

**MINUTES OF THE  
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL  
PROGRAMS  
(NRS 209.4817)  
NOVEMBER 14, 2005**

A meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 10:00 a.m. on Monday, November 14, 2005, in Room 2134 of the Legislative Building. The meeting was simultaneously broadcast via videoconference to Room 4412 of the Grant Sawyer Building in Las Vegas.

**COMMITTEE MEMBERS PRESENT IN CARSON CITY:**

Assemblyman John Marvel, Chairman  
Senator Maurice Washington  
Al Puliz, Chairman, Puliz Moving and Storage  
Howard Skolnik, Deputy Director, Prison Industries, Department of Corrections, (non-voting member)  
Greg Smith, Administrator, Purchasing Division

**COMMITTEE MEMBERS PRESENT IN LAS VEGAS:**

Senator Bob Beers  
Bruce Aguilera, Vice President/General Counsel, Bellagio  
Michael Mackenzie, Principal, Operations Improvement Company

**COMMITTEE MEMBERS ABSENT:**

Mike Magnani, Labor Union Representative  
Glen Whorton, Director, Department of Corrections

**STAFF MEMBERS PRESENT:**

Gary Ghiggeri, Senate Fiscal Analyst, LCB Fiscal Analysis Division  
Mark Krmpotic, Senior Program Analyst, LCB Fiscal Analysis Division  
Kimberly Guinasso, Principal Deputy Legislative Counsel, Legal Division  
Denise Larsen, Secretary, LCB Fiscal Analysis Division

**OTHERS PRESENT:**

Mark Alvarz, KKBRF, Las Vegas  
Jim Endres, McDonald Carano Wilson (MCW)  
John McCuin, Chief of Financial Services for Prison Industries  
Tom Mobey, Labor Union 872, Las Vegas, Nevada  
Suzanne Pardee, Prison Industries, Department of Corrections  
Deborah Reed, Department of Administration, Carson City, Nevada  
Pat Sanderson, Carson City, Nevada  
Jesse Wadhams, Deputy Attorney General

**EXHIBITS:**

Exhibit A - Agenda

Exhibit B - Attendance Roster

Exhibit C - Copy of the November 14, 2005, meeting packet prepared and distributed by Legislative Counsel Bureau (LCB) staff

Because of their size, the exhibits are not attached to these minutes; however, upon request, may be reviewed in the Fiscal Analysis Division of the Legislative Counsel Bureau, Carson City, Nevada. You may contact Denise Larsen at (775) 684-6821.

## **I. CALL TO ORDER AND OPENING REMARKS BY ASSEMBLYMAN MARVEL.**

A meeting of the Interim Finance Committee's Committee on Industrial Programs was called to order by Assemblyman Marvel at 10:00 a.m., Monday, November 14, 2005, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was simultaneously broadcast via videoconference to Room 4412 of the Grant Sawyer State Office Building, Las Vegas, Nevada. It was determined that a quorum of Committee members was present. After reviewing housekeeping items, Assemblyman Marvel turned the meeting over to Mark Krmpotic, Senior Program Analyst, Fiscal Division, Legislative Counsel Bureau, to conduct the selection of the Chairman and Vice Chairman for the Committee.

## **II. SELECTION OF CHAIRMAN AND VICE CHAIRMAN – NRS 209.4817.**

Directing the Committee to a copy of a section of Nevada Revised Statute (NRS) 209.4817 located on page 4 under tab II of the meeting packet, Exhibit C, Mr. Krmpotic explained that membership was appointed to the Committee on Industrial Programs by the Interim Finance Committee (IFC). He noted that the NRS described the composition of the Committee and indicated that a Chairman was to be selected among the membership. Mr. Krmpotic added that although not required by statute, it was the tradition of the Committee to also select a Vice Chairman. He pointed out that members who were appointed by the IFC at the September 15, 2005, meeting were depicted on the bottom of page 4, which included Senator Bob Beers, Senator Maurice Washington, Assemblyman John Marvel, Assemblyman Morse Arberry, Bruce Aguilera, Michael Mackenzie, Mike Magnani, and Al Puliz. He advised that Glen Whorton, who had recently been appointed Director for the Department of Corrections, and Greg Smith, Administrator for the State of Nevada's Purchasing Division, were also members of the Committee on Industrial Programs.

Mr. Krmpotic indicated he would accept nominations for Chairman for the Interim Finance Committee's Committee on Industrial Programs.

**AL PULIZ MOVED TO SELECT ASSEMBLYMAN JOHN MARVEL AS CHAIRMAN OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.**

**SENATOR BEERS SECONDED THE MOTION.**

Mr. Krmpotic called for further nominations for Chairman. Hearing none, Mr. Krmpotic called for a motion for approval of Assemblyman Marvel as Chairman of the Committee on Industrial Programs.

**THE MOTION ON THE FLOOR TO SELECT ASSEMBLYMAN JOHN MARVEL AS CHAIRMAN OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S**

**COMMITTEE ON INDUSTRIAL PROGRAMS PASSED UNANIMOUSLY.**

Chairman Marvel thanked Mr. Krmpotic for conducting the nomination proceedings and extended his gratitude to the members of the Committee for their vote of confidence. He indicated he would accept nominations for the selection of the Vice Chairman

**SENATOR BEERS MOVED TO SELECT ASSEMBLYMAN ARBERRY AS VICE-CHAIRMAN OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.**

**GREG SMITH SECONDED THE MOTION.**

Chairman Marvel called for any further nominations for Vice Chairman. Hearing none, Chairman Marvel announced that the nominations were closed and Assemblyman Arberry was now Vice Chairman by acclamation.

**III. APPROVAL OF MINUTES OF THE JULY 28, 2005, MEETING.**

Chairman Marvel called for a motion for approval of the minutes of the July 28, 2005, meeting.

**BRUCE AGUILERA MOVED TO APPROVE THE MINUTES OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS MEETING HELD JULY 28, 2005.**

**SENATOR BEERS SECONDED THE MOTION.**

Chairman Marvel questioned whether Committee members had any questions, additions or corrections to the minutes. Hearing none, he called for a vote on the motion.

**THE MOTION PASSED UNANIMOUSLY.**

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

**A. IMPACT DESIGN LLC (CLOTHING, EMBROIDERY, AND SCREENING) – HIGH DESERT STATE PRISON**

Howard Skolnik, Deputy Director for Prison Industries, Department of Corrections, directed the Committee to the draft contract between Prison Industries and Impact Design LLC located on page 28 under tab IV of the meeting packet, Exhibit C. He advised the Committee that Impact Design LLC had been operational in the Kansas prison system for over ten years and currently employed approximately 300 inmates. He informed the Committee that the company performed embroidering and silk-screening of clothing for large clothing manufacturers such as Polo and Jockey. The proposed industrial program would be located at High Desert State Prison (HDSP) and would employ approximately 40 to 50 inmates. Mr. Skolnik advised that Prison Industries had received a letter from Impact Design and the Nevada Department of Employment Training and Rehabilitation (DETR) indicating there would be no significant displacement of any Nevada workers as a result of the proposed industrial program. Mr. Skolnik related that in order to

obtain federal certification for the proposed program, he would need the Committee's approval to proceed with the industrial program.

**SENATOR BEERS MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH IMPACT DESIGN LLC FOR AN INDUSTRIAL PROGRAM TO PERFORM EMBROIDERING AND SILK-SCREENING AT HIGH DESERT STATE PRISON.**

**MICHAEL MACKENZIE SECONDED THE MOTION.**

Chairman Marvel called for any further discussion regarding the industrial program for Impact Design LLC. Hearing none, he called for a vote on the motion.

**THE MOTION PASSED UNANIMOUSLY.**

**B. OPPORTUNITY VILLAGE REPACKAGING CONTRACT (RAG WEIGHING AND DISPLAY) – HIGH DESERT STATE PRISON**

Mr. Skolnik informed the Committee that Opportunity Village Repackaging, a sheltered program for mentally-challenged persons in the Las Vegas area, had obtained a contract for rag repackaging and positioning of items into display boxes for Costco and Wal-Mart. Since the volume of the program had exceeded their space availability, Opportunity Village Repackaging requested Prison Industries partner with them in the contract. Mr. Skolnik pointed out that Opportunity Village Repackaging would handle administrative duties, and Prison Industries would handle the labor for the industrial program. He clarified that Prison Industries' contract would be only with Opportunity Village Repackaging.

Mr. Skolnik related that attorneys from the Department of Justice had advised Prison Industries that this industrial program would not need to be certified, as the proposed industrial program would be considered a service at HDSP, not a manufacturing industry. Therefore, Prison Industries would match the wages that Opportunity Village Repackaging was paying for the program. Mr. Skolnik requested the Committee's approval to proceed with the contract with Opportunity Village Repackaging.

**GREG SMITH MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO NEGOTIATE AN AGREEMENT WITH OPPORTUNITY VILLAGE FOR AN INDUSTRIAL PROGRAM FOR REPACKAGING AT HIGH DESERT STATE PRISON.**

**SENATOR BEERS SECONDED THE MOTION, AND THE MOTION PASSED UNANIMOUSLY.**

Chairman Marvel requested Mr. Skolnik proceed with Agenda Item V.

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

**A. COOK/CHILL PROCESSING PROJECT (MEAL PREPARATION) – HIGH DESERT STATE PRISON**

Mr. Skolnik informed the Committee that Prison Industries had begun work on a business plan for the Cook/Chill processing project as requested by the IFC. He related that a meeting was scheduled for November 15, 2005, with Director Whorton, Deputy Director Darrel Rexwinkel and Prison Industries' staff

to analyze the fiscal components to be incorporated into the business plan, which would be submitted for the IFC's approval. Mr. Skolnik advised the Committee that Prison Industries had stayed in contact with ARAMARK, the vendor interested in pursuing the partnership.

It was Mr. Skolnik's opinion that the Cook/Chill project would provide long-term benefits to the state with reduced capital costs, as the kitchen equipment would be replaced as part of the program. He pointed out that Prison Industries would ultimately be able to sell the Cook/Chill products on the open market. Mr. Skolnik noted that initially, the industrial program for Cook/Chill process would not reflect a savings.

In response to Chairman Marvel's question whether the Cook/Chill processing project could be accomplished from only one culinary unit, Mr. Skolnik advised that this was one area that was still under consideration. He hypothesized that with multiple shifts at HDSP and a repackaging operation in the northern part of the state to "plate" the food for distribution, it would be possible to supply bulk-packaged foods to the state's entire prison system. Mr. Skolnik explained that since no one had ever done a partnership with the private sector in the food industry, it was difficult to envision how various aspects of the Cook/Chill processing project partnership would operate.

Responding to Chairman Marvel's question regarding the State of Washington's similar Cook/Chill processing program, Mr. Skolnik reported that the State of Washington had a Cook/Freeze operation, which was somewhat different. He explained that the program in place in the State of Washington "cherry picked" the products that were provided to the Department of Corrections. Mr. Skolnik added their program did not provide products to the entire Washington State Department of Corrections. He informed the Committee that San Diego County Jail had a substantial Cook/Chill operation, which serviced all of their locations. Mr. Skolnik noted the State of Tennessee also utilized a Cook/Chill program, operated by the Marriott Corporation, a private operation rather than a partnership. Mr. Skolnik apprised the Committee that Prison Industries' goal was to ensure that the Cook/Chill processing program did not create an increase in the cost of meals for the State of Nevada above the present price.

Directing his question to Bruce Aguilera, Vice President and General Counsel of the Bellagio, Chairman Marvel questioned whether the Bellagio still used a Cook/Chill process and whether they found it successful. Mr. Aguilera affirmed that the Cook/Chill process was successful when the Bellagio first used it. He explained that he was not certain if the Bellagio's culinary still utilized a Cook/Chill process, as the Bellagio was expanding in other areas. Mr. Aguilera offered to check on whether the Cook/Chill process was still in use at the Bellagio and report back to the Committee.

Responding to a question from Chairman Marvel concerning the possibility of Prison Industries expanding the Cook/Chill process to the private sector, Mr. Skolnik advised that he anticipated Prison Industries would be able to do so. He added that ARAMARK presently had the contract for the Clark County Detention Center, which would make gaining entrance to the market less difficult once Prison Industries was operational in the process.

Chairman Marvel asked Committee members if they had any further questions regarding the Cook/Chill processing program. Hearing none, he requested Mr. Skolnik proceed with the next agenda item.

## **B. INDUSTRIAL PARK DEVELOPMENT – INDIAN SPRINGS**

Mr. Skolnik informed the Committee that Prison Industries had received its first set of renderings from Tamkin Development, a company from Los Angeles, for the construction of the Industrial Park project at Indian Springs. He related that contact information regarding the companies that had expressed an interest in the development of the industrial park had been forwarded to Tamkin Development. Mr. Skolnik said that Prison Industries anticipated the park would be built in 100,000 square-foot

increments as it was leased out, rather than built all at once. He added that until Tamkin Development was comfortable that they had enough tenants to apply for their loans, Prison Industries would not proceed. Mr. Skolnik reminded the Committee that the Industrial Park development would be privately funded, operated and managed.

Responding to Chairman Marvel's question concerning the timeframe on the Industrial Park, Mr. Skolnik reported that Prison Industries and Tamkin Development corresponded more frequently. He indicated that Tamkin Development needed to be certain that spaces were leased prior to breaking ground. He added that Tamkin Development had teamed up with a company from Florida that had recruited various prison industries programs from all over the country.

Chairman Marvel requested that Mr. Skolnik apprise staff of any developments on the project. Mr. Skolnik agreed to do so. Chairman Marvel commented that he felt the Industrial Park project at Indian Springs would provide a good future for the industrial program. Chairman Marvel asked if any Committee members had an opportunity to visit the site of the proposed industrial park; no members had.

Mr. Skolnik advised the Committee that the land, which had been purchased from the Bureau of Land Management (BLM), was a diamond shaped area off Cold Creek Road located directly across from the sally-port driveway of Southern Desert Correctional Center (SDCC). He noted that Prison Industries had received zoning for 75 percent coverage of the area, which might expire prior to groundbreaking.

Chairman Marvel asked Committee members if they had any further comments. Hearing none, he asked Mr. Skolnik to proceed with Agenda Item V. C.

### **C. ADCOR (CONCRETE CASTING, MANUFACTURING) – HIGH DESERT STATE PRISON**

Mr. Skolnik advised the Committee that he had been in contact with ADCOR, the company that manufactured concrete castings, and learned that ADCOR had severed their relationship with their primary contractor, Sedco, and was considering a company name change. He related that the owner of ADCOR was in the process of reforming the company and should be ready to assume operation within the next few months at HDSP. Mr. Skolnik apprised the Committee ADCOR owed Prison Industries approximately \$10,000 and had been advised that they could not change their name, obtain a contract, or obtain equipment that they owned from Prison Industries until the debt was satisfied.

Remarking that Prison Industries should "hang tough" concerning the debt collection, Chairman Marvel requested that Mr. Skolnik proceed with the next agenda item.

### **D. ALLWIRE CABLE (CABLE SHEATHING) – SOUTHERN NEVADA WOMEN'S CORRECTIONAL FACILITY**

Reminding the Committee that Allwire had been in negotiations with their largest customer, Nevada Power, concerning a recent law regarding costs incurred by public utilities, Mr. Skolnik reported that Allwire had been advised by Nevada Power that they would retain the pre-formed, conduit-wrapped cable, as opposed to requesting developers to pull cable. Once Allwire received the decision in writing, they would proceed with construction of their building at the Southern Nevada Women's Correctional Facility (SNWCF).

Answering Chairman Marvel's question regarding the number of inmates Allwire Cable would employ, Mr. Skolnik advised that the industrial program would employ 15 to 20 inmates to start and 30 to 40 inmates when fully operational. In response to Chairman Marvel's question concerning the building costs, Mr. Skolnik indicated that Allwire would cover the initial cost of the building. As stipulated in the contract with

Prison Industries, once Allwire obtained their certificate of occupancy, they would be partially reimbursed by Prison Industries. According to the contract, Prison Industries would provide further reimbursement through rent deferment and payment based on the number of inmates employed at Allwire Cable until Prison Industries owned the building.

Chairman Marvel asked whether there were further questions from the Committee members regarding Allwire Cable. Hearing none, he requested Mr. Skolnik present Agenda Item III E.

#### **E. JACOBS TRADING COMPANY (RETAIL PRODUCT REPACKAGING) – SOUTHERN NEVADA WOMEN'S CORRECTIONAL FACILITY**

Mr. Skolnik advised the Committee that the design for the Jacobs Trading Company building at SNWCF was completed. He noted that Jacobs Trading Company had obtained the City of North Las Vegas' approval for the building; however, they were waiting for the State Public Works Board to approve their building plan.

Addressing Chairman Marvel's concern for the safety-risk factor concerning the location of the Jacobs Trading Company industrial building, Mr. Skolnik advised the Committee that the building would be located outside the perimeter of the facility to the left, across from the facility's sally port. Inmates would walk across the parking lot and enter a second sally port to enter the industrial building. He assured the Committee that it would be as safe as if it were within the perimeter of the facility.

Chairman Marvel asked for further questions concerning the program for the Jacobs Trading Company. There were none. He directed the Committee to the next agenda item.

#### **F. GAMBLERS' STORE (RT PLASTICS – POKER CHIP DECAL PLACEMENT) – SOUTHERN NEVADA WOMEN'S CORRECTIONAL FACILITY**

Mr. Skolnik reminded the Committee that due to an inventory surplus, the representatives from Gamblers' Store had indicated they wanted to temporarily cease production of their industrial program at SNWCF and resume production by October 2005. Mr. Skolnik advised the Committee that RT Plastics had not contacted Prison Industries; therefore, the space at SNWCF was being utilized by TJ Wholesale, the card-sorting operation. He indicated that should RT Plastics' representatives contact Prison Industries, there would not be space available for their program.

In response to Chairman Marvel's question regarding the number of inmates RT Plastics had previously employed, Mr. Skolnik related that the industrial program employed only four or five inmates on a part-time basis. He added that the card-sorting operation for TJ Wholesale employed more inmates at longer hours at a better rate of pay.

Chairman Marvel called for further comments or questions regarding the program for RT Plastics. Hearing none, he requested Mr. Skolnik cover Agenda Item III G.

#### **G. MICRO BREW (BREW TANK MANUFACTURING) – HIGH DESERT STATE PRISON**

Mr. Skolnik advised the Committee that Jesse Wadhams, representative for Prison Industries from the Office of the Attorney General, had sent Micro Brew correspondence indicating that if their company was not operational by December 14, 2005, their equipment would be removed. Mr. Skolnik reported the bay at HDSP had been inactive since the contract with Micro Brew and Prison Industries had been signed. He indicated the bay could be utilized by other interested companies or by Prison Industries for their motorcycle (chopper) manufacturing.

Responding to Chairman Marvel's questions regarding Prison Industries' chopper manufacturing industry, Mr. Skolnik advised that Prison Industries had been sanctioned by the federal government, and the vehicle identification numbers (VIN) had been approved for both the motorcycles and the motorcycle trailers. He said once Prison Industries posted bond or deposited \$15,000 with the Department of Motor Vehicles (DMV) for licensing fees and received their manufacturer and dealer's license, they would begin production on the custom choppers. Relating that he was unsure whether the motorcycle chopper-manufacturing program would be located at SDCC or HDSP, Mr. Skolnik indicated the program would be more beneficial to Prison Industries than the Micro Brew industrial program. He advised that their target market for the choppers, which would sell for approximately \$40,000, would be customers in their late 30s or early 40s. Mr. Skolnik further advised that Prison Industries would build the first two choppers and hold them. They would then sell VINs three through ten and put the first two choppers on auction, which, he hypothesized, would bring in approximately \$60,000 to \$80,000 each. Mr. Skolnik reported that presently two inmates worked in the motorcycle-manufacturing program; however, as approvals were obtained, actual production would employ 20 to 30 inmates on the industrial program. He related that "word of mouth" had already produced interest in the Prison Industries' choppers from dealers in Arizona, Cleveland and Texas.

Responding to Senator Beers' questions regarding the competition concerning manufacturing the choppers and what made the choppers so valuable, Mr. Skolnik advised that since the market for the choppers was not flooded, competition did not exist. In reference to value, Mr. Skolnik related that Prison Industries would be generating the only true "outlaw" motorcycles produced by inmates in the United States. Prison Industries had obtained approximately 70 linear feet of bar from the Nevada State Prison's old unit to be used as a strut on the rear fender of the choppers. Authentication would be engraved on the struts as to the metals' origin by Prison Industries.

#### **H. THOMSON EQUIPMENT COMPANY (WATER TRUCK PRODUCTION) – SOUTHERN DESERT CORRECTIONAL CENTER.**

Mr. Skolnik apprised the Committee that the Thomson Equipment Company, which had planned a large-scale operation for the production of water tanks for Caterpillars, had experienced delays due to immigration work papers for their selected supervisor, who was from New Zealand. Mr. Skolnik estimated that Thomson Equipment Company should be operational by late December 2005. He informed the Committee that staff from Thomson Equipment Company had strong international experience and that Thomson Equipment Company's market and components were international.

Responding to Chairman Marvel's question concerning the market for the water trucks, Mr. Skolnik related that the company had committed to produce seven to ten trucks per week. He indicated that presently, Prison Industries was not making a profit from the industrial program; they were simply collecting rent, providing a correctional officer (who was paid by Thomson Equipment Company) and receiving room-and-board payments from the 26 inmates Thomson Equipment Company employed. Mr. Skolnik said that once the company became fully operational, it would employ an additional 20 to 30 inmates. He indicated that once the water truck production was up to speed, Thomson Equipment Company planned to rebuild and repair hydraulic and diesel components for Caterpillars. He said the current operation for Thomson Equipment Company was at SDCC, and the expanded operation and finishing work would be located at HDSP.

Chairman Marvel asked for further comments or questions regarding the program for Thomson Equipment Company. Hearing none, he requested Mr. Skolnik proceed to Agenda Item III I.

#### **I. CREDIT SOVEREIGN GROUP (MOLDABLE CONCRETE-LIKE MATERIAL) – HIGH DESERT STATE**

## PRISON

Mr. Skolnik advised the Committee that the Credit Sovereign Group, which manufactured a series of products consisting of a moldable concrete-like material, demonstrated an interest in a prison industries operation at HDSP. Mr. Skolnik speculated that the industrial program would be producing a roofing tile product. He related that there were no firm timetables set for the industrial program.

Chairman Marvel called for further comments or questions regarding the program for the Credit Sovereign Group.

Responding to a question from Mr. Krmpotic regarding a name change for the company, Mr. Skolnik said that at this point, the company name was Credit Sovereign Group, the venture capitalist behind the program. He speculated once the company incorporated in Nevada, a name change could transpire.

Chairman Marvel asked whether Prison Industries had any programs under consideration that were not on the agenda. Mr. Skolnik indicated that at this time there were no firm industrial programs planned. Responding to Chairman Marvel's question regarding the industrial programs at the Lovelock Correctional Center (LCC), Mr. Skolnik advised that Prison Industries had started the production of dust ruffles for the Marietta Company. He informed the Committee that the Marietta Company also expressed an interest in having Prison Industries produce draperies for their company. Mr. Skolnik indicated that since Prison Industries was presently at capacity in the Drapery Factory at the Ely State Prison (ESP), they would invest in additional equipment and expand their Garment Factory at LCC. Chairman Marvel requested that Mr. Skolnik present further information on the possible expansion at the next meeting for the Committee on Industrial Programs.

Mr. Skolnik informed the Committee that he was meeting with representatives from a company from Reno named Seven Seas, which had expressed interest in a sheet-metal operation for LCC. Mr. Skolnik explained the company made casings for the gaming industry.

Michael Mackenzie, Principal, Operations Improvement Company, questioned whether Seven Seas was interested in space to rent from Prison Industries or an actual industrial program. Mr. Skolnik indicated that Seven Seas was looking at Prison Industries doing work for them in Prison Industries' existing operation in Las Vegas, as well as renting space for their own operation in northern Nevada. Relating that he was familiar with the Seven Seas Company and with the sheet-metal operation, Mr. Mackenzie said sheet metal was capital intensive and the operation required skilled labor. Mr. Skolnik advised Seven Seas would provide the equipment for the operation and training for the inmates. Chairman Marvel remarked this training would be beneficial for post-release employment for inmates, which would help with reduction of recidivism. Agreeing, Mr. Mackenzie noted there was a high demand in the market for skilled press-beak operators and sheet-metal workers.

Chairman Marvel thanked Mr. Mackenzie for his comments. He called for further discussion on potential programs; hearing none, he requested Mr. Skolnik proceed to Agenda Item VI.

## VI. REVIEW OF FIGURES ON DEDUCTIONS FROM INMATE WAGES.

Directing the Committee to page 42 under Tab VI of the meeting packet, Exhibit C, Mr. Skolnik pointed out that in 2004, the total of inmate deductions for Prison Industries was \$756,000 as compared to approximately \$931,000 in 2005. He noted that as the Prison Industries' program expanded and more inmates were employed, more money was provided back to the state. Chairman Marvel estimated that over \$7 million had been paid back to the state since the conception of Prison Industries.

Referring to the table on payroll assessments, Mr. Aguilera questioned if the percentages at the bottom of the table were set in statute. Responding, Mr. Skolnik said the percentages were set by the Director of Corrections in the Administrative Regulations; he did not think the percentages were actually defined in the statutes. Addressing Mr. Aguilera's question concerning re-evaluation and a possible increase of the percentages, Mr. Skolnik reported that Nevada's Prison Industry program assessed lower deductions than most states. It was Mr. Skolnik's opinion that the program provided funds to inmates upon their release, as well as the ability to send money home to support their families. He cited an example of a problematic, lifetime inmate who had been given an opportunity to work in an industrial program and was able to provide books and spending allowance for his son's college education from his earnings. Mr. Skolnik concluded that due to the inmate's ability to participate in Prison Industries, he was not only able to contribute to his family, but was no longer a problematic inmate.

Answering a question from Chairman Marvel regarding administration of the Victims of Crime account, Mr. Skolnik explained the account was administered through the Office of the Attorney General. Responding to Chairman Marvel's question regarding review of the Victims of Crime account, Mr. Wadhams, Deputy Attorney General, answered he had not recently reviewed figures in the account.

Chairman Marvel concurred with Mr. Skolnik regarding the positive aspects of keeping inmate deductions lower for inmates. Announcing that John McCuin, Chief of Financial Services for Prison Industries, had relocated to the Carson City area, Chairman Marvel requested Mr. McCuin review the financial statements for Silver State Industries.

## **VII. REVIEW OF FINANCIAL STATEMENTS FOR QUARTER ENDING JUNE 30, 2005.**

Mr. McCuin introduced himself for the record and reminded the Committee that at the last meeting he had presented projections of the year-end figures, which were comparatively accurate to the actual figures. Directing the Committee to page 75 under Tab VII of the meeting packet, Exhibit C, Mr. McCuin noted a correction on footnote 12. The date should read June 30, 2004, not June 30, 2005, as the figures were last year's figures.

Directing the Committee to page 60 of the meeting packet, Mr. McCuin related that the profits for the operation at the Northern Nevada Correctional Center (NNCC) Furniture and Metal Shop were higher than he had projected. He pointed out that figures on page 63 also depicted a better profit for the Ely State Prison (ESP) Drapery operation than projected. Mr. McCuin noted that one problem Prison Industries encountered was the operation for the Prison Dairy, which had a loss of \$76,000. Responding to Chairman Marvel's question regarding the loss for the Prison Dairy, Mr. McCuin explained a large amount of funds were expended to bring water-table basins up to the new Environmental Protection Act (EPA) standards for the wild horse programs. He pointed out that Prison Industries was in the process of selling a large portion of their livestock due to high feeding costs. To date, Prison Industries had sold approximately \$150,000 of the livestock herd to meet last year's total sales, which would drop the livestock herd down (excluding the dairy cows) to under 100. An investigation of the loss regarding crops revealed that the Prison Dairy had undervalued the internal hay produced. Answering a question regarding the sales of hay at the Prison Dairy, Mr. McCuin indicated that although Prison Industries sold a small percent of their hay with the sale of livestock, 99 percent of the hay was consumed internally. He added that Prison Industries could not produce enough hay and had to purchase hay for the cattle and the horses.

Chairman Marvel called for questions regarding the financial statements. Referring to page 67 of the meeting packet, Exhibit C, Mr. Aguilera questioned why \$1,262,328 was depicted in the June 30, 2004, column for Total General Administrative Expenses and no amount was depicted for the June 30, 2005,

column. Mr. McCuin explained that no further companies were identified as bad debt in 2005. He pointed out that the negative figure of \$45,762 depicted on page 51 of the meeting packet under the Accounts Receivable, Less Allowance for Doubtful Accounts, was the remainder of the previous year's bad debt of \$120,000. Mr. Skolnik interjected that Prison Industries had implemented a new approach to protect themselves against the risk of bad debt. Prison Industries now required a deposit from questionable customers and payment for materials in advance from their larger customers, thus alleviating the impact on Prison Industries' cash flow. Mr. Aguilera commented that it appeared Prison Industries was doing a good job in reducing the bad debt.

Chairman Marvel asked whether Committee members had any further comments or questions relating to the financial statements. Senator Beers questioned whether Mr. Skolnik had a chance to review the prototype of the new software that was being developed and purchased for the Department of Corrections and whether the new software would be of benefit to Prison Industries. Responding to Senator Beers, Mr. Skolnik advised that he was unsure if the software would be helpful to Prison Industries. He noted that Mr. McCuin would represent Prison Industries at the first meeting concerning the new software, as the financial aspects of the software would be the area that would most benefit Prison Industries. Mr. Skolnik added that he did not envision Prison Industries tying their actual operations into the new system due to the inmates' availability of access to Prison Industries' offices. Directing his question to Senator Beers, Chairman Marvel asked for clarification on the name of the committee regarding the software. Senator Beers said the committee was the Nevada Offender Tracking Information System (NOTIS) steering committee for the project, which was funded in the 2005 Session. He related that a vendor had been selected for the software. Mr. Skolnik advised that this committee was being coordinated through the Management Information Staff (MIS) staff in the Department of Corrections and would replace the DOS-driven data system, which no longer had system support.

Mr. Mackenzie commended Mr. Skolnik and Prison Industries' staff on the improvement in Prison Industries' cash flow. Referring to the Committee on Industrial Programs' minutes of July 28, 2005, Mr. Mackenzie said he had observed Prison Industries' decision to eliminate the detergent operation, which was a marginal business, from the Nevada State Prison (NSP) Detergent and Combined Mattress Shops. Directing Committee members to the Consolidated Statement of Operations on page 52 of the meeting packet, Exhibit C, Mr. Mackenzie pointed out that there was a decline in profitability in the NSP Printing/Bindery Shop, where margins dropped and the General and Administrative (G & A) expenses increased. He requested that Mr. Skolnik comment on the loss. Mr. Mackenzie noted the increase in the NNCC Furniture and Metal operation and the LCC Garment Factory. Mr. Mackenzie confirmed there would not have been a large loss in the Prison Dairy operation had the materials for the wild horses been capitalized and not expended.

Addressing Mr. Mackenzie's comment on the Printing/Bindery Shop, Mr. Skolnik advised the shop was impacted by an increase in material costs and new equipment (some of which was capitalized and some expensed). Mr. Skolnik advised the Committee that he had confidence in the supervisor of the Printing/Bindery Shop. He added that any problem in the shop was more than likely due to Prison Industries inability to market the Printing/Bindery Shop's products. In reference to the Prison Dairy's loss, Mr. Skolnik advised he had requested Tim Bryant, Manager of the Silver State Industries Ranch/Dairy to provide an assessment and justification of continuation of internal operations. Mr. Skolnik speculated that Mr. Bryant would find a means to improve profitability in some areas of these operations. He added that the Bureau of Land Management (BLM) was in arrears to Prison Industries on the horse programs by three payments, which totaled approximately \$150,000. In response to Chairman Marvel's question, whether interest accrued on these funds owed to Prison Industries by BLM, Mr. Skolnik indicated that it did not.

Chairman Marvel thanked the Committee members for their input and called for further questions or comments regarding the financial statements. Mr. Krmpotic requested clarification regarding the correction on page 75 of the meeting packet under the footnote 12 Inmate Labor – whether the date should be June 30,

2004, rather than 2005. Mr. McCuin affirmed that June 30, 2004, was correct. Chairman Marvel requested that Committee members make this change.

#### **VIII. REVIEW OF NUMBER OF INMATES EMPLOYED JULY 2002 THROUGH SEPTEMBER 2005.**

Directing the Committee to the Nevada Department of Corrections (NDOC) Industrial Programs Report of Employed Inmates on page 78 under Tab VIII of the meeting packet, Exhibit C, Mr. Skolnik thanked Mr. Krmpotic for compiling the comparative charts. Mr. Skolnik pointed out that although Prison Industries' workforce had increased, the percentage had not grown substantially. He informed the Committee that the recent escape that occurred in Prison Industries resulted in the loss of 15,000 production hours in November 2005 due to lockdown and shakedown procedures, terminations and transfers. Mr. Skolnik indicated that the Committee members would notice a reduction in the workforce (any inmate with an escape history was removed from Prison Industries' programs) and production for Prison Industries.

In response to Chairman Marvel's question concerning the population of inmates and the inmate-release rate, Mr. Skolnik advised the population in prisoners was still increasing; however, it was at a slower rate than discussed at the last meeting. He noted that NDOC was above the inmate-budgeted amount by approximately 300 inmates. Mr. Skolnik further noted that almost every facility was above capacity. Mr. Skolnik said he was not certain if the release rate had significantly affected the facilities.

With regard to the release rate, Mr. Krmpotic indicated that staff had not recently reviewed the release rate; however, he affirmed the overall population had leveled off. He agreed to review and provide information at the next meeting concerning the inmate-release rate.

Mr. Skolnik advised that the female population had a huge impact on the inmate population; NDOC was out of beds. He added that NDOC would be impacted further with the expansion in Clark County of the criminal justice system, such as additional police (1,200 to 1,500) additional courtrooms and additional judges. In response to Chairman Marvel's question concerning NDOC's alternative plans for housing for the female inmates, Mr. Skolnik advised that there were a few beds in the camps, and a conversion of the gym to a dorm was a consideration.

Chairman Marvel advised Committee members that Director Glen Whorton, the new Director of NDOC, had been subpoenaed to appear in court and was unable to attend the meeting. Chairman Marvel acknowledged Kim Guinasso, Principal Deputy Legislative Counsel, Legal Division, who was substituting for Yvonne Goodman; Gary Ghiggeri, Senate Fiscal Analyst, LCB Fiscal Analysis Division; and Mark Krmpotic, Senior Program Analyst, LCB Fiscal Analysis Division.

Mr. Skolnik informed the Committee he had spoken with Director Whorton, who wanted to convey: 1) his apologies to the Committee for not being able to attend the meeting; and 2) his support and commitment that would continue with him, as it did with the prior director, for Prison Industries and its expansion.

Chairman Marvel indicated he appreciated Director Whorton's support. There being no further questions or comments regarding number of inmates employed, Chairman Marvel directed the Committee to Agenda Item IX, Public Comment, and called upon anyone in the audience who wished to testify.

#### **IX. PUBLIC COMMENT.**

Appearing before the Committee, Pat Sanderson, Carson City, identified himself for the record and advised he had been a lobbyist for the Las Vegas 872 Laborers' Union during the 2005 Legislative Session. Mr.

Sanderson questioned whether there would be competitive bidding on the construction jobs for the Industrial Park project since the Industrial Park was to be privately funded. In response to Mr. Sanderson's question, Mr. Skolnik explained that the original proposal for the Industrial Park did go out through the State of Nevada's Department of Administration, Purchasing Division; and that it was a competitive bid. He further explained that Tamkin Development, Watkins Arrington Architects, and Clark and Sullivan teamed up for the winning bid and were responsible for raising the funds for the project. Mr. Skolnik added the project for the Industrial Park would not be financed through bond funds.

Chairman Marvel advised that Labor Union Representative, Mike Magnani, who was a member on the Committee on Industrial Programs, acted as a "watch dog" for the Committee in the area of competitive bidding.

Mr. Sanderson questioned whether prevailing wages, private wages or lower would be paid on the Industrial Park project. Responding, Mr. Skolnik explained the Industrial Park would be built by Tamkin Development, Watkins Arrington Architects, and Clark and Sullivan as private contracts and would not be overseen by the State of Nevada.

Mr. Sanderson questioned whether Prison Industries was in direct competition with Harley Davidson, which was located in Carson City, with their industrial program for motorcycle chopper manufacturing. Mr. Skolnik advised some of the trailers that Prison Industries had manufactured had been sold through the Harley Davidson dealership in Las Vegas as they felt Prison Industries produced a better, locally-built product. It was Mr. Skolnik's opinion that as big as Harley Davidson was, Prison Industries' Big House Choppers would not be competition for Harley Davidson.

In reference to the metal manufacturing and the water truck production, Mr. Sanderson questioned whether inmates could work for the same companies at an adequate wage after their release. Responding to Mr. Sanderson's question, Mr. Skolnik explained that post-release employment was one of the benefits of the partnerships that Prison Industries has had with companies in the past. He added that because of the investment by the companies in training inmates, companies would hire released inmates. Mr. Sanderson expressed his gratitude for the opportunity to testify and Mr. Skolnik for his answers. Chairman Marvel thanked for Mr. Sanderson's testimony. There was no further public comment.

## **X. ADJOURNMENT.**

Chairman Marvel asked if there were any further questions or comments to come before the Committee. Mr. Skolnik requested that the next meeting be held with Committee members all in one location. Agreeing, Chairman Marvel indicated that the next meeting would be held at the Las Vegas Grant Sawyer Office. Chairman Marvel asked if there was any further business to come before the Committee. Hearing none, he thanked Committee members for their time and adjourned the meeting.

Respectfully submitted,

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Denise Larsen, Committee Secretary

APPROVED:

\_\_\_\_\_  
Assemblyman John Marvel, Chairman

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