

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

Legislative Counsel Bureau Office Grant Sawyer State Office Building,
555 E. Washington Avenue, Room 4412 A, Las Vegas, Nevada

April 27, 2000

A meeting of the Interim Finance Committee's Advisory Board on Prison Industries was held at 9:30 a.m., Thursday, April 27, 2000, in Room 4412 A of the Grant Sawyer State Office Building, Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT:

Assemblyman John Marvel, Chairman
Senator Lawrence Jacobsen, Vice Chairman
Senator Raymond Rawson
Assemblyman Morse Arberry Jr.
Bruce Aguilera, Vice President/General Counsel, Bellagio
Mike Magnani, Labor Union Representative
Mike Mackenzie, President, Trimm Technologies, Inc.
Bill Moell, Administrator, Purchasing Division
Bob Bayer, Director, Department of Prisons

COMMITTEE MEMBERS ABSENT:

-
Senator Raymond Rawson
Al Puliz, Chairman, Puliz Moving and Storage

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Robert A. Guernsey, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Gary L. Ghiggeri, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Wil Keane, Deputy Legislative Counsel, Legal Division
Denise Nielsen, Secretary, Fiscal Analysis Division

OTHERS PRESENT:

-
Howard Skolnik, Deputy Director, Prison Industries
John McCuin, Chief of Financial Services for Prison Industries
Dania Severson, Deputy Attorney General, Prison Industries
Larry Singer, The Crown Partnership
Mercedes Maharis, Nevada Citizens United for the Rehabilitation of Errants (CURE)
Mike Kalil, Las Vegas Review Journal

EXHIBITS:

-
Exhibit A: Meeting Notice and Agenda.
Exhibit B: Attendance Record.
Exhibit C: Copy of a letter dated April 21, 2000, from The Department of Prisons to George Argyropoulos, CEO of U. S. Cabinets regarding interest in an industry program for Lovelock Correctional Center.

- Exhibit D: Copies of the “Silver State Industries” Financial Statements for the Quarter Ending December 31, 1999, with Comparative December 31, 1998, Statements under tab V., pages 42 through 58 of the meeting packet.
- Exhibit E: Copy of a handout from Howard Skolnik of a cash flow sheet as of April 26, 2000, with comparisons to April 26, 1999.
- Exhibit F: Copy of the census report for March 2000 under tab VI. on page 60 of the meeting packet.
- Exhibit G: Copies of the work programs under tab VII. D., pages 70-75 of the meeting packet.
- Exhibit H: Copy of a handout from Howard Skolnik on the update on the Letter of Intent for the 1999 Legislature showing the third quarter schedule of sales, projections and open orders.
- Exhibit I: Copy of the testimony under tab VII. F., pages 80-83 of the meeting packet, by Gwyn Ingley, Executive Director of the Correctional Industries Association, to the Congressional Correctional Officers’ Caucus.
- Exhibit J. Copy of the Prison Industry survey from the *Corrections Compendium* located under tab VII. J., pages 85-98 of the meeting packet (Exhibit J).
- Exhibit K. Copy of a handout of the Offender Employment Report dated October/November 1999.
- Exhibit L. Copies of a letter provided by Mercedes. Maharis, dated July 22, 1999, to the Shop Manager of Imperial Palace.

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 9:30 a.m. Chairman Marvel announced that after the meeting, members of the Advisory Board would be touring the Southern Desert Correctional Center to observe the industrial facilities and the new High Desert State Prison, which is under construction. He requested that the secretary call roll; a quorum was present.

II. APPROVAL OF DECEMBER 9, 1999, MEETING MINUTES.

Chairman Marvel announced that he would accept a motion for the approval of the minutes of December 9, 1999, as presented.

BRUCE AGUILERA MOVED TO APPROVE THE MINUTES OF THE DECEMBER 9, 1999, MEETING AS PRESENTED. BILL MOELL SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

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

A. 21st century Foods – Lovelock Correctional Center

John McCuin, Chief Fiscal Officer for Prison Industries, introduced himself for the record and informed the Board that in early March 2000, Prison Industries was contacted by 21st Century Foods, a company from Pennsylvania who conducts business in frozen foods. He advised the Board that 21st Century Foods has targeted their market strictly to correctional facilities and has been selling their products to the Nevada Department of Prisons. Mr. McCuin related that he had spoken with staff at the Nevada State Purchasing Division, who confirmed they are pleased with 21st Century Foods’ products.

Mr. McCuin reported that 21st Century Foods is interested in a five-year lease of 30,000 square-feet of space at the Lovelock Correctional Center (LCC) for a food-packaging operation. Initially, 21st Century

Foods would set up a can-labeling operation; and once the refrigeration units were installed at the facility, they would handle bulk frozen food packaging. Mr. McCuin related that, ultimately, the program for 21st Century Foods would employ approximately 135 inmates with the possibility adding another 45 inmates for the shipping and receiving end of the product.

Mr. McCuin advised the Board that Prison Industries obtained a Dunn and Bradstreet report for 21st Century Foods that indicated the company has been in operation over 20 years. According to the Dunn and Bradstreet report, the related company of Summerset Farms, which originally contacted Mr. McCuin, has been in business for 6 years and is financially strong.

Mr. McCuin related that Prison Industries recently met with leaders from 21st Century Foods to discuss issues. One issue that 21st Century Foods is proposing is a contract in which Prison Industries would purchase refrigeration equipment and lease the equipment back to 21st Century Foods. In reference to Chairman Marvel's question on the price of purchasing the refrigeration equipment, Mr. McCuin replied the cost would be approximately \$110,000. Mr. McCuin advised the Board that Prison Industries has sufficient funds in their account to purchase the equipment; however, at this time, they are uncertain of the legality of the purchase/lease issue in the contract.

Mr. Skolnik interjected that Prison Industries is investigating whether it would be in the best interest of Prison Industries to invest funds in leasing, versus drawing interest on the funds. He said that the lease payments would have a higher rate of return on their funds. Responding to a question from Mr. Moell on how long the lease would run on the equipment, Mr. Skolnik advised that a five-year lease was proposed.

Expressing that a five-year lease was a long time, Mr. Moell questioned what Prison Industries would do with the equipment should 21st Century Foods pull out of the program after two years.

Agreeing with Mr. Moell's concern on the issue of a potential pull out of the program, Mr. Skolnik related this was one of the reason he wanted the Boards' expertise on the issue. Mr. Skolnik informed the Board that Prison Industries has also been discussing the concerns of the purchase/lease issue with the State Budget Office.

Responding to a question from the Chair, Mr. McCuin informed the Board that the operation for 21st Century Foods would not be water intensive.

Mike Mackenzie, President, Trimm Technologies, Inc., questioned 21st Century Foods' motive for wanting Prison Industries to purchase the equipment and lease it back.

Addressing Mr Mackenzie question, Mr. Skolnik said that the premise that 21st Century Foods relayed was that Prison Industries' owning the equipment and leasing it back to 21st Century Foods would provide more incentive for Prison Industries in the industry program. Mr. Skolnik speculated that 21st Century Foods did not want to front the money to purchase the equipment.

Mr Mackenzie noted that with lease financing, the financing is considered off-balance-sheet financing. He questioned if 21st Century Foods lacked sufficient credit for the lease financing.

Responding to Mr Mackenzie's concern, Mr. McCuin advised the Board that, according to the Dunn and Bradstreet report, the credit record of 21st Century Foods indicated their credit was good.

Mr. Skolnik explained that 21st Century Foods was simply offering Prison Industries the opportunity to be the one to lease the equipment and retain the profit from the lease.

Discussion ensued on whether the purchase/lease would be a beneficial opportunity for Prison Industries. Chairman Marvel questioned if the issue was still negotiable with 21st Century Foods.

Responding to Chairman Marvel's question, Mr. Skolnik said that in his last discussion with 21st Century Foods, he suggested any purchases for equipment by Prison Industries should be planned for a later phase of the operation with 21st Century Foods putting in the capital investment, as it would take Prison Industries a substantial amount of time for approvals for the equipment purchase. Mr. Skolnik noted that, from the Boards' reaction, he surmised Prison Industries should not purchase the refrigeration equipment.

Mr Mackenzie opined that 21st Century Foods' motive for wanting Prison Industries to purchase the equipment would be to have the State, instead of their company, "on the hook." He said that it would be advantageous for the State to have 21st Century Foods "on the hook" and committed to the deal.

Chairman Marvel asked for any further questions on the program for 21st Century Foods.

Gary L. Ghiggeri, Principal Deputy Fiscal Analyst, for the Legislative Counsel Bureau, Fiscal Analysis Division, noted that the draft contract provided to staff for 21st Century Foods and Prison Industries did not have attachment A. Mr. Ghiggeri also questioned the reimbursement for utilities for the 21st Century Foods program.

Mr. Skolnik informed Mr. Ghiggeri that since negotiations are not yet completed for topics in Attachment A., it was not included in the draft contract. Mr. Skolnik reported that 21st Century Foods would be metered separately for electricity; there would be not additional cost for heating, as it is on a loop; and water would be billed on a square-foot ratio.

Addressing Mr. Ghiggeri's concern for the water problem at LCC, Mr. McCuin reiterated that the program was not water intensive, fresh vegetables would not have to be washed for the frozen foods.

Chairman Marvel announced that the Chair would entertain a motion for Prison Industries to pursue negotiations with 21st Century Foods.

SENATOR JACOBSEN MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH 21ST CENTURY FOODS AS A POTENTIAL PRISON INDUSTRY. THE MOTION WAS SECONDED BY ASSEMBLMAN ARBERRY. THE MOTION PASSED UNANIMOUSLY.

Chairman Marvel directed Mr. Skolnik to move on to the next item, Cross Country Homes.

B. Cross Country Homes – Lovelock Correctional Center

Mr. Skolnik reported that Cross Country Homes, a northern Nevada company, is interested in leasing 30,000 square-feet of space at the Lovelock Correctional Center, utilizing Prison Industries for the assembly of panels constructed of metal and a type of foam insulation. In reference to Chairman Marvel question, if the company was based in Silver Springs or Fallon, Mr. Skolnik reported that Cross Country Homes was located in Fallon.

Mr. Skolnik advised the Board that if Prison Industries were fortunate enough to obtain both 21st Century Foods and Cross Country Homes programs as industries for LCC, it would be conceivable that Cross County Homes would be able to construct the required 30,000 square-foot building.

Chairman Marvel asked the cost of construction for another 30,000 square-foot building at LCC.

Mr. Skolnik responded that with approximately half a million dollars in Prison Industries' Capital Improvement Fund (3728), Prison Industries would purchase the building and partner with Cross Country Homes to construct the industry building.

Responding to Chairman Marvel's question, if he had any objections to the construction of the building for the Cross County Homes industry, Bob Bayer, Director, Department of Prisons, responded that as long as the building was within the parameters of the fence line of the prison, he had no objections.

Addressing Chairman Marvel's inquiry on the number of inmates the program would employ, Mr. Skolnik speculated that Cross Country Homes would operate with approximately 40 to 50 inmates.

Chairman Marvel asked if there were further questions from the Board on 21st Century Foods. Being none, he announced that he would entertain a motion approval for Prison Industries to pursue negotiations with 21st Century Foods.

BILL MOELL MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH 21ST CENTURY FOODS AS A POTENTIAL PRISON INDUSTRY AT THE LOVELOCK CORRECTIONAL CENTER. THE MOTION WAS SECONDED BY ASSEMBLMAN ARBERRY AND PASSED UNANIMOUSLY.

C. Bruce Industries – Lovelock Correctional Center

Mr. Skolnik advised the Committee that as a result of Prison Industries' advertising campaign in the northern Nevada area, Bruce Industries, a company from Dayton, Nevada, expressed interest in space at LCC. He explained that Bruce Industries provides the Department of Defense with crating. Bruce Industries wishes to utilize Prison Industries in building crates, hardware, and sub-assemblies for wiring harnesses. According to Mr. Skolnik, Prison Industries could meet the requirements of Bruce Industries within Prison Industries' other existing operations. However, should 21st Century Foods or Cross Country Homes fail to materialize as programs at LCC, Bruce Industries would be an excellent industry for the facility.

Answering Chairman Marvel's questions on the number of inmates the program would employ and the average wage paid inmates in the program, Mr. Skolnik advised that Bruce Industries could possibly employ 70 to 80 inmates and that all three potential industries presented, 21st Century Foods, Cross Country Homes and Bruce Industries, would pay minimum wage to inmates.

Responding to a question from Director Bayer on what kind of sub-electrical work Bruce Industries assembled, Mr. Skolnik said that inmates would be wiring harness lines for a variety of product lines for Bruce Industries, including missiles. Mr. Skolnik mentioned that, presently, Federal inmates are assembling wiring harnesses for the F15's and many missile programs in the United States.

Mr. Mackenzie recalled that at the last meeting of the Advisory Board on Prison Industries, he had mentioned that cable and harness wiring is labor-intensive work that is typically done offshore. Mr. Mackenzie noted the benefit of obtaining this business to get it back onshore.

Chairman Marvel agreed with Mr. Mackenzie that it would be advantageous to get the cable and harness wiring business back from Mexico and Asia. Chairman Marvel asked if there were further questions on the program for Bruce Industries. Being none, Chairman Marvel indicated he would entertain a motion for Prison Industries to pursue negotiations with Bruce Industries for an industry program.

SENATOR JACOBSEN MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH BRUCE INDUSTRIES AS A POTENTIAL PRISON INDUSTRY. THE MOTION WAS SECONDED BY MIKE MACKENZIE. THE MOTION PASSED UNANIMOUSLY.

D. A. E. Collins Development

Mr. Skolnik informed the Board that A. E. Collins Development, a developer involved in the Pahrump area of Nevada, is interested in Prison Industries at the Southern Desert Correction Center (SDCC) for construction of panels. Mr. Skolnik explained that the program for A. E. Collins Development would guarantee post-release employment with the company.

In reference to Chairman Marvel's question on if there was adequate space for the program, Mr. Skolnik reported that the program would occupy an outside area at (SDCC) and would require construction of a lean-to in order to protect A. E. Collins Development's equipment. Chairman Marvel asked the number of inmates that would be employed by the program. Mr. Skolnik estimated the program for A. E. Collins Development would employ 15 to 30 inmates.

Chairman Marvel indicated that if there were no further questions or discussion on A. E. Collins Development, he would accept a motion to approve Prison Industries' pursue of further negotiations with the company.

ASSEMBLYMAN ARBERRY MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH A. E. COLLINS DEVELOPMENT AS A POTENTIAL PRISON INDUSTRY FOR THE SOUTHERN DESERT CORRECTIONAL CENTER. SENATOR JACOBSEN SECONDED THE MOTION AND THE MOTION PASSED UNANIMOUSLY.

IV. STATUS REPORT FROM PRISON INDUSTRIES AND COMMITTEE RECOMMENDATIONS

A. Lovelock Employee Housing Issue - Larry Singer, President, The Crown Partnership

Mr. Skolnik introduced Larry Singer, President of The Crown Partnership, to the Committee and pointed out that Mr. Singer had been working hard to develop a low-cost housing project for the staff at LCC.

Mr. Singer introduced himself for the record, relating that he was originally from New York, and thanked the Board for giving him the opportunity to present them with information on his plan for the development of townhouses in the Lovelock area to accommodate the housing needs for the staff at LCC. He advised the Board that his real-estate company, Crown Partnerships, had been established in the southern Nevada area for approximately nine years. It was Mr. Singer's understanding that the majority of the 290 employees with LCC are commuting a considerable distance and are in need of housing in the Lovelock area.

Mr. Singer related that, over the last four years, he had met with the elected officials of Lovelock, including the Mayor, councilmen, and economic development people, to discuss a program for the development and financing of affordable townhouses. Mr. Singer reported that the design for the two or three bedroom townhouses range in size from 1200 to 1300 feet. He explained that prison employees would not have to present a cash-down payment providing they went with a contract

- Responding to Chairman Marvel's question, if the townhouses would be restricted to correctional officers, Mr. Singer replied that, although the townhouses are geared to the needs of the prison employees, they would be sold to whoever was interested in purchasing.

- Mr. Singer reported that a meeting held at LCC on the townhouse project had a showing of only 10 to 15 employees with only 2 to 3 people interested in purchasing at that time. Results from a survey that was conducted at LCC indicated that employees expressed that the amenities in the Lovelock area did not warrant moving to the area. It is Mr. Singer's belief that if the project can get built, it will be successful. Presently,

14 parties are interested in purchasing units from Crown Partnership.

Mr. Singer explained that the program included a no-capital investment on behalf of the purchasers; however, it would require that a minimum of 40 pre-sold units to begin the development. Forty-two acres have been identified for the housing project consisting of a 64-unit initial development (including amenities such as a clubhouse and a daycare center) with expansion capabilities for 128 units. Responding to Chairman Marvel's question, if a theater had been considered as one of the amenities, Mr. Singer said that they had not thought about a theater; however, they could look into that possibility.

Mr. Singer informed the Board that his company considered the development of a discount-retail mall, similar to the Bell's mall for the Lovelock project. He said that upon investigation, his company was told that, demographically, a discount-retail mall would not work in the City of Lovelock. Mr. Singer testified that the industrial park located in the City of Lovelock is having difficulty attracting businesses. He said that Crown Partnership is trying to stimulate interest in the industrial park, in order to encourage prospective purchasers for the housing project.

Although Crown Partnership did not require help with the financing package, which is comprised of a no-down, Fannie Mae loan, Mr. Singer said, Crown Partnership is considering requesting that the State either guarantee the purchase on the first 40 units of the project or help Crown Partnership to provide some development of industrial property for amenities for the project.

Expressing that he was glad for Mr. Singer's presentation, Chairman Marvel asked what the reception of the city fathers and the city counsel of Lovelock was on the project. Mr. Singer answered that the plan had been well received when Crown Partnership first proposed and presented renderings for the project. Since then, however, Mr. Singer has heard there will be difficulties in obtaining water permits, in accomplishing road improvements and in increasing the size of sewer pipes. Remarking that it was a developer's job to overcome these types of difficulties, Mr. Singer stated that Crown Partnership could, once they got through the first step. Mr. Singer informed the Board that he had spoken with the mayor of the City of Lovelock, Mr. Espinosa, who was enthusiastic about the project; and had attempted to contact Councilman Ron Harvey who had not yet returned his calls.

Mr. Singer testified that there is concern that the housing product is too expensive for the area. He indicated that the units are spacious with pricing ranging from \$75,000 to \$85,000. Mr. Singer emphasized that he felt that if Crown Partnership could get the project started, it would be successful.

In reference to Chairman Marvel's inquiry on the time line for the project, Mr. Singer advised that although they had been working on the project for four years, until Crown Partnership can get some other source of financing to begin building, they cannot go any further. Mr. Singer reiterated that if Crown Partnership could build the units on a speculative basis, they would sell successfully.

Chairman Marvel related that, at one time, the people of Lovelock were very enthusiastic about developing amenities for the area. He said that, unfortunately, projects had to be "mothballed" for a few years and people got soured on making investments toward any amenities for the area. Chairman Marvel said that the Crown Partnership project might be the first step for people to take another look at Lovelock, which is only about an hour from Reno.

Addressing his question to Director Bayer, Chairman Marvel questioned the present rate of turnover at LCC. Director Bayer said he did not have the actual figures for the turnover rate with him; however, he estimated that the Department of Prisons lost 13 employees last month. The State of Oregon is recruiting many of the LCC employees, as well as the State of Idaho, by offering a higher salary. In reference to Chairman Marvel's question, if an occupational study was being conducted for the correctional officers, Director Bayer affirmed that there was and that it would be ready for the next session. He explained that a pure salary study was conducted for the last session.

Chairman Marvel questioned if having a high turnover was the norm for a new prison and if Director Bayer felt the turnover rate would stabilize. Director Bayer answered that he did not recall seeing studies on turnover/stabilization for a new facility. He offered to research the history of turnover for a new

prison.

- Director Bayer asked Mr. Singer if Crown Partnership had investigated financing other than the Fannie Mae so investors could purchase the units to utilize as rentals. Mr. Singer responded that Crown Partnership has a prospective buyer, who is with a program that provides low-income housing, who is interested in four or eight of the units. Mr. Singer testified that one developer in the Lovelock area advised Crown Partnership not to build based on his own difficulties in building.

- Chairman Marvel questioned if Mr. Singer had contacted Chas Horsey of the State's Housing Division to discuss ideas on the project. Mr. Singer replied he had discussed the program with Mr. Horsey and had learned that the program for the State Housing is not applicable to Crown Partnership's program.

- Referring to Chairman Marvel question, what help Crown Partnership would need from the Legislature on the project; Mr. Singer advised that Crown Partnership would require a guarantee on a loan to spec 40 units.

- Chairman Marvel recommended that staff from Legal Division of the Legislative Counsel Bureau, review the program. Mr. Ghiggeri said it would be helpful to get a written proposal with more specifics for the Legal Division to evaluate. Mr. Ghiggeri suggested that the Attorney General's Office also review the proposal.

- Mr. Guernsey, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, cautioned that this proposal might go against the state debit limit.

- Chairman Marvel agreed caution was needed referring to the state debit limit. He advised Mr. Singer to stay in contact with Mr. Skolnik or other members of the Advisory Board in reference to the project. Chairman Marvel said that the Advisory Board on Prison Industry had authority to request bill drafts with a limit of ten for the next legislative session.

- Calling attention to the absence of employee's interest in the program, the difficulty of obtaining business by the industrial park in the Lovelock area, and the lack of demands for the units, Mr. Mackenzie questioned why Mr. Singer thought the program would be successful. Mr. Mackenzie speculated that in order to make the project feasible for Crown Partnership, the State of Nevada, by guaranteeing the loan for 40 units, would end up with owning a number of these homes.

- Mr. Singer replied that there are 290 employees at LCC. Mr. Singer cited that the survey conducted indicated that the main reason employees at LCC who commute to work do not want to move to Lovelock is the lack of amenities in the area. To attract employees, the project incorporates amenities at the site with a clubhouse and proposed amenities of a daycare center, bowling alley, a bar and grocery store.

- Bruce Aguilera, Vice President/General Counsel, Bellagio, questioned if there were adequate schools in Lovelock. Mr. Singer reported there is an excellent school in area.

- Chairman Marvel conveyed that the Lovelock area had new schools with strong superintendents. Students from the area have done well on proficiency examinations. Concurring with Mr. Singer, Chairman Marvel said because of economics, people do not want to invest the amenities in rural towns. Employees living in Fallon or Fernley who are commuting can utilize the freeway to Reno within an hour for such amenities.

- Mr. Singer informed the Committee that Crown Partnership had the ability to pre-approve loans for the 14 people who are considering purchasing the units. He advised that without assurance that the units could be developed, Crown Partnership did not want to conduct the pre-approval process and get the hopes of the prospective buyers up. Mr. Singer emphasized that there is a need in the Lovelock area for the project. He said the location of the planned project is approximately one block directly off the right as you exit the freeway in Lovelock.

- Mr. Skolnik informed the Committee that one of the individuals that Prison Industries is dealing with for industry in the area indicated that Lovelock, because of its location and the growth in northern California,

is a potential boomtown for industry in the next twenty years.

Chairman Marvel agreed, stating that the industry in the Fernley area has increased.

Responding to Mr. Mackenzie's question, if the reason the Advisory Board was addressing the issue of the project was to reduce turnover at LCC, Director Bayer said that the Department of Prisons had been exploring housing projects not just to reduce turnover, however, to recruit staff for the many vacancies at LCC making it problematic to run an operation. Some of reasons cited for the difficulty to recruit for LCC were lack of housing, a long commute, and non-competitive wages.

Directing his question to Director Bayer, Chairman Marvel asked if it would be beneficial to speak with the Prison Board and the Governor in reference to the project. Director Bayer conceded that would be one route to pursue; however, neither had the authority to guarantee funding. Expressing his concern for the number of vacancies at LCC, Chairman Marvel remarked that the more people involved the support of the project, the more it would help with the success of the project.

With regard to Mr. Mackenzie's question, Mr. Skolnik added that the reason Mr. Singer was presenting his plan to the Advisory Board on Prison Industries was the possibility of inmates doing construction and assembly for part of the project as a prison industry within LCC.

The Committee was in agreement that Mr. Singer should submit a written proposal with more specifics for LCB Legal Division and the Attorney General's Office to evaluate.

In reference to Chairman Marvel's question if Crown Partnership had considered apartments, instead of townhouses, Mr. Singer said that Crown Partnership was willing to construct apartments; however, the was no interest in the area for apartments. He displayed renderings of 42-acre parcel, the units and clubhouse for the Committee and pointed out that the 2-3 bedroom units would all have a garage.

Chairman Marvel asked if the Board had any further questions on Crown Partnership. He extended his appreciation to Mr. Singer for his presentation and wished him success on the venture.

B. Sprint

Mr. Skolnik informed the Board that under the new corporate structure, Sprint would not materialize as a prison industry. However, he said, the local company that the State of Nevada has contracted with for phone repair is expanding and may be interested in utilizing Prison Industries to do repair work locally in three to six months. Mr. Skolnik felt that if Prison Industries was doing this phone repair it might rekindle Sprint's interest in Prison Industries.

Remarking that Mr. Skolnik did not need direction from the Board on the possibility of phone-repair work at this time, Chairman Marvel suggested that Mr. Skolnik keep pursuing it as a potential industry.

C. High Desert Prison

Mr. Skolnik reported that Prison Industries had been approached by industries, including 21st Century Foods, who feels that if the northern Nevada operation is successful, they might want to expand to the southern part of the State of Nevada to deal with other states.

Chairman Marvel questioned if the State would have to fund money for any interested industry going into High Desert Prison. Mr. Skolnik replied yes, there would have to be buildings for the industries. Mr. Skolnik related that Prison Industries submitted the parameters in the original institution to the Public Works Board. In reference to Chairman Marvel's question on the square footage of the industry building, Mr. Skolnik advised that Prison Industries would like to have 70,000 to 80,000 square feet.

Mr. Skolnik said that Prison Industries was continuing to work with the Chamber of Commerce and the Nevada Development Authority regarding the potential for making High Desert Prison a new industry "incubator zone." He explained that Nevada would bring in a new prison industry and get them up and operating at the facility. Expounding, Mr. Skolnik said that as the industry is ready to move into the

community, they could draw their work force from the inmates getting paroled who were trained from the Prison Industry program. According to Mr. Skolnik, both the Chamber of Commerce and the Nevada Development Authority are receptive to this concept; however, Prison Industries will need the buildings in order to accomplish this "incubator zone."

Chairman Marvel questioned if the prison industry building for High Desert Prison was scheduled for Phase III. Director Bayer answered that the plans were submitted in Phase III; and subject to a follow-up report, the decision for the industry buildings would be made. Chairman Marvel remarked that with approximately 3,000 prisoners, there should be some kind of an industry program for them.

Mr. Skolnik agreed with Chairman Marvel, adding that although High Desert Prison was a remote location, he felt that was a workable locale for prison industries. He advised that, unlike the Lovelock area, attaining civilian staff for an industry would not be an issue at High Desert Prison.

Going back to item III on the agenda regarding potential industry programs for the LCC, Chairman Marvel stressed that the industry buildings had been empty too long and the quicker an industry could be placed for LCC, the better.

Referring to the letter of April 21, 2000, from The Department of Prisons to George Argyropoulos, CEO of U. S. Cabinets (Exhibit C), Mr. Skolnik reported that U.S. Cabinets had just renewed their interest in the space at LCC. Mr. Skolnik testified that he had informed interested industries that whoever is first with a signed contract will have a shot at the LCC space. Mr. Skolnik repeated that an industry building for High Desert Prison is needed.

With regard to Chairman Marvel's question, if the plans for an industry building for High Desert Prison are not included in the original design, Director Bayer affirmed that they were and described the area set aside for the industry building.

Chairman Marvel questioned if Mr. Ghiggeri had further information on the industry building at High Desert Prison. Mr. Ghiggeri responded that although the industry building was in the original design for High Desert Prison, the industry building was not recommended by the Governor and was not funded by the 1999 Legislature.

Responding to Chairman Marvel's question on the cost of the proposed industry building, Mr. Ghiggeri said that an estimate of construction for Phase III (consisting of four housing units and a prison industry building) of High Desert Prison is between \$50 million - \$60 million. He added that estimate might be increased since the gym planned for High Desert Prison was not constructed in Phase II.

Director Bayer notified the Board that a population projection is currently being reviewed by staff in Carson City. Director Bayer speculated that the prison population assessment indicated a reduction in inmates, making it possible to decrease or eliminate the housing unit portion of Phase III for High Desert Prison.

Confirming Mr. Ghiggeri's estimation that the actual inmate population was down by approximately 600 inmates from projection, Director Bayer informed the Board that the actual female count as compared to the number of inmates projected was right on target. He said the men's intake of inmates at the beginning of the year was low; however, is now gaining momentum. Director Bayer testified that the number of parole violators is starting to come down.

Chairman Marvel related that he had recently read that the number of parole violators is coming back up. Mr. Ghiggeri agreed that the count for parole violators is back up.

Mr. Skolnik pointed out that construction currently underway for an additional 1,000 beds for the Clark County Detention Center, as well as construction for eight additional courtrooms in Clark County, and the hiring of 200 additional police for the streets, could translate into more inmates for the prisons.

Referring to Chairman Marvel's question, if the maximum length of time for incarceration in a county

facility was one year. Mr. Skolnik agreed and related that the confinement in Clark County averaged eleven days. He reiterated that with more police, more places to detain people awaiting trial, and more people to perform trials there would be more inmates.

Director Bayer said that many of these inmates would be a misdemeanor, detention-center type of inmate. According to recent reports, there has not been a rise in felony crime rates in Nevada.

Chairman Marvel noted it was a very expensive undertaking. Chairman Marvel asked if there was further discussion on the High Desert Prison. He mentioned some members of the Board and staff would be touring the High Desert Prison at the conclusion of the meeting. He directed the Board to move to S.B. 485 on the agenda.

D. SB 485 (1999 Session) Update and Potential Law Changes to be Presented to the 2001 Legislative Session

Mr. Skolnik reminded the Board that Senate Bill 485 was the bill that eliminated telemarketing and access to personal information by prisoners. He said that Prison Industries does not feel that the telemarketing issue needs to be addressed. However, the bill impacts inmates work areas where shops or offices have faxes and phones. Mr. Skolnik indicated that the rooms with faxes are now secured and phones are supervised, however, under the current language of the bill, there is a potential problem for Prison Industries.

Chairman Marvel asked if Prison Industries had the need for legislative changes regarding S.B. 485.

Director Bayer responded that the Department of Prisons has received a partial opinion and is still waiting for a portion of the Attorney General's Opinion on SB 485. He said that the need for legislative changes would depend on the interpretation of the bill. Director Bayer advised the Board that, he wanted to comply with legislative intent.

Chairman Marvel expressed regret that Prison Industries lost the telemarketing program, while many other states are involved in telemarketing in their prisons.

Mr. Skolnik agreed that the issue was that the programs have moved to other prisons. He said that the program, while implemented in Nevada, prohibited prisoners from calling households, any residential numbers or any Nevada numbers. He agreed with Director Bayer that Prison Industries needed to go with the legislative intent; however, he did not feel that their intent was to close down working opportunities for restitution center inmates.

Chairman Marvel announced that the Board would discuss SB 485 at a future meeting once Prison Industries received the more on the of the Attorney General's Opinion. Chairman Marvel opined that this was an emotional problem that the press picked up after one incident.

Mr. Skolnik confirmed that there was one incident out of 145,000 telemarketing calls placed by the Prison Industry program.

Mr Guernsey recommended that, prior to a proposal for a bill draft for housekeeping on SB 485, Prison Industries submit the proposal to the Advisory Board in writing for the LCB legal staff to review and evaluate. If the bill were to be presented via the Advisory Board on Prison Industries, rather than the normal channels, the proposal would need the support of the Department of Prisons. Otherwise, Mr. Guernsey said, the Advisory Board would be placed in an awkward position.

Chairman Marvel concurred, stating that this was a highly volatile matter and departments need to work together with the Committee on the issue.

Director Bayer said that, in his opinion, the bill draft request should come from the Attorney General's Office as a housekeeping issue since SB 485 was their legislation. He stated that he had no desire to fight

with the Legislature over a high profile issue such as SB 485.

Mr. Skolnik noted that the law did not require the closure of the program that Prison Industries had involving telephonic surveying because it was not under statute as telemarketing. He said that Prison Industries closed the program because Prison Industries felt it was the legislative intent. Mr. Skolnik said that according to the initial Attorney General's Opinion, the program did not have to be closed. He felt clarification was needed on the true legislative intent of SB 485.

Director Bayer expressed his preference to pursue other industrie programs that have jobs that better prepare inmates with skills for their release, as telemarketing is a difficult business.

E. Potential Furnishing Projects – Either Undertaken or Under consideration for Current State or Capital Improvement Projects

Mr. Skolnik briefly testified on the following items involving furnishing projects or capital improvement projects:

Prison Industries had been in contact with a company in Florida, Q.E.P., for the possibility of assembly work in the Las Vegas area for a wide number of small products. John Woodburn, Regional Marketing Coordinator for Prison Industries, was from Florida and knew the company.

- Ed. Steele of ECS Pallet Company had toured the shops at the Northern Nevada Correctional Center (NNCC) in Reno for the possibility of a program for pallet construction and reconstruction.
- Six months ago, Mr. Skolnik and Mr. Woodburn had toured Markore (now renamed Marko By Carlisle) in Chicago. Prison Industries had received a test order from Marko By Carlisle for table skirting. Although the original order is a small \$350 test order, Ely State Prison (ESP) Drapery may be Marko By Carlisle's manufacture for soft products if the company expands. The drapery program at Ely had the most profitable month in March 2000 (\$8,000) due to orders from a new customer in Sacramento.
- Central Lyon County Fire District had an open house featuring Prison Industries' furniture product line that was well received.
- Drapes from ESP will be going into the Pinion Plaza Resort expansion of 84 rooms in Carson City.
- Mr. Woodburn and Mr. Palczewske from Prison Industries are visiting the hospitality Design tradeshow in Las Vegas to interest possible contacts for industry products.
- Bruce Industries was interested in Prison Industries providing shipping crates for their use for the Department of Defense.
- Prison Industries now has approval from the Director of the Legislative Counsel Bureau and the Secretary of the Senate for use of the Senate Bill-Book Room in the Legislative Building, Carson City, while the Legislation is not in session as a product display room.
- A review of the Metal Shop is in progress in terms of operation, product line, time study, and compliance with policy and procedure. With recent completion of an audit, the Metal Shop has been chosen as prototype for such a review which will ultimately be done shop by shop.
- A presentation is planned for the monthly breakfast meeting, May 31, 2000, at the Northern Nevada Development Authority regarding Prison Industries. Prison Industries had joined the Chamber of Commerce in Carson City in an effort to make them aware of Prison Industries' services.

- Prison Industries has added the Public Works Project 99-H01, a new office building for the Highway Patrol in Las Vegas scheduled for late 2001, to their follow-up list for Public Works projects.
- Prison Industries has contacted the Program Development Specialist at the UNR Learning Center at the Mount Rose Highway near Galena High School, which is to be completed in 18 months, for possible products.
- The structure for Medical School Resource Center will be completed in February 2001 with an opening in June 2001. Prison Industries has presented their products to the furnishing task force.
- Prison Industries has been in contact with High Tech Learning Center at Truckee Meadows Community College for a possible bid for furniture.
- Prison Industries will have no possibility of a bid for the furniture for the Veterans' Home as an interior designer was chosen for the specs.
- Prison Industries has an \$80,000 contract for 132 custom-built daybeds with Saint Rose DeLima Hospital for a new hospital in Las Vegas.
- Clark County Family Services has awarded Prison Industries a \$27,000 contract for a culinary tables for the new detention center expansion
- Prison Industries will know in mid June if they will be awarded bids submitted to Clark County Detention Center for their expansion for beds, desks, and metal wardrobes totaling approximately \$275,000.
- Prison Industries is on schedule with furnishings for High Desert State Prison.
- Prison Industries is ready to deliver an order for \$20,000 for chairs to the UNLV Lied Library.
- Sherrie Varner from the Prison Industries' Carson City Office has met twice with people from the Winnemucca Juvenile Facility in reference to Prison Industries products for the facility.
- The Mental Health Hospital would be going with Machabee for furnishings for its expansion in Sparks.

In reference to the Mental Health Hospital in Sparks, Mr. Skolnik informed the Board that the Public Works Project Manager, Bill Schulz, had informed Prison Industries that Machabee was the approved vendor for office and other furnishings when Silver State Industries is not required, so there would not be a competitive bid for the furnishings for the new hospital. Mr. Skolnik remarked that Prison Industries is never required by a State agency. According to Mr. Schulz, the decision for furnishings and fixtures would not be a competitive bid; however, the decision would be made in the best interest of the Nevada Mental Health Institute.

Chairman Marvel wondered how Machabee could be the only source and if Bill Schulz had the authority to decide there would be not a competitive bid.

Mr. Skolnik related that Prison Industries is intending to put together a contract book on furnishings similar to the Machabee book, which then would be distributed for these projects. Mr. Skolnik added that Mr. Schulz related that he was very impressed with the quality of the Machabee office chair and the pricing schedule that Machabee gave exclusively to the State Purchasing Division.

Directing his question to Mr. Moell, Chairman Marvel asked if Public Works had the authority on the decision to deal exclusively with Machabee.

Mr. Moell replied that the State Purchasing Division has an open-term contract with Machabee for steel-case chairs and steel-case desks in hard goods. Mr. Moell questioned how much money is involved for the furnishings. He related that the open-term contract was for a few chairs and that in most cases, when State Purchasing gets large volumes, they prefer going out to competitive bid.

Mr. Skolnik presented a brief history, relating that the previous director of the facility had specified some extraordinary expensive items because he was going to make this facility a showcase. Mr. Skolnik said that the director is no longer with the Mental Health Hospital and that the facility staff was, then, going to go back to the drawing board in all specifications. Mr. Skolnik along with Prison Industry staff met with the representatives of the Mental Health and Public Works staff to present their furnishings.

In reference to Chairman Marvel's question, if Carlos Brandenburg, Administrator of the Mental Health/Developmental Services Division, was contacted, Mr. Skolnik answered that Dr. Brandenburg was unable to make the meeting, however was represented by two of his people.

Chairman Marvel suggested talking directly with Dr. Brandenburg.

Mr. Skolnik continued to say that the staff from Mental Health Hospital and Public Works said that they would re-open bids and consider Prison Industries. However, approximately three weeks later, they informed Prison Industries that they were back to dealing only with Machabee.

Chairman Marvel expressed concern for the lack of time provided to Prison Industries for adaptations to modify furniture for the required specifications for the facility.

Howard Skolnik confessed that he was not sure where Prison Industries stood on the project or what they could do.

Mr. Ghiggeri advised that the project is running ahead of the scheduled completion date. He suggested that if and when Prison Industries ran into problems like this, they should contact the Board members prior to the meeting with the information so that staff could research the issue, rather than speculate.

Mr. Skolnik agreed, stating that the report was strictly informational, to inform the Board how the project was going.

Mr. Moell reinforced Mr. Ghiggeri's suggestion to let Board members know about obstacles in advance of the meeting. In reverence to Chairman Marvel's question, if Public Works has the authority on the decision to deal exclusively like this, Mr. Moell replied yes, that they did. He explained that Public Works generally bids the furnishings with the construction contract, and they have some kind of a furniture or interior designer. Mr. Moell said that it has become an ongoing issue because, usually, furniture designers have relationships with furniture manufacturers or interior designers. Recalling that the Board had discussed this at previous Advisory Board meetings, Mr. Moell stated that he was not sure that the State is getting "the best bang for their buck" that they probably would by bidding the contracts.

Chairman Marvel agreed with Mr. Moell, stating that the State of Nevada wants quality as well as the benefit of competition.

Mr. Skolnik assured the Board that he would keep pursuing the issue.

Chairman Marvel requested that Mr. Moell check into the situation.

Mr. Moell advised the Board that the State Purchasing Division has never taken the position that an agency was allowed to buy unlimited amounts with an open-term contract. However, when State Purchasing receives a large order, they almost always bid the order.

Discussion ensued among Board members involving concern that Prison Industries would still be able to fill an order for the Mental Health Hospital expansion since the project is running well ahead of schedule. It was Mr. Skolnik's opinion, that Prison Industries still had time to manufacture items for the expansion.

Referring to the Veterans' Home in Las Vegas, which is running behind schedule, Mr. Moell explained that the furniture planned is specified by an interior designer.

Mr. Skolnik explained that Prison Industries could provide furnishings for only five offices in the new Veterans' Home and that everything else is not in Prison Industries' product line. He informed the Board that the Veterans' Services have indicated to the five occupants of those offices that they can pick out whatever furniture they want and the occupants are individually working with the designer to come up with what they want.

Mr. Moell confirmed this, advising that the request of furniture doesn't come through the State Purchasing Division. Mr. Moell opined that competition for a bid is a secondary consideration for the Veterans' Home. In his opinion, the Veterans' Services are concerned about the design of the building. Mr. Moell said that there is an allowance to fill it up.

Chairman Marvel asked if Mr. Ghiggeri knew more on the Veterans' Home.

Mr. Ghiggeri said that if Mr. Skolnik could provide the Board with some information on the specifics for the Veterans' Home, staff would follow-up on it. Mr. Ghiggeri advised that the Veteran's Services should still be required to adhere to furniture limitations, and not purchase very expensive furniture that the normal State employee would not be entitled to.

Mr. Ghiggeri related that there was a problem of excessive expensive furniture purchased by the Supreme Court back in the eighties.

Chairman Marvel questioned if there was anything further on potential furnishing projects. Being none, he directed the Committee to the next agenda item.

F. Pershing County School District – Nevada Wood Products

Mr. McCuin informed the Board that Pershing County School District (dba Western Wood Products), located near Lovelock, operates two programs, one as a prison industry program and the other a vocational program. The prison industry side of Western Wood Products, which opened in August manufacturing kitchen cabinets, had two good months, in August 1999 and September 1999. Since those two months, the first payroll that Prison Industries has received from the program was this past month. Mr. McCuin indicated that the last payroll for the program was for only \$2,000 compared to the first two month's payrolls of approximately \$7,000 to \$8,000.

Chairman Marvel complimented Nevada Wood Products' work, which he had recently seen in the new Sage Building in Lovelock, and questioned if Nevada Wood Products was current with payments to Prison Industries.

Mr. McCuin affirmed that Nevada Wood Products was current with their payments.

In reference to Chairman Marvel's inquiry on the utilities for the program, Mr. Skolnik advised that Prison Industries had given Western Wood Products two alternatives, to meter the utilities or to figure utilities by square footage. Mr. Skolnik said that Prison Industries is expecting a decision from Western Wood Products on their preference; however they feel that Western Wood Products will choose to pay utilities based on

square footage. With regard to Chairman Marvel's observation of local counties/entities presently being in financial straits, Mr. Skolnik said that Prison Industries did not want to force Western Wood Products out over the utilities, as it is a unique joint program. Mr. Skolnik expounded, saying that the vocational training/manufacturing program is the only one between a school district and a prison industry in the United States.

Regarding Chairman Marvel's question on the possibility of expanding such a program to other prison facilities, Mr. Skolnik opined that once the track record for the program for Pershing County School District/Western Wood Products is established, Prison Industries would be able to sell the concept to other schools.

Chairman Marvel requested any further discussion on the Pershing County School Districts/Western Wood Products. Seeing none, he directed the Board to the next agenda item.

V. REVIEW OF FINANCIAL REPORTS, QUARTER ENDING DECEMBER 31, 1999, WITH COMPARATIVE DECEMBER 31, 1998, STATEMENTS FOR SILVER STATE INDUSTRIES' BY DEPARTMENT OF PRISONS.

Chairman Marvel ascertained that Board members had an opportunity to review the financial statements (Exhibit D) provided in the meeting packet. He requested that Mr. McCuin present highlights from the statements for the Committee.

Directing the Committee to the balance sheet items on page 44 (Exhibit D) of the meeting packet, Mr. McCuin pointed out that cash in both the Prison Dairy and Prison Industries Capital had increased between the years 1999 and 1998 and that there was a decrease of approximately \$33,000 for Prison Industries. However, he noted, the accounts receivable was \$160,000 higher due to the High Desert production. Continuing, Mr. McCuin said that other changes in the assets were increases in inventories to support the High Desert Prison production and an increase in the livestock inventory, with a total increase in assets of \$315,000. Mr. McCuin said there was no significant change in the liabilities.

Mr. McCuin pointed out that the Consolidated Statement of Operation on page 46 (Exhibit D) of the meeting packet was broken down into three different budgets, Prison Industries, Prison Dairy and PI Capital Projects. He attributed the increase of \$152,00 in net income for Prison Industries to the increase in sales coupled with the decrease in associated costs to produce the products and institutional overheads. Mr. McCuin said that Prison Dairy, although showing a loss, reduced their loss by \$40,000.

Chairman Marvel noted the substantial progress by Prison Dairy in reducing their net loss from \$41,838 in FY 1998 down to \$951 in FY 99 (as of December 31).

Mr. Skolnik concurred, saying that the Prison Dairy usually does better at the end of the year compared to the beginning of the year.

Continuing, Mr. McCuin noted that there would be an increase in profit by Prison Dairy due to the feeder/steer program. Responding to a question from Chairman Marvel on the capacity of the program, Mr. McCuin advised that the feeder/steer program would accommodate 70 steers; however, Prison Dairy had a substantial number of other livestock.

Chairman Marvel questioned if Prison Industries had been purchasing livestock.

Mr. Skolnik replied that rather than purchasing livestock, the Prison Dairy had been breeding to improve the herd.

Chairman Marvel suggested with the calf-feed lot capacity, Prison Dairy may want to purchase some cattle and feed them out.

Mr. McCuin advised that Prison Dairy had just purchased six heifers from the University of Nevada Reno (UNR). He thought that the purchase of cows to bulls was to support the dairy program, while the livestock was just the opposite.

In reference to Chairman Marvel's questions, Mr. Skolnik affirmed that UNR did butcher the cattle out for Prison Dairy and that Prison Dairy has done two or three cycles. He advised that the Prison Dairy is striving to achieve a rating of prime, as the return will be better as the quality of the meat goes up.

Mr. McCuin called attention to the PI Capital Projects, which increased, as there were no expenditures for capital projects.

Concluding his presentation, Mr. McCuin noted for the Committee that inmate wages increased as well as the interest income on the greater balance on the inmate wage assessment. Mr. McCuin said he would answer any questions on the financial statements.

Mr. Skolnik stated that the bottom line is that Prison Industries' net income was \$204,000 ahead of last year. Referring to a handout of a cash flow sheet as of April 26, 2000, with comparisons to April 26, 1999, (Exhibit E), he pointed out that the cash position increased by \$195,000, sales are up \$424,000 and unencumbered funds increased by \$105,777. Mr. Skolnik explained that the interest income would decrease by approximately \$5,000, once shares of interest income for the Ranch are distributed. Continuing, Mr. Skolnik said that receivables are up \$239,000 and there is \$647,000 in open orders.

With regards to Chairman Marvel's question, when the product would be delivered for High Desert Prison, Mr. Skolnik related that much of the product would be delivered this fiscal year with some carry over to the next fiscal year because of the date the buildings will be received at High Desert Prison.

Chairman Marvel asked if High Desert Prison would keep Prison Industries busy for about three years.

Mr. Skolnik replied that if Prison Industries received the contract for the Clark County detention facility, operations at the primary profit centers would remain at a high level for approximately one-and-a-half years. After that time period, there is concern for the metal Shop operation. He explained that the main reason the Metal Shop was chosen as prototype for the audit review was the possible drop in production after the one-and-a-half year period.

Regarding Chairman Marvel's question on the feasibility of privatizing the Metal Shop, Mr. Skolnik related that Prison Industries had considered privatization. He indicated that another reason for the prototype review of the Metal Shop was that a company from Florida had been in contact with Prison Industries. Should the operation be privatized, it would function like Vinyl Products.

Mr. Mackenzie asked the date for the end of the fiscal year and if the Board received audits by an outside audit firm of the financial statements for Silver State Industries along with a management letter.

Mr. Skolnik responded that June 30 was the end of the fiscal year and that Prison Industries did not have an outside audit firm. He said that he had discussed a contract for an audit for Silver State Industries with Mr. McCuin and if it were to be contracted, it would be done internally.

Mr. McCuin interjected that there is a comfort level with an outside audit; however, the cost for such an audit is approximately \$30,000.

Mr. Mackenzie questioned if the Advisory Board was accountable for the financial statements for Silver State Industries.

Mr. McCuin assured Mr. MacKenzie that there are safeguards in the State of Nevada's system. He explained

that Prison Industries does not have a checking account or write checks. The cash is deposited into the State Treasurer, so that the cash figure on the balance sheet is the actual cash in the bank. Mr. McCuin explained that individual supervisors have limited authority of \$250 per day on their purchases and must obtain his approval for purchases over \$250 up to \$5,000. If purchases are over \$5,000, the State of Nevada Purchasing Division must approve them. When invoices are processed, they come from the shop for review by Mr. McCuin and pre-audit outside of Prison Industries prior to going to the Controller's office for a check to be issued.

In the private sector, Mr. MacKenzie related, people depend on the audited financial statements to make decisions. He said that as an outside, third-party view, the management letter is generated to point out shortcomings or areas of improvement for an operation.

Concurring with Mr. MacKenzie, Mr. Skolnik related that these were some of the reasons Prison Industries was considering an outside audit.

Chairman Marvel indicated that if there were no further questions on the financial statements, the Board would move to the next agenda item.

VI. REVIEW OF NUMBER OF INMATE EMPLOYED BY DEPARTMENT OF PRISONS

Referring to the census report for March under tab VI on page 60 of the meeting packet, (Exhibit F), Mr. Skolnik pointed out that, with a recent change of owners and a new name for the car collection, there would be a decline in the number of inmates employed in the Imperial Place program. He explained that the individuals involved would not change; however, the new owners will be more conscious of the cost of restoration and may cut the work force by four or five inmates.

Mr. Skolnik informed the Board that the program of Skidmore Roth has been replaced with T. J. Wholesale, a card sorting company that started last fall. He advised the Board that Prison Industries is also trying to place the card-sorting program in the Southern Nevada Women's Correctional Facility (SNWCF). Mr. Skolnik said that the program peaks at about eight inmates due to space limitation.

Mr. Skolnik speculated that expansion in the number of inmates employed should increase as the programs for LCC come on line.

Mr. Skolnik testified that both the programs for the Art Glass Center and Shelby would like to expand if Prison Industries could provide additional space. He informed the Committee that there might be a conflict with space requirements for A. E. Collins Development and Shelby.

Chairman Marvel asked if Prison Industries was going to research to see if Capital Improvement Project (CIP) funds could be used to expand a program.

Mr. Skolnik answered that Prison Industries is planning on resubmitting a letter concerning the use of the CIP funds for expansion to the Attorney General's Office, now that they have a new Deputy Attorney General working with Prison Industries.

Mr. Ghiggeri requested that Mr. Skolnik provide the Board members with a copy of the letter to the Attorney General's Office and specifics on the CIP funds when it is submitted.

Mr. Skolnik agreed to provide the details to the Board. He asked if there were further questions on the review on the number of inmates employed by Prison Industries.

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

VII. INFORMATIONAL ITEMS.

A. Southern Desert Correctional Center (SDCC)– Additional Space.

Mr. Skolnik reiterated that he would provide the details for the Board referring to the additional space request for SDCC.

Chairman Marvel asked Board members if there were further questions on SDCC. Being none, the Chairman directed the Committee to move to the next agenda item.

B. Lovelock – Open House.

Mr. Skolnik informed the Board that the open house at LCC was successful. He reported that Prison Industries advertised in the northern Nevada Media to recruit business for that location. Response from 21st Century Foods was due to one of the radio advertisements aimed at prospective businesses to attend the open house.

C. Florida Corporate Finance – Metal Shop Privatization.

Mr. Skolnik advised the Committee that The Florida Finance Company was the company that approached Prison Industries on the possibility of privatization of the metal shop as previously discussed.

E. Work Program Changes.

1. Feeder Steer Program for Prison Dairy

Referring to copies of the work programs under tab VII. D., pages 70-75 of the meeting packet (Exhibit G), Mr. McCuin reported that the first work program change was to buy additional corn for the steers at the Prison Dairy. He noted that, at the first of the year, Prison Industries sold 18 steers grossing \$14,000. The sale of 44 steers is scheduled between now and end of June with a potential of approximately \$33,000 for the sale.

2. Support Costs of Nevada Legislature’s Interim Finance Committee’s Advisory Board on Prison Industry

The second work program, Mr. McCuin explained, was to increase funds to the category to reimburse costs for members of the Interim Finance Committee’s Advisory Board on Prison Industries for the April 27, 2000, meeting.

In reference to Chairman Marvel’s question, if these work programs would be for the next Interim Finance Committee’s consideration, Mr. Skolnik advised that the work programs had already been approved.

E. Legislative Letter of Intent – Sales and Open Orders.

Referring to the handout on the third quarter schedule of sales, projections and open orders regarding the Letter of Intent of the 1999 Legislature (Exhibit G), Mr. Skolnik pointed out that Prison Industries is getting on tract in relation to production and the predictions for this year. Mr. Skolnik asked if the Committee had any questions on the handout. There were no questions.

F. Written Remarks by Gwyn Ingley, Executive Director of the Correctional Industries Association.

Mr. Skolnik commented that he had provided the testimony (under tab VII. F. on pages 80-83 of the meeting packet, Exhibit I) by Gwyn Ingley, Executive Director of the Correctional Industries

Association, to the Congressional Correctional Officers' Caucus only as an informational item to the Board.

G. Prison Industries Survey from the Corrections Compendium

Mr. Skolnik asked if there were any inquiries from the Board on the Prison Industry survey from the *Corrections Compendium* located under tab VII. J., pages 85-98 of the meeting packet (Exhibit J).

Chairman Marvel commented that the information was insightful as to what prison industries are doing for inmates and that Nevada was at the top in comparison to other states.

Agreeing, Mr. Skolnik proclaimed that Nevada has national recognition for Prison Industries efforts.

Questioned about the handout, the *Offender Employment Report* (Exhibit K), Mr. Skolnik informed the Board that this was a new report whose editor is a project director for the National Institute of Justice. The ten top industry programs in the United States are listed in the report with Nevada's programs placing third on the list. Asked where the report was published, Mr. Skolnik said he did not have that information on hand; however, he promised to provide more information on the *Offender Employment Report* for the Committee members.

H. Wild Horse Programs Vocational Proposal

Mr. Skolnik and Director Bayer informed the Committee that the Vocational Proposal in the packet under tab VII. H.(Exhibit K) was a different issue than the Wild Horse Program at the Prison Dairy.

Questioned whether Prison Industries' planned an expansion for the Wild Horse Program, Mr. Skolnik informed the Committee that Prison Industries has encountered a problem with expansion. He explained that a federal bid requires inspection of the corrals prior to awarding the contract. Prison Industries would have to spend over \$100,000 for the corrals without the assurance that Prison Industries would receive the bid.

Chairman Marvel concurred with Mr. Skolnik's hesitation for the project, as \$100,000 is a considerable investment on a possible bid.

It was Director Bayer's opinion that Prison Industries should submit the bid qualifying the money would be used for the corrals if Prison Industries were to receive the bid. He suggested structuring the bid to Prison Industries best interest.

Chairman Marvel called for further comments or questions regarding the Wild Horse Program. Being none, he called for any public testimony to come before the Board.

V. PUBLIC COMMENT.

Mercedes Maharis, Director for Nevada CURE, introduced herself for the record and announced that CURE's national headquarters are located in Washington, D. C. She said that CURE is concerned with reducing crime through criminal justice reform, especially, prison reform.

Continuing, Ms. Maharis said that CURE would like to ask questions of the Board on issues concerning

prison industry. First, Ms. Maharis asked the difference between prison industry and private industry regarding the total employment. Referring to the census report under tab VI on page 60 of the meeting packet (Exhibit F), Ms. Maharis pointed out that total all indicates 366 and total private shows 118.

Mr. Skolnik explained that within the prison institutions there are two types of operations: those that are owned and operated by the State of Nevada (which are traditional industries), and those of private companies that lease space from the prison Industries and operate their own manufacturing or service industry

Continuing her testimony, Ms. Maharis stated that the second issue she wanted to discuss was the gymnasium for the High Desert Prison. Ms. Maharis related that she had briefly discussed the gym with Assemblyman Arberry and had learned that the issue of the gym had been brought before the last Interim Finance Committee (IFC) meeting. Ms. Maharis related that the law had been violated in reference to the gymnasium.

Chairman Marvel informed Ms. Maharis that the forum for the issue of the gymnasium is the IFC Committee, not the Advisory Board on Prison Industries. He indicated that the issue had been addressed at the IFC meeting. Chairman Marvel inquired if Ms. Maharis had been able to attend the IFC meeting to hear testimony from Eric Raeke, Manager of the State of Nevada Public Works Board regarding the issue.

Ms. Maharis answered that she had not attended the IFC meeting

Chairman Marvel advised Ms. Maharis that Mr. Raeke is on record that he will have an answer regarding the gym for IFC by June 2000. It was Mr. Raeke's thought that the gym would be put back in place. Chairman Marvel called on Director Bayer for more information on the gymnasium.

It was Director Bayer understanding that the State of Nevada Public Works Board was working on a design for the gymnasium and depending on funds available in the project, the gym could still be constructed by the time the facility is opened.

Ms. Maharis proposed that to keep health for prisoners, both mentally and physically, High Desert Prison must have a gymnasium. She said "people gave money to you in trust." Ms. Maharis said that she believed that the Advisory Board on Prison Industries was part of the IFC.

Chairman Marvel advised that only two of the Advisory Board on Prison Industries members were also a member of the IFC.

Addressing the members who represented both IFC and the Advisory Board on Prison Industries, Ms. Maharis urged them to consider construction of the original gymnasium as planned.

Chairman Marvel, again, advised Ms. Maharis that in speaking with Assemblyman Arberry, she had the correct channel to address the issue, as he is the Chairman of IFC.

Continuing, Ms. Maharis said it was her understanding that a practice of hazing which exists in the program of Imperial Palace.

Expressing concern, Chairman Marvel questioned when and if charges had been levied or any grievances had been filed.

Ms. Maharis responded that they had not; however, she had a letter responding to the hazing.

Chairman Marvel requested a copy of the letter be given for the record to the secretary of the Advisory Board on Prison Industries, and that it would be a more appropriate issue for the Director of Prisons.

Ms. Maharis agreed and read the letter dated July 22, 1999, addressed to the Shop Manager of Imperial

Palace (Exhibit L) for the members of the Advisory Board on Prison Industries.

Chairman Marvel asked whether Mr. Skolnik was aware of this incident.

Mr. Skolnik replied that this was the first he had heard of the incident.

Ascertaining that the inmate was still incarcerated, Chairman Marvel assured Ms. Maharis that the matter would be looked into by the Director and the Associate Director. He then requested that Director Bayer investigate the issue.

Ms. Maharis presented a scroll to the Committee, pointing out that it was a list of all the deaths that had occurred within the prison system. With regard to Chairman Marvel's request for clarification on the time frame and the locality of the deaths, Ms. Maharis said that the list was for Nevada and went back to the inception of the prison system. Ms. Maharis cited causes of the deaths as: 50 due to executions, 231 due to natural causes, 39 due to AIDS, 49 due to suicides, 23 homicides by other inmates, 6 homicides by staff, 17 due to accidents, 4 other and 1 unknown. Ms. Maharis expressed that these figures were excessive in any system and that the Advisory Board on Prison Industries could help by getting more inmates jobs.

Remarking that Mr. Skolnik was very aware of the sentiments of the Committee, Chairman Marvel explained that it was the Advisory Board on Prison Industries' objective to expand industry programs to employ more inmates and give them skills so that they are better equipped upon their release.

Concluding her testimony, Ms. Maharis informed the Committee that she was distressed after the last meeting of the Advisory Board on Prison Industries due to discussion about the lack of a gym and remarks referring to inmates making pet rocks. Ms. Maharis indicated that she, in communication with other families, felt devastated by the remarks and she felt that the members of the Advisory Board on Prison Industries showed a cavalier attitude by the remarks.

Chairman Marvel explained that the remarks were facetious and that the mission of the Board was to keep inmates away from the "rock-kicking" concept and keep them busy. Chairman Marvel apologized as Chairman of the Committee on behalf of the Advisory Board, and assured Ms. Maharis that he was sure the remarks were not intended to be offensive.

Chairman Marvel requested that if Ms. Maharis received any letters pertaining to Prison Industries similar to the one she read for the Board, she contact Mr. Skolnik right away. She agreed to do so. Chairman Marvel thanked Ms. Maharis for her testimony.

Referring to the scroll provided by Ms. Maharis, Director Bayer said that such a list sometimes jaundices the viewpoint of what is really going on. Director Bayer emphasized that the Department of Prisons is concerned with inmates, is doing the best that they can, and will continue to improve their system. He said that Nevada has one of the best mental health programs for prisoners in the county. Director Bayer suggested that Ms. Maharis compare Nevada Department of Prisons' incident rates, deaths, etc. with any other state. He said that Nevada would stack up favorably. Director Bayer stated that, although nobody likes to see deaths in prison, with the correlation of more life-without-parole sentences, deaths in prisons would be escalating.

With regard to Ms. Maharis' comment that Director Bayer had the power to make the life for inmates bearable, Director Bayer explained that he was just clarifying the list of deaths in prison would be longer and the connection is not due to prison conditions.

Ms. Maharis disagreed with Director Bayer and asked why were people committing suicide.

Director Bayer expressed that he was attempting to inform Ms. Maharis that the Department of Prisons is concerned.

Chairman Marvel noted that the Advisory Board on Prison Industries is not the appropriate forum for the issue of prisoner suicides. He suggested Ms. Maharis take this type of grievances to the Prison Board.

It was Ms. Maharis' opinion that the suicide rate for prisoners would go down if inmates were kept busy.

Mike Magnani, Labor Union Representative, related that he was a charter member of the Advisory Board on Prison Industries and was proud of the State of Nevada for creating the Committee and for bringing in Mr. Skolnik to help the Board in the development of programs to attempt to employ as many inmates as possible. Mr. Magnani opined that keeping the program going is a step in the right direction, not only for the Director of the Prisons, but for all the Board members and the State Legislature.

Addressing Ms. Maharis's remarks on suicide, Mr. Magnani said that he did not relate the information that Ms. Maharis presented to what the Committee had done or had not done. Mr. Magnani stated that prisons are not a nice place to be and some people do not do well detained in a prison environment in spite of good treatment. He said there are some things that the system cannot control; however, he felt that the Advisory Board on Prison Industries was a big step toward making an inmates life better.

Ms. Maharis said that she was trying to inspire the Committee to work faster and harder. She offered the services of CURE for research for the Committee to help prisoners get jobs.

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

Mr. Magnani expressed his appreciation for having the entire Committee together as a whole.

Chairman Marvel agreed that one location versus teleconferencing the meeting was beneficial. He suggested having the next meeting in the north in August. He questioned if the financial reports would be completed by August.

Mr. Skolnik answered that the year would not close until August 15; however, a estimate could be calculated for the Advisory Board.

There being no further business before the Committee, Chairman Marvel adjourned the meeting at 11:35 a.m.

Respectfully submitted,

Denise Nielsen
Secretary

APPROVED:

Assemblyman John Marvel, Chairman

Date