses had a net loss of approximately \$27,000.

Ms. Dastal moved to the Northern Nevada Correctional Center (NNCC) Mattress Factory Statement of Operations, Tab VII of the meeting packet (page 34, [Exhibit A](#)), and noted sales for the Mattress Shop decreased approximately \$23,000. Mattress material costs increased dramatically because the raw material supplier shut down operation and the new supplier was located back east. Products cost more and shipping costs were significantly higher due to tariffs. He stated the Mattress Factory loss was \$64,000.

Chair Parks asked if discussion was necessary relative to the Mattress Shop given that inflation costs were increasing. He asked if there was a possibility that the level of costs would reverse, or if there was something PI could do relative to the operation of the Mattress Factory.

Mr. Quenga replied that the loss of sales for the Mattress Factory was after the three months ending September 30, 2018. Currently, the Mattress Shop had approximately \$60,000 in orders. However, a supplier in Arizona had equipment issues so PI had to shop elsewhere for suppliers, which caused a delay in orders. He noted that a lot of the mattress orders were for the NDOC, so there were incurred shipping costs. Presently, PI was working with State Purchasing on bids for flat goods and ticking material. He added that PI was being cautious because of the tariffs, and was reviewing pricing to maintain or reduce costs. Currently, there were orders in the Mattress Factory to cover the costs and he believed that raw material prices would stabilize in the near future.

Mr. Quenga added that he was working closely with different companies to obtain more work for PI. He noted that the City of Reno was looking at purchasing a large facility for a homeless shelter and was interested in buying mattresses for the shelter.

Jeffrey Haag, Administrator, Purchasing Division, Department of Administration, stated that there was a lot of talk about tariffs impacting goods, specifically across the state in other areas besides mattresses. He asked Mr. Quenga if PI had the ability to mitigate costs by adjusting pricing for external customers based on the cost of raw material, and Mr. Quenga replied that he thought the prices would stabilize in the near future.

Mr. Haag stated that he thought \$62,000 was a large loss for the mattress shop. He asked if PI was evaluating whether to raise the costs of finished products for its customers, or did he think the price of the raw material would stabilize in the short-term; therefore, PI would not need to raise prices.

Mr. Quenga replied that he thought the costs of raw material would stabilize in 2019; however, PI was being cautious and was monitoring the price of raw material.

Continuing with her presentation, Ms. Dastal stated that NNCC Printing/Bindery Shop sales decreased approximately \$51,000. She added that due to the tariffs, the Print Shop lost an existing customer; however, earnings available for program support was approximately \$12,000 at the end of September 2018.

Ms. Dastal indicated that the Statement of Operations for the Furniture and Metal Shop showed the Furniture Shop revenue decreased approximately \$8,000. The Metal Shop revenue decreased approximately \$198,000. The Furniture Shop's share of the combined total revenue was \$34,000, or 41 percent and the Metal Shop had \$48,000 in revenue, or 59 percent of the total. Both had a negative contribution to general and administrative (G&A) expenses, and both had high material costs. Applying those percentages to the G&A manufacturing expenses, the Furniture Shop experienced a \$69,500 loss, while the Metal Shop experienced a \$46,000 loss. She stated that the Furniture and Metal Shop's combined loss was approximately \$115,800 for program support.

Mr. Quenga added that there has been an increase in furniture orders for Carson City Public Works, and Douglas County Public Works, in addition to a large job to refurbish the courtroom at the courthouse in Lake Tahoe. He noted that he recently provided an \$80,000 bid for steel work for a customer, so work was trickling in.

Ms. Dastal moved to the SDCC Auto and Upholstery Shop Statement of Operations, Tab VII ([Exhibit A](#)), which showed that auto sales started the year with approximately \$47,600. The Auto Shop contributed approximately \$9,500 to G&A manufacturing expenses and the card sorting operation contributed approximately \$5,500. Allocating one-half of the G&A expenses to the Auto Shop, and one-half to Manpower operations (card sorting) the Auto Shop ended with a \$9,700 loss, while Manpower operations had an approximate \$13,700 loss. Between the Auto Shop and Manpower operations, the SDCC Auto Shop experienced a combined \$23,000 loss.

Mr. Aguilera asked why the Auto and Upholstery Shop capitalized institutional overhead was 583 percent higher in FY 2018 with \$15,651 in revenue at the end of September 2018, compared to \$2,291 in FY 2017 (page 37, [Exhibit A](#)), and Ms. Dastal replied that she was uncertain why the institutional overhead was higher, but would look into it and provide that information to the Committee.

Moving to the Garment Factory Statement of Operations, Ms. Dastal noted garment sales decreased about \$110,000 or 35 percent, compared to the same period a year ago. She added that the garment industry was the hardest hit by the tariffs because the material was imported from overseas. The Garment Factory ended up contributing \$23,000 in earnings for program support.

Ms. Dastal directed the Committee to the Prison Ranch Statement of Operations, Tab VII ([Exhibit A](#)). She said total sales increased \$88,000, which in part was due to the contract with the Bureau of Land Management (BLM). Currently, the Ranch was boarding 818 horses; however, the Ranch was promised 2,000 horses in December 2018, which was delayed until January 2019. The daily per diem rate was \$4.85 per horse in November and the Ranch ended the first three months ending September 30, 2018, with a contribution of approximately \$77,000 for program support.

Ms. Dastal continued with the Schedule of Interfund Sales, which showed that PI ended the first three months ending September 30, 2018, with an \$117,000 loss for program support.

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 that currently the Capital Improvement Project (CIP) ending balance was \$469,480; in FY 2015 the ending balance was \$539,940. In FY 2016 PI was able to purchase \$297,118 in equipment to update and assist with its operations, which was very beneficial. She noted the Committee on Industrial Programs approved the purchase of more equipment in FY 2018, and the Board of Examiners and Interim Finance Committee approved the equipment expenditure.

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

Ms. Dastal stated that Ink2Work recycled larger printer cartridges for businesses and was a potential new PI program. She stated that PI was waiting for the Board of Prison Commissioners (Board) approval of the new PI program; however, the November 2018 meeting was canceled and the Board would not meet until February 2019. She said that Ink2Work was anxious to work with Prison Industries in Nevada.

Chair Parks asked if Ink2Work would go elsewhere if the Board of Prison Commissioners meeting was not scheduled soon to consider the new industry. He thought the training the program offered to inmates was desirable and those skills would be beneficial for inmates upon release from prison.

Mr. Quenga replied that he had conversations with Terry Herbert, Ink2Work regarding the cancelled Board of Prison Commissioners meeting. Mr. Herbert indicated that the cancelled Board of Commissioners meeting set Ink2Work back due to the operation in California closing. Mr. Herbert hoped there would be some progress with the contract so PI could start preparing for business with Ink2Work. Mr. Quenga added that Mr. Herbert talked to his counterparts in California and checked with its Eastern Region to make adjustments to continue to meet the business needs of its customers.

Mr. Aguilera stated that in his industry if there was no board meeting to approve a contract and the proposed new business needed certain approvals, a unanimous written consent could be provided to the Board of Directors so the contract could be approved and signed in order to move forward with the project. He asked under existing law, if the Board of State Prison Commissioners were prohibited from approving a new program for the employment of offenders without first holding a meeting.

Nick Anthony, Legal Counsel, Legislative Counsel Bureau said he was not aware if a unanimous written consent was allowed under current law. He added that he would into that issue and provide the findings to the Committee.

Chair Parks thanked Mr. Anthony for looking into whether a written consent was allowed under current statute. He thought the Legislature needed to look into the possibility of an amendment during the 2019 Legislative Session to help expedite a similar situation. He recalled a previous Governor did not convene the State Board of Prison Commissioners meeting for an extended period of time.

Mr. Quenga thanked Chair Parks for the suggestion and noted he was currently entertaining a few other businesses that were interested in working with PI.

X. PUBLIC COMMENT.

There was no public comment.

XI. ADJOURNMENT.

The meeting was adjourned at 1:46 p.m.

Respectfully submitted,

Donna Thomas, Committee Secretary

APPROVED:

Senator David Parks, Chair

Date: _____

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