

**Minutes of the Meeting of the
Nevada Legislature's Interim Finance Committee's
Advisory Board on Prison Industry**

A meeting of the Interim Finance Committee's Advisory Board on Prison Industries was held at 10:00 a.m., Tuesday, December 5, 2000, in room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada and was simultaneously video conferenced to Room 4412 ABC of the Grant Sawyer State Office Building, Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT:

(CC) Assemblyman John Marvel, Chairman
(CC) Senator Lawrence Jacobsen, Vice Chairman
(LV) Assemblyman Morse Arberry Jr.
(LV) Bruce Aguilera, Vice President/General Counsel, Bellagio
(CC) Al Puliz, Chairman, Puliz Moving and Storage
(CC) Mike Magnani, Labor Union Representative
(CC) Michael Mackenzie, Xertain, Inc.
(CC) Bill Moell, Administrator, Purchasing Division

COMMITTEE MEMBERS ABSENT:

Senator Raymond Rawson
Jackie Crawford, Director, Department of Prisons

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

(CC) Robert A. Guernsey, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
(CC) Wil Keane, Deputy Legislative Counsel, Legal Division
(CC) Denise Nielsen, Secretary, Fiscal Analysis Division

OTHERS PRESENT:

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(CC) Howard Skolnik, Deputy Director, Prison Industries
(LV) John McCuin, Chief of Financial Services for Prison Industries
(CC) Tim Bryant Manager, Silver State Industries Ranch/Dairy
(CC) Dan Wong, Deputy Attorney General, Prison Industries
(CC) Deborah Reed, Budget Analyst, Budget Office, Department of Administration
(CC) Janice McFarland, Nevada CURE
(LV) Dr. William C. Frankell, Nevada CURE
(LV) Robert D'Amore, Resident of North Las Vegas, Nevada

EXHIBITS:

- Exhibit A: Meeting Notice and Agenda.
- Exhibit B: Attendance Record.
- Exhibit C: Copy of a contract between Artistic Glass and Prison Industries.
- Exhibit D: Copy of Bill Draft Request 16-680.
- Exhibit E: Copy of a handout provided by Howard Skolnik entitled "Silver State Industries Financial Statements for the Quarter Ending September 30, 2000, with Comparative September 30, 1999 Financial Statements."
- Exhibit F: Copy of the *Expansion Plan for Silver State Industry, October 2000*, located in the meeting packet on pages 85-96 under tab VIII. D.
- Exhibit G: Contact with William Holland for Preparation and Writing of a Grant to Obtain Funding for Training and Employment for Inmates to Ensure Job Skills located in the meeting packet on pages 98-106 under tab VIII. E.

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 Nielsen at (775) 684-6821.

I. CALL TO ORDER AND OPENING REMARKS.

Chairman Marvel called the meeting of the Nevada Legislature's Interim Finance Committee's Advisory Board on Prison Industry to order at 10:00 a.m. He welcomed members and staff. Chairman Marvel directed the secretary to take roll; a quorum was present.

II. APPROVAL OF AUGUST 10, 2000, MEETING MINUTES.

Chairman Marvel indicated that he would accept a motion on the meeting minutes of August 10, 2000, as presented.

**SENATOR JACOBSEN MOVED TO APPROVE THE MINUTES OF MEETINGS
HELD ON AUGUST 10, 2000, AS PRESENTED. AL PULIZ SECONDED THE
MOTION. THE MOTION PASSED UNANIMOUSLY.**

Chairman Marvel commented that as many years that he had been associated with Prison Industries, in his opinion, this meeting would be one of the most positive meetings in terms of Prison Industries' financial success, the number of inmates currently employed, and future prospects of increasing industry programs. Chairman Marvel commended Mr. Skolnik and his staff for their work in the expansion achieved by Prison Industries.

III. DISCUSSION OF POTENTIAL PRISON INDUSTRY PROGRAMS- NRS 209.4814.

A. Garment Industry at Southern Desert Correctional Center

Mr. Skolnik advised the Committee that, upon Bill Moell's (State Purchasing Administrator) recommendation, Prison Industries is exploring the possibilities of an internal garment operation for inmate clothing at the Southern Desert Correctional Center (SDCC). Mr. Skolnik reported that he was also recently approached by a company interested in relocating from the state of Washington to Nevada who inquired whether a Prison Industry existed in Nevada for a cut-and sew operation.

Continuing, Mr. Skolnik advised the Board that the industry would be viable at approximately 10,000

square feet and would employ up to 75 inmates per shift. He noted that this program would provide a service to the State of Nevada's Purchasing Division, as well as, the Department of Prisons. Mr. Skolnik indicated that, initially, this industry program would not be certified under the federal Prison Industry Enhancement (PIE) program; it would be set up similar to the original Ely State Prison (ESP) Drapery industry program to pay on piecework, rather than pay minimum wage.

With regard to Chairman Marvel's question on available space for the industry program, Mr. Skonik indicated that there was room for an 11,000 square foot building by the Prison Industry area at SDCC and room for some external storage.

Members of the Advisory Board discussed the potential of Prison Industries providing uniforms for various state agencies.

Mr. Moell indicated that the Purchasing Division is considering a "quarter-master" appropriation for uniforms for agencies requiring uniforms such as the Division of Wildlife. A voucher would be given to the employee to present to the uniform supplier, rather than allocating funds for the uniform expenses directly to the employee. Mr. Moell also discussed security issues and prison policies limiting the types of uniforms the prison industry may produce. For example, the Department of Prisons may not wish to have inmates manufacturing guard uniforms. Mr. Moell cautioned that Prison Industries might want start off with manufacturing inmates' clothes or with contracts to manufacture clothes for county jails.

Concurring with Mr. Moell, Mr. Skonik said that Prison Industries would require at least a year of operation for inmates to develop the necessary skills to produce quality uniforms.

Responding to Chairman Marvel's question on how soon the industry program would start, Mr. Skonik indicated that this would depend on the expansion of industry space at SDCC, agenda item III. C. Mr. Skolnik related that Prison Industries had anticipated the benefit of additional income to assist with construction of the industry building for SDCC from the fee that Prison Industries collects on license plates with the planned re-issue of license plates proposed by the 1999 Legislature. Mr. Skolnik said that it was his understanding that the re-issue of plates had been put on hold, which would reduce the funds that Prison Industries anticipated for use for the expense of the building. He stated the Prison Industries had over \$500,000 in their Capital Improvement Fund (CIF) that could be devoted to the industry building at SDCC. Mr. Skolnik discussed the possibility of a lease purchase with a substantial initial payment for the building, but he was unsure of the impact the lease purchase would have on the bonding funds.

Recalling tours of other states that members took when the Advisory Board on Prison Industry first started, Senator Jacobsen related that many of the prisons manufactured flat ware, such as bedding sheets, pillowcases and underwear that could be used "in-house." Senator Jacobsen agreed that it would be advisable for Prison Industries to establish an internal garment operation for inmate clothing.

Responding to Senator Jacobsen's suggestion for the manufacturing of socks, Mr. Skolnik advised that socks may be an item that the Department of Prisons might want to continue to purchase from an outside source, as the knitting machinery for socks is very expensive and the number of inmates that would be employed to produce them would be limited.

Mr. Moell pointed out that he was aware that clothing goods produced by Prison Industries might not be less expensive than the current cost of garments procured by the Purchasing Division. However, in his opinion, the quality of the garments, which are currently manufactured in South East Asia or Mexico, as well as time frames for receiving clothing items ordered, would improve if the Purchasing Division were to order from Prison Industries. Mr. Moell went on to explain that the Purchasing Division was operating with the concept of value verses "cheapest price." Mr. Moell added that the benefits to Prison Industries and to the inmates had to be calculated into the equation.

In reference to Chairman Marvel's question on the possibility of converting the Ely Drapery Factory to accommodate the proposed garment industry program, Mr. Skolnik reported that the program for Ely was presently running at full capacity.

Mike Magnani, Labor Union Representative, expressed concern that the proposed garment industry program would not be paying a minimum wage. He pointed out that the more the inmates earned, the more the State of Nevada would receive in restitution for room and board.

Addressing Mr. Magnani's concern, Mr. Skolnik advised the Board that if a private business were to be involved with the proposed garment industry program, the program would pay at least a minimum wage. Mr. Skolnik explained that the less-than-minimum wage is on a piecework rate basis to see if Prison Industries can be competitive. He said that Prison Industries would be hard pressed to beat the price the State of Nevada is presently paying for inmate garments.

Chairman Marvel asked for further questions on the garment industry for SDCC. Being none, he announced that the Chair would entertain a motion for Prison Industries to pursue a garment industry program at SDCC.

SENATOR JACOBSEN MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE THE MANUFACTURING OF GARMENTS AS A POTENTIAL PRISON INDUSTRY AT SOUTHERN DESERT CORRECTIONAL CENTER. THE MOTION WAS SECONDED BY MICHAEL MACKENZIE AND CARRIED UNANIMOUSLY.

Chairman Marvel instructed Mr. Skolnik to move to the next agenda item.

B. Horse Gentling Program at Warm Springs Correctional Center

Mr. Skolnik advised the Committee that Prison Industries has initiated a program with the State of Nevada's Department of Agriculture at the Warm Springs Correctional Center (WSCC) for inmates to work, gentling stray horses, rendering them fit to be adopted. Mr. Skolnik informed the Board that there are 16 inmates involved in the gentling program. He emphasized that the program is not a saddle-breaking program, however, a gentling program.

Mr. Skolnik informed the Board that Prison Industries is looking at a major expansion of the horse program at the facility in Carson City and the establishment of a facility for a horse program at ESP in conjunction with the Bureau of Land Management's (BLM) wild horse program. He noted that over half of the wild horses in the United States are located in Nevada and that there is pressure on BLM to remove these wild horses from the range (approximately 16,000 in the year 2000). Mr. Skolnik said that prisons as far away as Kansas are setting up to hold these wild horses. He surmised that if Prison Industries could set up programs to hold the horses in Nevada, the money from BLM would stay in Nevada. Also, BLM would not have to ship the animals back east, which would save on freight costs.

Chairman Marvel affirmed that if these horses were "green broken" through the gentling program, they would be more adoptable.

Mr. Skolnik advised that Prison Industries had been in contact with representatives of the Wildhorse Commission, BLM, and the program in the state of Colorado, which has the largest operating program for wild horses, to get assistance in the development of a program for the wild horses. He said that Tim Bryant, Manager of Silver State Industries Ranch, had calculated initial figures for the project. Mr. Skolnik speculated that the Department of Prisons would approach the 2001 Legislative Session with a request for capital funding for the project.

Addressing Chairman Marvel's question regarding the cost of feed for the program, Mr. Skolnik explained that a per diem fee for the horses would be covered by BLM that would also result in an annual profit for the Prison Ranch. He informed the Board that before the wild horse program could be initiated, corrals must be in place. Mr. Skolnik pointed out that the capitalization costs for 400 horses in the Carson area would be approximately \$2,000. Mr. Skolnik offered to provide Chairman Marvel with estimates for the program.

Discussion ensued on the possibility of obtaining surplus, used guardrail from the Nevada Department of Transportation (NDOT) in order to decrease the cost of construction of the corrals. Senator Jacobsen offered to contact NDOT and inspect and evaluate the condition of the proposed NDOT guardrails. Senator Jacobsen wondered if BLM had any surplus equipment from their feeding project located in the Lovelock area years back. Chairman Marvel reported that the equipment from BLM's cattle feeding project in Lovelock had been sold.

Chairman Marvel asked if there were further questions on the gentling or wild horse programs.

SENATOR JACOBSEN MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE THE DEVELOPMENT OF THE WILD HORSE PROGRAM FOR PRISON INDUSTRIES FOR THE CARSON CITY AND ELY FACILITIES. MICHAEL MACKENZIE SECONDED THE MOTION AND IT PASSED UNANIMOUSLY.

C. Expansion of Industry Space at Southern Desert Correctional Center – Prison Industries' Written Proposal for Construction

This item was previously discussed under agenda item III. A., Garment Industry at Southern Desert Correctional Center.

D. Western Nevada Community College's AWS Welding Certification Training Program - Northern Nevada Correctional Center

Mr. Skolnik advised the Board that, in accordance with the contract that Prison Industries has with Cross Country Homes for the industry programs to manufacture metal trusses and floor joists for the Fallon military housing, Prison Industries is required to have certificated welders. The Nevada Department of Prisons has entered into an agreement with Western Nevada Community College (WNCC) to use the welding facilities at the Northern Nevada Correctional Center (NNCC) for this training. Presently, six inmates have passed the AWS Welding Certification Training Program to become certified welders. Mr. Skolnik pointed out the benefits of job opportunities for these inmates upon release, as well as meeting the needs of their customer, Cross Country Homes.

In reference to Chairman Marvel's question, if Cross Country Homes was involved with the program for the manufacturing of stairs at the metal shop at Northern Nevada Correctional Center (NNCC) and was tied into the architectural program at the Lovelock Correctional Center (LCC), Mr. Skolnik affirmed that Cross Country Homes was the same company. Mr. Skolnik noted that the agenda item was informational and did not require action from the Board.

There being no further questions or comments on the AWS Welding Certification Training Program, Chairman Marvel directed Mr. Skolnik to move on to the next item.

IV. STATUS REPORT FROM PRISON INDUSTRIES AND COMMITTEE RECOMMENDATIONS.

A. Education at Correctional Facilities

Mr. Skolnik reported that, although the official report from the Adult and Alternative Task Force was not available to him, he had spoken to Sid Franklin, the Assistant Superintendent for Clark County School District, regarding the Adult and Alternative Task Force's review of the Correctional Education program. According to Mr. Franklin, the intent of this task force was to recommend to the Legislative Committee on Correctional Education no reduction in funding available for Correctional Education.

Mr. Skolnik said it was his understanding that there were limits placed on what can be done with the adult education funds in terms of vocational education. Recalling that approximately ten years ago, the Legislature expressed its commitment to vocational training of inmates in prison by affording time credits for completing vocational programs, Mr. Skolnik suggested that the Advisory Board on Prison Industries might want to keep this issue under observation as it may not be consistent with prior Legislative Intent.

Commenting on Mr. Skolnik's concern on vocational funding for inmates, Chairman Marvel reported that, years back, funding for the programs had to be capped as the majority of funds for the General Education Diplomas (GED) was going for inmates, rather than to the private sector. Directing his question to Mr. Skolnik, Chairman Marvel asked the amount of funds available for education at the correctional facilities.

Mr. Skolnik was unsure of the amount available. He said that the original proposal from the Adult and Alternative Task Force would have resulted in a \$6,000 to \$7,000 reduction in funds for the school systems' correctional programs.

Chairman Marvel asked if there were any more questions on Correctional Education. Being none, he directed the Committee to the next agenda item.

B. Correctional Cable T.V. - Southern Nevada Women's Correctional Facility

Mr. Skolnik informed the Board that Prison Industries has had no further contact with Correctional Cable T.V., the company interested in placing a program at the Southern Nevada Women's Correctional Facility (SNWCF) for the repair of cable T. V. Boxes and other related products. He said that until Prison Industries has more space for the program with Correctional Cable T.V., they would not pursue them for the program.

Mr. Skolnik related that Prison Industries has plans for the space available at SNWCF for industry programs that would afford a greater number of inmates employment than the Correctional Cable T.V. program would have provided.

Chairman Marvel asked if there were any more questions on the Correctional Cable T.V. program. Being none, he directed the Committee to the next item, Jacobs Trading Company.

C. Jacobs Trading Company - Expansion at Southern Nevada Women's Correctional Center

1. Payback Calculations

Mr. Skolnik provided the Board with calculations on the operating capital expense of \$5,000 for the proposed overhead door installation to increase the amount of workspace for the Jacobs Trading Company industry program at SNWCF. The recovery for the \$5,000 expansion expense for the State of Nevada through the room and board deduction, according to Mr. Skolnik, based on the minimum wage of \$5.15 with a 24.5 percent deduction for room and board for a 7-hour workday,

would take 21.4 weeks. Mr. Skolnik announced that while Prison Industries would benefit by having additional inmates working, the State of Nevada would clearly benefit by having five additional inmates working and paying the room and board deductions.

2. Involvement of State Public Works Board

Responding to Chairman Marvel's question regarding the Public Works Board involvement in this expansion, Mr. Skolnik explained that since the expansion entailed putting a door into an existing structure owned by Corrections Corporation of America (CCA), he presumed that CCA would be within their contract and statutes in whatever they did to the building at SNWCF.

Bob Guernsey, Principal Deputy Fiscal Analyst, Legislative Counsel Bureau (LCB) Fiscal Analysis Division, offered clarification that the concern on the expansion was that, at some point, the State of Nevada would take possession of the facility at SNWCF. He related that the Public Works Board should be informed if major expansion or remodeling of the facility were to take place.

Mr. Skolnik indicated that he had not contacted the Public Works Board as this expansion consisted of simple installation of an overhead door into an external wall with no major construction or additional space required.

Chairman Marvel suggested that Mr. Skolnik discuss the door installation with the Public Works Board.

3. Status of Contract

Mr. Guernsey questioned the nature of the relationship with Jacobs Trading Company regarding the expansion and whether it would mean additional employment of inmates.

In reference to Mr. Guernsey's question, Mr. Skolnik advised the Committee that the relationship with Jacobs Trading Company and Prison Industries had been non-contractual. He explained that CCA had a non-profit component that administered their prison industry programs by means of a contract between Jacobs Trading Company and the not-for-profit sub-component of CCA. However, Prison Industries has been asked by CCA to assume the direct supervision of the program due to an issue of legitimacy of CCA's sub-component actually being non-profitable. Mr. Skolnik said that Prison Industries would be negotiating a contract directly with Jacobs Trading Company regarding employment of inmates.

Continuing, Mr. Skolnik noted that the employment for the industry program with Jacobs Trading Company had increased by five inmates and that CCA has shown interest in additional expansion using space at Southern Nevada Correctional Center (SNCC) utilizing women from the Jean Conservation Camp (JCC). Responding to Chairman Marvel's question, if inmates from the conservation camps could be integrated with Prison Industry Programs, Mr. Skolnik affirmed Prison Industries' plans to do so. Mr. Skolnik added that, initially, Prison Industry would seek to utilize space at JCC rather than SNCC for the industry program, which would eliminate issues of utilities and supervision.

With regard to Chairman Marvel's inquiries, Mr. Skolnik advised that Prison Industries would receive credit for a program even if it were located at a conservation camp. He explained that the program would not dovetail the two types of inmates. The minimum and medium security inmates would not be co-mingled, however, handled as two separate operations

Chairman Marvel asked for further questions or comments on proposed overhead door installation or the Jacobs Trading Company. There were none.

D. Wild Horse Program with the Department of Agriculture

Chairman Marvel noted that the Committee had already discussed the agenda item, Wild Horse Program with the Department of Agriculture, under III. B and directed the Committee to the next item on the agenda.

E. Somerset Farms - Lovelock Correctional Center

Relating that he had visited the Lovelock Correctional Center to view the Somerset Farms industry program, which was employing 12 inmates at the time of his visit, Chairman Marvel indicated he was impressed by Somerset Farms projections.

Mr. Skolnik advised the Board that presently there are 15 inmates working in the industry program for Somerset Farms. Mr. Skolnik reported that Somerset Farms is projecting the employment of 30 inmates by the end of January 2001. He informed the Committee that Somerset Farms has hired a supervisor and once the full-time supervisor is on board, the expansion for the industry program should speed up.

Chairman Marvel said that according to Mr. Jay Shrager, senior partner of Somerset Farms, Inc., the operation at the Lovelock facility should be shipping produce out by the end of January 2001 or the early part of February 2001. Mr. Shrager had discussed consideration of moving his corporate offices to Nevada due to benefits available from laws governing corporations in Nevada. Chairman Marvel related that Somerset Farms has a number of contracts with the correctional institutions in California.

Mr. Skolnik added that Somerset Farms, Inc., has a number of contracts with Federal institutions and contracts with the State of Nevada.

Chairman Marvel suggested that, once the upcoming Legislative Session is complete, the Committee might want to tour the industry operations at the Lovelock facility. Chairman Marvel asked for further comments or questions on the Somerset Farms industry program. There were none.

F. Artistic Glass Contract

Mr. Skolnik informed the Committee that the proprietor of Art Glass Center who was with Prison Industries at the Southern Desert Correctional Center for several years had moved to Maine and had introduced a new company, Artistic Glass, to Prison Industries. Directing the Committee to the new contract with Artistic Glass on page 47-52 of the meeting (Exhibit C), Mr. Skolnik informed the Board that the program would remain essentially the same; however, the volume of work would increase. Artistic Glass is installing new equipment for the industry program and is willing to expand if Prison Industries could provide them with more space. In reference to Chairman Marvel's question regarding the increase of inmates employed should the space be expanded, Mr. Skolnik reported that Artistic Glass would employ approximately five additional inmates for the glass-etching operation.

Mr. Moell commented that the products turned out by the glass operation were superb, however, the facility for the glass operation needs improvement.

Agreeing, Mr. Skolnik stated that, although the facility is not attractive, it is functional.

Chairman Marvel called for further discussion on the Artistic Glass industry program. Being none, he directed the Board to the next agenda item.

G. Imperial Palace Contract - Southern Desert Correctional Center

Mr. Skolnik informed the Board that the Imperial Place is no longer restoring vehicles and has sold their collection to Don Williams, the proprietor of the Black Hawk Collection and Ritchie Kline, who was previously the administrator of the Imperial Palace's restoration program. Mr. Skolnik said that Dan Wong, Deputy Attorney General, Prison Industries, was assisting Prison Industries with some changes in the initial contract for the auto restoration program with Mr. Williams and Mr. Kline.

Continuing, Mr. Skolnik advised the Board that the new owners of the auto restoration program plan a reduction in employment to approximately 20 to 25 inmates. According to Mr. Skolnik, he informed Mr. Williams and Mr. Kline that this reduction in inmates employed would mean a reduction in space available to their restoration program. Currently the restoration program occupies 15,000 square feet inside the institution and 5,000 square feet outside the institution. Mr. Skolnik indicated plans to reduce the restoration program from three to two bays, which would allow the availability of one bay for the Shelby Auto Production industry program who is planning to increase their employment by approximately 10 to 20 inmates.

Chairman Marvel mentioned that he would like to see more exposure regarding the industry program for the Shelby Auto Production, as the production of the Shelby car is impressive.

Mr. Skolnik related that the Shelby Auto Production program has added an aluminum-bodied Cobra replica, which Prison Industries is building, to their fiber-glassed line. Responding to a question from the Chair, Mr. Skolnik reported that the Shelby Auto Production industry program employs 16 or 17 inmates.

Chairman Marvel asked if there were further questions on the Imperial Palace contract at SDCC. There were none.

H. Potential Change in Nevada Statutes Regarding Unemployment Tax

Mr. Guernsey explained that this agenda item was a follow-up on the discussion that ensued at the Advisory Board on Prison Industry's meeting of August 10, 2000, regarding the federal unemployment tax that is no longer a requirement. Mr. Guernsey wanted to ensure that Prison Industries is in compliance all the federal laws and that the Advisory Board on Prison Industry is aware of any changes regarding the federal unemployment tax.

Mr. Skolnik related that at an October meeting in Virginia, the Bureau of Justice Assistance (BJA) discussed possible changes in the guidelines. He advised that there is an issue regarding the definition of service that has previously been exempt from the Prison Industry Enhancements (PIE) program. If these changes regarding the definition of service were to be implemented, it would affect a large number of inmates employed throughout the United States.

Chairman Marvel questioned, if an inmate were to be terminated from the State of Nevada's Prison Industry Program, would that inmate be entitled to unemployment benefits.

Mr. Skolnik explained that, under current law, if an inmate employed with a State Industry Program were to be fired, the inmate would not be entitled to receive unemployment benefits. However, if the inmate was employed with a private industry program and was fired, the inmate would be eligible for unemployment insurance after he had worked nine consecutive weeks subsequent to his release. The claimant would be entitled to use the time he worked inside the prison toward accumulating his unemployment benefits.

Chairman Marvel indicated that if there were no further comments or question regarding the potential change in Nevada Statutes concerning unemployment tax, the Board would move on to the next item on the agenda.

V. BILL DRAFT REQUEST TO ALLOW USE OF MONEY IN FUND FOR NEW CONSTRUCTION OF FACILITIES FOR PRISON INDUSTRIES (NRS 209.192) TO EXPAND EXISTING PRISON INDUSTRY PROGRAMS.

Chairman Marvel ascertained that all Board members had received copies of Bill Draft Request (BDR) 16-680 (Exhibit D). He indicated that, after reviewing BDR 16-680, he felt that the BDR contained everything that the Board had previously discussed regarding the fund for new construction of facilities for Prison Industries to also include use of the fund for the expansion of existing industries that would provide additional employment of offenders. Chairman Marvel indicated that he would accept a motion to ask for the introduction of BDR 16-680.

SENATOR JACOBSEN MOVED TO APPROVE THE INTRODUCTION OF BILL DRAFT REQUEST 16-680 FOR THE 71ST LEGESLATIVE SESSION. ASSEMBLYMAN ARBERRY SECONDED THE MOTION. THE MOTION PASSED UNANIMOUSLY.

VI. REVIEW OF FINANCIAL REPORTS, ANNUAL REPORT FOR THE YEAR ENDING JUNE 30, 2000, WITH COMPARATIVE JUNE 30, 1999, STATEMENTS FOR SILVER STATE INDUSTRIES' BY DEPARTMENT OF PRISONS.

Mr. Skolnik determined that all Board members had received the first quarter's financial report entitled "Silver State Industries Financial Statements for the Quarter Ending September 30, 2000, with Comparative September 30, 1999, Financial Statements" (Exhibit E) and announced that John McCuin, Chief of Financial Services for Prison Industries, at the Las Vegas meeting location would review the financial statements for the Committee.

Chairman Marvel welcomed Mr. McCuin and requested that he present the first quarter's reports and then briefly summarize the annual financial reports for the Committee.

Mr. McCuin introduced himself for the record and advised the Committee that Silver State Industries had benefited in sales to High Desert State Prison (HDSP) for the support of their metal needs in the prior year and for items such as mattress, pillows, sheets and wood furnishings in the current year. He directed the Committee's attention to page 1 of the handout (Exhibit E), which shows an increase in most areas of assets. He noted that the majority of the accounts receivables have now been cleared with revenue received from HDSP. Mr. McCuin pointed out that the inventory had increased by approximately \$100,000 during this quarter. He explained that the \$100,000 decline in fixed assets is due to a change in the controller's threshold for capitalization (from capitalizing at a maximum of \$2,000 to \$5,000), not due to the disposal of equipment by Prison Industries. All assets under the \$5,000 threshold have been removed from the balance sheets. Referring to the liabilities, Mr. McCuin said that the accounts payable had increased significantly due to the support of inventories for HDSP.

Responding to a question from Chairman Marvel, Mr. McCuin said the inventory does not include stock for Phase III of HDSP.

Mr. Skolnik interjected that, presently, Prison Industries has a substantial work-in-process and finished goods inventory for the new justice center in Clark County. Asked whether Prison Industries had requests for goods

for the new juvenile facility in Clark County, Mr. Skolnik affirmed that Prison Industries did have orders for the new facility.

Continuing his presentation, Mr. McCuin pointed out that the high amount for Accrued Warranties in the liabilities section is due to known problems discovered in the initial quarter for the new detention center.

Directing the Committee's attention to the Consolidated Statement of Operations on page 3 of the handout (Exhibit E), Mr. McCuin noted the improvements in the various budget accounts. On page 6 of the handout (Exhibit E), Mr. McCuin pointed out that expenditures for Central Administration are higher due to wages and converting the product catalog to CD. He attributed the increase in sales of \$50,000 for the Nevada State Prison (NSP) Detergent and Combined Mattress Shops to support HDSP and noted an increase in sales for the printing/Bindery Shop of approximately \$11,000. Mr. McCuin pointed out that NNCC Metal Shop indicates a decrease due to the completion of orders for HDSP.

Chairman Marvel's questioned once Phase III of HDSP is funded during the 2001 Legislative Session, if Prison Industries would start getting more orders.

Responding, Mr. Skolnik confirmed that Phase III of HDSP would generate sales of approximately 1,000 beds for Prison Industries. He estimated that delivery for Phase III would begin toward the end of the fiscal year

Mr. McCuin called for any questions on the handout.

Michael Mackenzie, Xertain, Inc., asked for clarification on the increased amount (from \$8,000 to \$35,000) for Accrued Warranties in the liabilities section on balance sheet and if the warranty increase was due to the Metal Shop and problems with the contract.

Responding to Mr. Mackenzie, Mr. Skolnik explained that Prison Industries had contracted for one product that they did not have the right equipment to produce. This made it necessary for Prison Industries to sub-contract out to obtain the product. Asked if once that contract was gone, whether the volume of the orders would drop in half for that product, Mr. Skolnik replied no; as there is still a vast amount of this product awaiting shipment to the new detention center in Clark County. According to Mr. Skolnik, the new detention center is running approximately 180 days behind in their construction. Mr. Skolnik advised the Board that Prison Industries is now in the process of obtaining storage for this delayed shipment.

Mr. Mackenzie questioned if this amount for Accrued Warranties would go up each subsequent quarter. Mr. Skolnik affirmed that the amount would go up by the end of this year. He said that presently, the Metal Shop has over \$6,000 in open orders

In Response to Chairman Marvel's questions on the Prison Industry order for the Nevada Mental Health Institute (NMHI) in Sparks, Mr. Skolnik advised that the order had been completed and the revenue was reflected in last year's earnings.

Directing the Committee's attention to pages 10 and 11 of the handout (Exhibit E), Mr. McCuin attributed the \$70,000 increase in sales the NNCC Furniture Shop and the \$24,000 increase for the Upholstery Shop to sales for HDSP.

Referring to page 12 of the handout (Exhibit E), with regard to the loss shown by the Ely State Prison (ESP) Drapery, Mr. McCuin noted that the Drapery Shop reflected \$2,000 more in sales compared to sales in September 1999. He advised the Committee that the ESP Drapery program presently had a number of open orders.

Mr. Skolnik added that the Committee would continue to see improvement in the ESP Drapery program in the current year. He said that the primary contract for the ESP Drapery Program had been with a single vendor, who is happy with Prison Industries' product and is increasing their business with Prison Industries as their other

contracts expire. Mr. Skolnik advised the Board that the ESP Drapery program has 27 inmates employed and has been operating five days a week, eight hours a day.

Responding to questions from Chairman Marvel, Mr. Skolnik related that ESP was willing to work with Prison Industries if a double shift was necessary for the Drapery program. However, finding or training a supervisor for the other shift would be a possible problem. Mr. Skolnik said there are still a number of vacancies in the Ely area.

Continuing his presentation on the first quarter's financial statements, Mr. McCuin said that page 13 of the handout (Exhibit E) recapped the Prison Ranch Operation. He pointed out that he did not treat the transfer of funding to the Department of Agriculture as an operating expense. However, the transfer was reflected as an owner's draw shown in the changes in retained earnings on page 4 of the handout (Exhibit E).

Chairman Marvel commended Tim Bryant Manager, Silver State Industries Ranch/Dairy, on the good job he was doing at the Ranch and asked if he had anything to report. Mr. Bryant indicated that he had nothing to report. Chairman Marvel called for any questions on the first quarter's financial statements for Silver State Industries.

Mr. Mackenzie questioned the large increase of 400 percent for the building and ground maintenance for the Metal Shop as well as the increase for building and ground maintenance from \$200 to \$6,600 for the Furniture Shop.

Responding to Mr. Mackenzie's question on the expenses, Mr. Skolnik advised the Board that for the first time in twenty years, Prison Industries had painted all their buildings. The second large expense for the building and maintenance was the repair of a Sally Port gate, which had been damaged by a truck.

Mr. Mackenzie remarked that the NNCC Furniture Shop and Upholstery Shop are doing excellent; however, the ESP Drapery program has declining sales. Directing his question to Mr. Skolnik, he questioned if the declining sales for the ESP Drapery program were expected to continue.

Mr. Skolnik advised that the sales for the ESP Drapery program have already turned around.

Chairman Marvel questioned if there were further comments questions of the financial statements for Silver State Industries. He expressed he was pleased with Mr. McCuin's efforts on the financial statements.

Mr. Skolnik reported that Silver State Industries had three employees in marketing who have contributed to Prison Industries having over \$1 million dollars in open orders from the start of this fiscal year without a new prison to support to keep the amount of sales up. He noted that one of these employees has taken over the duty of running the Metal Shop while the Metal Shop supervisor is out on leave for back surgery. For the record, Mr. Skolnik wanted to compliment this staff for their excellent performance thus far in this fiscal year.

VII. REVIEW OF NUMBER OF INMATES EMPLOYED BY DEPARTMENT OF PRISONS

Mr. Skolnik related that Prison Industries' projection for inmates employed for the end of October was 380, while the actual number of inmates employed reached 410. He estimated that by the end of December 2000, Prison Industries would employ approximately 500 inmates.

Mr. Skolnik informed the Board that Prison Industries had expanded, working with T. J. Wholesale, a card sorting company. Since T. J. Wholesale has been pleased with the quality of Prison Industries' work, they are expanding and will employ 30 inmates at the Warms Springs Correctional Center (WSCC) by the end of December 2000. The program will involve not only sorting cards, but also clipping of the card's corners, which

prevents the card decks from being reintroduced into play at casinos. Mr. Skolnik noted that WSCC would have two programs, the sorting/clipping program and the horse-gentling program.

Mr. Skolnik advised the Board that another program with T. J. Wholesale would be going into a culinary room at HDSP that was previously not in use. The program will employ 50 inmates at approximately \$50 a week. He said that SDCC at Indian Springs would be increasing their card-sorting program from 8 inmates to 30 inmates by the end of December.

Responding to a question from Chairman Marvel, Mr. Skolnik reported that with the card-sorting programs; casinos can sell the cards in gift shops and recover half of the original cost of the cards.

Mr. Skolnik related that he wanted to include agenda item VIII. D. along with the projections for the number of inmates employed. Explaining that the Prison Industries' plan is the expansion of the number of inmates working, Mr. Skolnik listed three areas of expansion: 1. existing operations; 2. new institutional operations; and 3. community work opportunities.

Mr. Skolnik related that under the direction of Director Crawford, Prison Industries had contracted with William Holland to prepare a grant request to obtain funding from the Welfare to Work Program. According to Mr. Skolnik, Prison Industries will be provided with \$300,000 as a pilot program to provide for training and subsequent work placement for the non- custodial parents of welfare children. He informed the Committee that many jobs with second and third shift exist in Las Vegas that are not gaming related.

Prison Industries is planning on setting up inmate work crews, working under the supervision of a correctional officer, as well as the employer's supervisor. Terms for the employment would allow the inmate from the work crew to keep the job once they are released and keep their families off welfare.

Responding to Chairman Marvel's question, Mr. Magnani said he had briefly reviewed the program and had not perceived any problems regarding labor issues. Mr. Skolnik interjected that because Prison Industries feels there is opportunity for inmates to get involved in construction trades, they would like to discuss the program with the Labor Counsel to bring the unions into the program. Mr. Skolnik stated that the success of the program is contingent on the continued high employment of the community. He said that if the employment in the community is down, inmates could not be taking jobs from citizens; however, if the present abundance of jobs persists, Prison Industries' goal is to employ 800 to 900 inmates by June of 2002.

Discussion ensued on the issue of the current law prohibiting inmates from working with credit cards, computers, and phones. Inmates who are presently working with computers for the architectural designs are restricted from the Internet access or personal information. It was Mr. Skolnik's opinion that if an inmate has cleared security and is trusted to work outside an institution, the inmate should be trusted to answer a telephone and have the same access afforded a parolee.

Senator Jacobsen suggested that Prison Industries make available a summary to let other legislators know the number of inmates employed and the accomplishments that Prison Industries is making.

Chairman Marvel asked for further questions or comments on the review of inmates employed.

Chairman Marvel agreed, adding that the summary could include the amount of restitution inmates are making to the State, families and to victims of crime.

Responding to Senator Jacobsen's suggestion, Mr. Skolnik advised that the annual report for Prison Industries is sent to legislators; however, it does not include projections.

Chairman Marvel directed the Committee move to the next item on the agenda.

VII. INFORMATIONAL ITEMS.

A. Legislative Letter of Intent – Sales and Open Orders for First Quarter FY 01

Mr. Skolnik advised the Committee that Prison Industries is on schedule for sales for this year's projections.

B. Status of Request by Department of Motor Vehicles & Public Safety for Prison Industries to Absorb License Plate Factory

Responding to Chairman Marvel question, Mr. Skolnik advised that Prison Industries has had no further contact from the Department of Motor Vehicles and Public Safety (DMV&PS) on the potential absorption of the license plate factory since the feasibility review, conducted by John Conroy. Mr. Skolnik said that DMV & PS is aware that should the transfer take place, it would require a statutory change. Mr. Skolnik related that Prison Industries would require solid answers on cost figures for special plates. An example he noted was that there is still sheeting for the 125-anniversary license plate from 1989 that cannot be used again.

Bill Moell, opined that Prison Industries needed to use caution if they were to take over the license plate factory, as Prison Industries would be absorbing a large amount of expenses while DMV & PS would still be in control. All risks would transfer to the Prison Industries program.

Chairman Marvel agreed that it would be wise to thoroughly examine cost before proceeding on the transfer.

Senator Jacobsen said that a past survey showed that the State of Illinois could manufacture license plates at approximately one-third the price that Nevada was producing them. He said that the decision to stay with Nevada and Prison Industries for the manufacturing of plates was based on accessibility with instantaneous service.

Chairman Marvel asked for further questions on the possible absorption of the license plate factory. Being none, he directed the Committee to the next agenda item.

C. Results of August 29, 2000, Roundtable Meeting in Lovelock with Crown Partnership

Asked whether he had any follow-up on the roundtable meeting in Lovelock with Crown Partnership, Mr. Skolnik advised the Committee that Larry Singer of Crown Partnership had dissolved Crown Partnership and was now associated with Caldwell Banker.

Chairman Marvel commented that he had attended the roundtable meeting and that the turnout for the meeting was good. He said that with the lack of amenities in Lovelock, the development for a residential housing project would be difficult.

Mr. Skolnik reminded the Committee that Mr. Singer had intended to include amenities with his housing project. He said Mr. Singer is still interested in pursuing the project with his new company. Mr. Skolnik added that Fannie Mae is also still interested in the housing project.

D. Review of *Expansion Plan for Silver State Industry, October 2000*

Mr. Skolnik noted that the agenda item for Silver State Industry (SSI) had previously been covered. He directed the Committee's attention to the proposed regulations regarding the community expansion program, located in the meeting packet on pages 85-96 under tab VIII. D. (Exhibit F). Mr. Skolnik noted that there are over 1,100 inmates in Nevada's prison system who qualify for camp in everyway except

time remaining on their sentence. He indicated that these are the inmates who would be targeted for the community expansion program.

E. Contact with William Holland for Preparation and Writing of a Grant to Obtain Funding for Training and Employment for Inmates to Ensure Job Skills

Wil Keane, Deputy Legislative Counsel, Legal Division of the Legislative Counsel Bureau, directed the Committee's attention to the contract on page 85, under tab VIII. E. of the meeting packet (Exhibit G). Mr. Keane indicated that he and Mr. Wong had discussed and agreed upon the need for revision of Attachment A of the contract regarding Prison Industries' payment for worker's compensation insurance during the period of the contract. Mr. Keane said that it was his understanding that the contract with Mr. Holland had run its course, which would eliminate the need to revise the contract.

Mr. Skolnik confirmed that the contract with Mr. Holland had already been paid. He informed the Committee that Prison Industries did not pay Mr. Holland's payment for worker's compensation insurance directly during the period of the contract; however Prison Industries did pay Mr. Holland the amount of the cost for the insurance and Mr. Holland paid the industrial insurance.

Mr. McCuin verified that the direct payment was made to Mr. Holland for the worker's compensation insurance.

Mr. Wong added that he and Prison Industries would pay more attention to detail on contracts in the future.

Mr. Skolnik commented that Mr. Holland is being considered to be the project director of the community programs on contract with Prison Industries.

F. PUBLIC COMMENT.

Chairman Marvel called for public comments or any more comments to come before the Committee members. There was no public testimony.

Mr. Moell informed the Committee that he was going to meet with Dan O'Brien, Manager of Public Works, in reference to the bidding of furnishings for Public Works Projects. Mr. Moell promised to propose Prison Industries' products and offered to set up another meeting among Mr. O'Brien, Mr. Skolnik and himself.

Mr. Skolnik expressed his appreciation for Mr. Moell's offer and said he would make himself available for the proposed meeting.

Senator Jacobsen related that he would like to have a standing committee on corrections/prisons. He said that he had introduced legislation for the creation of such a committee during the 1999 Legislative Session, which passed in the Senate, however, not in the Assembly. Senator Jacobsen said that, on his own, he had toured all the institutions and honor camps. He related that he felt there was a need for such a standing committee. Senator Jacobsen said that in the 1999 Legislative Session, the Senate Legislators never left the building for any tours. Responding to Chairman Marvel's question, if Senator Jacobsen intended to introduce a bill for a standing committee on corrections/prisons, Senator Jacobsen indicated he had asked for a bill draft pertaining to the standing committee.

Chairman Marvel expressed concern for the imposition on the Legislative Fiscal staff during session, as they are putting in at least 18-hours a days during session.

Senator Jacobsen said that he could appreciate the time restraints placed on the Legislative staff; however, with the 120-Day Session, all the Legislators know is what the staff tells them. Senator

Jacobsen emphasized that he did not mean to imply that the Legislative staff was not adequate. He acknowledged Gary Ghiggeri as one of the best experts on the prisons systems and the honor camps. However, he said, somehow legislators had to make an effort to visit the prison facilities and honor camps.

Chairman Marvel suggested that the issue of an oversight team could be discussed further with Assemblyman Arberry's input.

Assemblyman Arberry noted that he would be in Carson City on December 22 or 23 and could meet with Senator Jacobsen and Chairman Marvel for a discussion on the issue.

Chairman Marvel expressed his appreciation to Assemblyman Arberry.

Senator Jacobsen related that when the new High Desert Prison facility opened in the south, only 4 out of 63 legislators attended the opening. He said that this facility would ultimately house 5,000 inmates.

Chairman Marvel said that the difficult job of managing such a large number of inmates would require industry programs or something to keep the inmates busy. He indicated that the legislators would be giving close consideration for space for industry programs during the next session.

Chairman Marvel asked for further comments to come before the Committee.

There being no further business before the Committee, Chairman Marvel adjourned the meeting at 11:55 a.m.

Respectfully submitted,

Denise Nielsen
Secretary

APPROVED:

Assemblyman John Marvel, Chairman

Date