

**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 B & C, Las Vegas, Nevada

December 9, 1999

A meeting of the Interim Finance Committee's Advisory Board on Prison Industries was held at 10:00 a.m., Thursday, December 9, 1999, in Room 4412 of the Grant Sawyer State Office Building, Las Vegas, Nevada.

**COMMITTEE MEMBERS PRESENT:**

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

**COMMITTEE MEMBERS ABSENT:**

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Senator Lawrence Jacobsen, Vice Chairman

**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  
Scott Wasserman, Chief Deputy Legislative Counsel, Legal Division  
Wil Keane, Deputy Legislative Counsel, Legal Division  
Denise Nielsen, Secretary, Fiscal Analysis Division

**OTHERS PRESENT:**

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Howard Skolnik, Deputy Director, Prison Industries  
John McCuin, Chief of Financial Services for Prison Industries  
Greg Rossiter, Deputy Attorney General, Prison Industries  
Pat Hines, Nevada CURE  
Mercedes Maharis, Director, Nevada CURE  
Ben Graham, Clark County Deputy District Attorney

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**EXHIBITS:**

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Exhibit A: Meeting Notice and Agenda.

Exhibit B: Attendance Record.

Exhibit C: Copy of the table of Uncollectable Accounts on page 25 under tab V A. of the meeting packet.

Exhibit D: Copy of the signed contract with Pershing County and the Department of Prisons.

Exhibit E: Copies of correspondence for certification of the Western Nevada Wood Products program under tab V.C. of the meeting packet.

Exhibit F: Copy of a handout of the draft contract with Sprint and the Department of Prisons.

Exhibit G: Copy of a handout of the draft contract with U. S. Cabinets, Inc. and the Department of Prisons.

Exhibit H: Copy of the letter in the packet on page 34 under tab V. K. to Dr. McHenry of Edumerica, Inc.

Exhibit I: Copy of the handout of the letter to Ron Schaeffer of Correctional Cable TV.

Exhibit J: Copy of the letter from Wendy Smith, dated September 13, 1999, to Mr. Skolnik, page 37 under tab V I. of the meeting packet.

Exhibit K: Copy of the handout on LCB Legal Division's opinion on the roll or the Prison Industries Advisory Board in approving contracts.

Exhibit L: Copies of the "Silver State Industries" Annual Report for the year ending June 30, 1999, with Comparative June 30, 1998, Financial Statements and the "Silver State Industries" Financial Statements for the Quarter Ending September 30, 1999, with Comparative September 30, 1998, Statements (pages 41 through 87 of the meeting packet under tab VIII).

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. & III. INTRODUCTION OF NEW COMMITTEE MEMBER, MICHAEL MACKENZIE.**

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 introduced Mike Mackenzie, President, Trimm Technologies, Inc., who was appointed to the Advisory Board on Prison Industry by the Interim Finance Committee at their meeting on November 17, 1999, as the manufacturing representative for the Advisory Board. Chairman Marvel expressed that with Mr. Mackenzie's impressive resume it was a pleasure to have Mr. Mackenzie as an addition to the Board. Chairman Marvel requested the secretary call roll.

## **II. APPROVAL OF AUGUST 24, 1999, MEETING MINUTES.**

Chairman Marvel announced that, under the old regime, he would accept a motion for the approval of the minutes of August 24, 1999.

**MIKE MAGNANI MOVED TO APPROVE THE MINUTES OF THE AUGUST 24, 1999, MEETING AS PRESENTED. BILL MOELL SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.**

Chairman Marvel introduced Wil Keane, Deputy Legislative Counsel, from the Legislative Counsel Bureau, Legal Division to the Committee. He then turned the meeting over to Bob Guernsey, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, to conduct the selection of a chairman for the Committee.

## **IV. SELECTION OF CHAIRMAN-NRS 209.4813**

Mr. Guernsey advised that this was the time, under NRS 209.4813, subsection 3, that members of the Advisory Board select a chairman from among their membership for a term of two years. He opened the floor for nominations.

**MIKE MAGNANI MOVED TO SELECT ASSEMBLYMAN JOHN MARVEL TO SERVE**

**AS CHAIRMAN FOR THE ADVISORY BOARD ON PRISON INDUSTRIES. AL PULIZ  
SECONDED THE SELECTION.**

Mr. Guernsey asked for further nominations. Being none, he closed the nominations and called for a vote on the nomination.

**THE MOTION CARRIED UNANIMOUSLY.**

Chairman Marvel said that serving on the Board for the next two years would be a privilege. He advised the Board that it was at the discretion of the chair to appoint or have the Advisory Board select the vice-chair. He voiced his preference, that the members select a vice-chair and opened the floor for nominations.

**AL PULIZ MOVED TO SELECT SENATOR JACOBSEN TO SERVE AS VICE-  
CHAIRMAN FOR THE ADVISORY BOARD ON PRISON INDUSTRIES. BILL MOELL  
SECONDED THE SELECTION.**

Chairman Marvel called for further nominations. Being none, Chairman Marvel closed the nominations and called for a vote on the vice-chair.

**THE MOTION CARRIED UNANIMOUSLY.**

Chairman Marvel advised that by acclamation, Senator Jacobsen would be informed that he remains vice-chair for the Advisory Board on Prison Industries.

**V. STATUS REPORT FROM PRISON INDUSTRIES AND COMMITTEE  
RECOMMENDATIONS.**

**A. Status of Uncollectable Accounts**

Mr. Skolnik, Deputy Director, Prison Industries, introduced himself for the record and directed the Committee's attention to the table on the status of uncollectable accounts on page 25 under tab 5 A of the meeting packet (Exhibit C). Mr. Skolnik said he would respond to any questions the Committee may have in reference to the table.

Responding to questions from Chairman Marvel, John Mcuin, Chief of Financial Services for Prison Industries, replied that the top portion of the table, totaling \$28,615.02, indicated debts accrued in prior fiscal years. Mr. McCuin noted that all the debts in this area of the table had been discussed at previous Advisory Board meetings.

Referring to the amount owed by Craig Korsgaard, Mr. McCuin explained that the repair work of a vehicle to be done by Mr. Korsgaard would more than cover the debt, so the invoice would be reduced by that amount.

Mr. McCuin related that owners of the The Garlic Café had changed twice since the sale of furniture for the debt of \$7,236.14 had transpired. He said that according to the new owners of the restaurant, they had no knowledge of the debt owed Prison Industries. Mr. McCuin advised that the majority of the debt for the café was accrued finance charges of approximately \$5,000.

In reference to the amount of \$13,172.21, Mr. McCuin advised the Board that the original invoice due from Hospitality Fabricators to the Ely Drapery Factory was approximately \$25,000. Mr. McCuin related that, upon settlement, Hospitality Fabricators claimed there was a warranty problem with Prison Industries' products. Because of the dispute between Hospitality Fabricators and Prison Industries, the Controllers Office will not proceed with an attempt to collect the disputed amount. Mr. Skolnik

interjected that the company, Hospitality Fabricators, was based in Florida and is no longer in existence. Mr. McCuin added that the freight company that contracted with Hospitality Fabricators has informed him of unresolved debts owned to them by Hospitality Fabricators.

Chairman Marvel suggested that Prison Industries may as well write-off the debt for Hospitality Fabricators.

Mr. McCuin informed the Board that the balance due from Tahoe Furniture Concepts dated back to 1992 sales. Although Prison Industries was able to collect some payments from Tahoe Furniture Concepts, they have learned that Tahoe Furniture Concepts has filed for Chapter 7 Bankruptcy.

Mr. McCuin advised the Committee that the balance of \$175.86 had been collected from the inmate who owed the debt.

Referring to the bottom portion of the table for accounts being considered for write-off within the current year, totaling \$653.63, Mr. McCuin said most of the debts due are to finance charges. In reference to the amount of \$314.64, Mr. McCuin explained that the charges were created due to a required turnaround time of 45 days required by the non-profit customer with Prison Industries billing them in error for a 30-day turnaround.

Chairman Marvel suggested Prison Industries meet with the Attorney General's Office to decide which of these debts may be collectable and write off the other uncollectable debts.

In reference to Senator Rawson's question, if Prison Industries would consider doing business with Hospitality Fabricators in the future, Mr. Skolnik advised that Prison Industries would not, unless the issue of the debt was resolved or the debt was completely paid.

Responding a question from Senator Rawson, Chairman Marvel replied that the Committee did not need to take action on the subject of uncollected accounts, as this was an informational item on the agenda. He asked if there were any further questions on the uncollected items. Being none, Chairman Marvel instructed Mr. Skolnik to move to the next agenda item.

## **B. Housing Projects in Lovelock**

Mr. Skolnik advised the Committee that that the developer of the proposed housing project, Larry Singer of Crown Partnerships, expressed interest in attending the next Advisory Board on Prison Industries' meeting in order to obtain State support for the housing project. Mr. Skolnik informed the Board that responses from the staff at Lovelock Correctional Center (LCC) on the housing project survey were very limited with some responses expressing that the amenities in the Lovelock area did not warrant moving to the area.

Director Bayer informed the Committee of considerable efforts by their agency to find adequate housing in the Lovelock area for prison staff. He expressed frustration that, now, the agency is receiving allegations that it is inappropriate for the agency to be polling staff to see if there is interest in living in the community and that the Warden for LCC may have a private interest in the company involved in the housing development.

Chairman Marvel related that upon requesting information, he was advised that the majority of the LCC staff commute from Fallon, 10 of the staff commute from Winnemucca and 60 of the staff live in Lovelock.

Director Bayer said that there may be a better response to the housing if the housing was rental real estate, as staff may not want lock into purchasing a home if they are pursuing job advancements in the prison system that may require moving from the area.

- Mr. Skolnik advised the Board that there were approximately 20 employees who showed interest in purchasing homes from the developer of the housing project, while Crown Partnerships' break even point to construct the project was 40 homes. According to Mr. Skolnik, Mr. Singer would like to discuss the possibility of term leasing for the project with Committee. He explained that the zero-down payment and low-interest loans through Fannie Mae would be lost in a lease situation.

- Responding to Senator Rawson's question, if programs in the State for accessible housing had been pursued, Mr. Skolnik said that was one of the items that Mr. Singer wanted to discuss with the Committee.

- Addressing Senator Rawson's question on a possible revenue bond to build the homes, Chairman Marvel said that in order to float a revenue bond there must be assurance of a payoff. He indicated that the response to the first polling of the staff in reference to purchasing the housing was negative.

- Senator Rawson said the houses would not have to sell; they could rent and show revenue to assure a bond.

- Chairman Marvel agreed with this possibility, having the State subsidize the housing with low rental rates, with the State floating the revenue bond.

- Gary Ghiggeri, Principal Deputy Fiscal Analyst, recommended that Larry Singer contact Chas Horsey of the State's Housing Division to discuss ideas on the project prior to attending the next Advisory Board on Prison Industries' meeting. Mr. Ghiggeri suggested that both Mr. Singer and Mr. Horsey attend the next Advisory Board on Prison Industries' meeting.

- Director Bayer indicated that he supported Senator Rawson's idea on developing a state bond issue. He suggested the consideration of working out an apprenticeship program with labor for a program with ownership of the project under the Department of Prisons. Director Bayer said this would develop a labor pool and develop work for Prison Industries. He said that Prison Industries could fabricate some of the items normally produced out of state. Since the construction project could be repeated in other locations, it would develop a job market. Director Bayer surmised that ownership of the project could make the debt service.

Chairman Marvel agreed that an apprenticeship program would be worth exploring and would be beneficial training for people in labor.

Mike Magnani, Labor Union Representative agreed with Chairman Marvel. He stated that the apprenticeship program would be an excellent opportunity for a lot of people both in the area of training and the area of staff seeking housing.

Mr. Skolnik informed the Committee that according to Mr. Singer, the current average age of a construction worker in the United States is 48. He added that less than ten percent of high school students have indicated they would consider construction as a career choice. Mr. Skolnik speculated that a shortage of construction workers in the next ten years would create a problem. He said that an apprenticeship program involving inmates would fill this void.

Director Bayer informed the Committee that he was not just talking of inmates for the apprenticeship program, however, training on a regional basis. He indicated the possibility of interest from the miners recently out of work due to mine closures.

Mike Magnani informed the Board that, currently, the Nevada State Employment Security Department has funds for worker displacements, which is an area to investigate for re-training and new training.

Director Bayer suggested an option of using injured workers who are good contractors (currently unable to work their regular jobs) as trainers for a viable program.

Chairman Marvel directed the Committee's attention to agenda item, Nevada Wood Products-Certification.

**C. Nevada Wood Products-Certification**

Mr. Skolnik related that the Board members had been presented a copy of the signed contract with Pershing County (Exhibit D). Referring to the meeting packet on pages 27–30 under tab V. C. (Exhibit E), Mr. Skolnik explained that Prison Industries had provided the necessary forms for certification of the Western Nevada Wood Products and is waiting for a signature from the Bureau of Justice Assistance (BJA) in order to complete certification of the program.

Chairman Marvel requested Mr. Skolnik go on to the next agenda item.

**D. Furnishings for Juvenile Detention (96-Bed) Facility in Las Vegas**

Mr. Skolnik informed the Board that the facility is approximately 90 days out from a decision on furnishings. Mr. Skolnik advised the Board that he had contacted the architect for the juvenile facility for consideration of Prison Industries' products. He related that it is difficult to sell furnishings for a facility if the architect had dealings with another company in the past. Mr. Skolnik said that appealing to an architect for consideration of their product was all Prison Industries could do.

In reference to Chairman Marvel's question, if Prison Industries had met with Eric Raecke, Director of Public Works Board, on the juvenile facility, Mr. Skolnik responded that he had. According to Mr. Skolnik, Mr. Raecke recommended that Prison Industries get in early with their product and utilize "push" from members of the Prison Industry Advisory Board for a better possibility to provide furnishings.

Chairman Marvel questioned if Prison Industries, after meeting with representatives of the juvenile detention facility in Winnemucca, had received an order from that facility.

Mr. Skolnik replied that, although the juvenile detention facility representatives were very responsive, they had not yet placed an order with Prison Industries.

Chairman Marvel related that the juvenile detention facility staff liked the work Prison Industries had provided for the Community College in Winnemucca.

Mr. Skolnik reported that Prison Industries was expecting a request from the Mental Health Facility in Sparks who were very receptive to Prison Industries' products. He indicated that the Mental Health Facility's declaration of "when we order" has now been changed to "if we order."

Bill Moell, Administrator, Purchasing Division, advised the Board that, after investigation, he learned that the architect and the interior designer of a project have absolute control over what goes into new buildings. Mr. Moell indicated that often Prison Industries is prohibited from competition due to financial arrangements with certain manufacturers. He related that often the furnishings are bought from the Capital Improvement Project process without the Purchasing Division's involvement.

Mr. Skolnik advised the Board that, although Mr. Raecke has offered to provide information to Prison Industries on projects, Mr. Raecke expressed that, in his position, it is not appropriate to intervene.

In reference to lack of agency's control over what goes into a new building, Director Bayer related that

the Department of Prisons had no choices for the new prison, even in the locks provided for the prison. He suggested that this is an issue that the Legislature could explore.

Chairman Marvel asked for further comments or questions on the juvenile facility furnishings. Being none, he directed the Committee to the next agenda item.

**E. Furnishings for Veterans' Home in Las Vegas**

Mr. Skolnik advised the Board that the Veterans' Home building is also approximately 90 days out from a decision on furnishings. He related that Prison Industries had provided their product catalogs to the architects, Clark and Sullivan, and are awaiting specifications to bid for the job.

Addressing his question to Mr. Ghiggeri, Chairman Marvel questioned the time frame for the opening of the Veterans' Home.

Mr. Ghiggeri reported that the opening for the Veterans' Home was scheduled for completion in early spring with a July 1 opening.

Mr. Skolnik apprised the Committee that he was informed the completion date for the Veterans' Home was May 1 and that if Prison Industries received orders within three months, they would be able to process the orders in time for the opening.

**F. Furnishings for Lied Library, University of Nevada, Las Vegas**

In reference to products for the Lied Library, Mr. Skolnik reported that the primary furniture order went to other suppliers. He speculated that Prison Industries would be lucky to supply odds and ends for the library.

Chairman Marvel said that the representatives from the Lied Library did not provide much time for adaptations for the required furniture specifications.

**G. Sprint**

Chairman Marvel requested information on the Sprint program.

Mr. Skolnik reported that Prison Industries is negotiating with a division of Sprint that has their production standards set by a representative, who lives in North Carolina. Due to flooding of this individual's home in North Carolina, the receipt of the production/repair standards have been delayed. According to Mr. Skolnik, Sprint's division manager from Kansas City advised him that their Nevada staff had no problems with the draft contract between Sprint and the Department of Prisons (Exhibit F) and Sprint is still interested in a potential inmate program.

Addressing a question from the Chair, Mr. Skolnik explained that repair service for Sprint is now done by a number of small companies. The new high-tech phones that are found in airports with the fax machines and data ports are the phones that Prison Industries will be contracted to repair. According to Mr. Skolnik, these high-tech phones are presently not being repaired until the standards are established. Mr. Skolnik expounded that Prison Industries would be leasing space to Sprint and that Sprint would be running the operation and employing the inmates. Sprint would provide the expertise and whatever training is required.

Chairman Marvel remarked it would be nice to have Sprint as a clean industry and questioned how many inmates would be employed with this industry program.

Mr. Skolnik advised that if the program grew to its potential, there would not be enough inmates in

Nevada accommodate the program. Mr. Skolnik stated that the High Desert facility would not be considered, as there is no industry space at that facility.

Chairman Marvel expressed concern for a new prison, High Desert, with over 3,000 inmates and no industry program space. He asked Director Bayer if any solutions had been explored since the discussion of this problem at the last Advisory Board meeting.

Mr. Skolnik interjected that he had met with Mr. Raeke on this subject; and Mr. Raeke, again, suggested recruiting an industry willing to invest in a physical plant facility at High Desert. Mr. Skolnik advised the Committee that he was not optimistic about finding an investor that would make a multi-million dollar investment on a building inside a prison over which they have no control. Mr. Skolnik opined that Prison Industries would need to provide the physical space. He speculated that at five percent of inmate wages, it take a long time to fund a building of an adequate size.

Mr. Ghiggeri informed the Board that the industry building was not recommended by the Governor or approved by the Legislature in Phase II of the project; however, it is scheduled for Phase III. Mr. Ghiggeri opined that a problem for the High Desert facility is that the inmates will have nothing to do since there will also be no gym. He explained that funding for a gym for the facility was approved for Phase II, however, the current contract of construction does not provide for a gym.

Chairman Marvel agreed with Mr. Ghiggeri that without a gym or an industry program, the Department of Prisons would have an inmate management problem.

Director Bayer responded that the Department of Prisons would have an excellent opportunity to demonstrate how well the Department can handle inmates with nothing but "doing time." Director Bayer indicated that his visualization of the High Desert facility would be a very controlled movement for inmates that would not "get with the program." He indicated that this would free up the Southern Desert Correctional Center (SDCC) facility for more program-oriented inmates. In reference to Chairman Marvel's concern for the number of inmates in the High Desert facility without industry programs, Director Bayer agreed that it would be hard to get a meaningful industry program in the High Desert facility without space. Director Bayer concurred with Mr. Skolnik that recruiting an industry willing to invest or investing Prison Industry funds was not a feasible approach for an industry building.

Discussion ensued among members on consideration of and the legal problems of private investment building on Bureau of Land Management (BLM) Recreational and Public Property (RPP).

In reference to Chairman Marvel's question, if there was room at the facility for an industry building, Mr. Skolnik replied that there was room for a 68,000 square foot building. He said that a basic design similar to the Lovelock industry building had been presented for the building. Mr. Skolnik informed the Committee that he had met with Don McHenry from the Clark County School District, the area superintendent over alternate education (including prisons), to discuss concerns over cutbacks on correctional education. Mr. Skolnik reported that, according to Mr. McHenry, one vocational position was eliminated due to these cutbacks.

Director Bayer commented that, as funding becomes available, he envisioned an open stadium like the Pony Express Pavilion on Highway 50 in Carson City for the High Desert facility. He said the stadium would offer activities at a reduced cost with a control factor for inmates. Director Bayer pointed out that corrections place emphasis on three essential words: contain, control, and correct.

Chairman Marvel concurred that the climate in the Las Vegas area would be more conducive to such an open structure. However, he stated, such a building would not be sufficient for an industry building.

Mr. Skolnik opined that with sand and dust an open building would limit Prison Industries' capability.



Chairman Marvel requested the Board Members move to the next agenda item.

#### **H. U. S. Cabinets**

Mr. Skolnik ascertained that the Committee members had a copy of the draft of the contract between the Department of Prisons and U. S. Cabinets, Inc. (Exhibit G). According to Mr. Skolnik, U. S. Cabinets, Inc. is short approximately a million dollars for the necessary capitalization for the program; however, they should have funds by the end of the year. Mr. Skolnik said he was expecting the contract signed and back to Prison Industries by the end of the month for presentation at the Board of Examiners Meeting. Start-up for the program should be February 1, 2000, with the program utilizing 20,000 to 30,000 square feet. Mr. Skolnik advised the Board that Prison Industries has informed U. S. Cabinets that they are pursuing other companies to rent the available space and that the conditions are on a first come basis. Mr. Skolnik surmised that it would be an ideal site for U. S. Cabinets for Prison Industries with the "feed-in" from the vocational industry for Pershing County Schools.

In reference Chairman Marvel's question on the time limit on the project, Mr. Skolnik advised that if Prison Industries did not hear from U. S. Cabinets by the end of December 1999, he would assume they did not get the balance of their financing.

Chairman Marvel indicated the Committee would move on to the next item on the agenda.

#### **I. Techmail**

Mr. Skolnik advised the Board that Techmail is no longer being considered as a Prison Industry program as the owner is in ill health and has sold his equipment.

Chairman Marvel asked for further questions or comments on Techmail. Being none, he directed the Committee to the next agenda item.

#### **J. Aurora Chemical**

Mr. Skolnik reported that Aurora Chemical, in order to be profitable, is scheduled for the southern area of the state and is projected for approximately one year from now. Mr. Skolnik disclosed that, until other issues are resolved, Aurora Chemical is not a priority since the employment and profitability will be nominal.

In reference a question from Chairman Marvel, Mr. Skolnik advised that Aurora Chemical would be manufacturing non-toxic cleaning supplies for hotel and kitchen use. Mr. Skolnik related that his staff would have to devote three months to develop the program.

#### **K. Correctional Cable Television, Inc./Edumerica**

Referring to the letter in the packet to Dr. McHenry of Edumerica, Inc. on page 34 under tab V. K. of the meeting packet (Exhibit H) and the handout of the letter to Ron Schaeffer of Correctional Cable Television, Inc. (Exhibit I), Mr. Skolnik informed the Board that Correctional Cable Television, Inc. was released from their contract by Prison Industries with the condition they would not start their operation at the Southern Nevada Women's Correctional Facility (SNWCF) as a private operation. Mr. Skolnik related that problems had occurred with the State of Nevada and Correctional Cable Television, Inc. on another bid with satellite service for the Prisons. As a result of that bid, Correctional Cable Television, Inc. was informed by State Purchasing that they could not do business in Nevada. Mr. Skolnik advised the Board that the Correctional Cable Television, Inc.'s project may stay in Nevada; however, Prison Industries would not be part of it.

Director Bayer expressed disappointment that the State overburdens new businesses with various interactions of different parties so that nothing can get done, resulting in the loss of viable projects for the State.

Responding to Chairman Marvel's question, if the situation with Correctional Cable Television, Inc. could be rectified, Mr. Skolnik expounded that the company was fined \$650 for submitting a bid without a contractor's license. According to Mr. Skolnik, Correctional Cable Television, Inc. could not get a contractor's license because they did not do business in Nevada, thus could not show a letter of good standing in Nevada. He said Correctional Cable Television, Inc. presented a letter of good standing from Texas. Mr. Skolnik said that Correctional Cable Television, Inc. showed on their bid that their contractor's license was pending. He said that bidding without a contractor's license is a misdemeanor in the State of Nevada and that someone turned Correctional Cable Television, Inc. in for execution of this misdemeanor that resulted in the \$650 fine. As a result of these actions, Correctional Cable Television, Inc. does not want to do business with the State of Nevada.

Director Bayer expressed his irritation with the excessive restrictions when a business is trying to comply with these regulations. He added that by the time a company complies with all the rules and awaits its pending license, it is too late to conduct business. Director Bayer related that he could understand protecting Nevada's markets; however, businesses should be brought into these markets and made part of a growing state.

Chairman Marvel stated that he received numerous calls in reference the State trying to inhibit new companies getting into business in the State of Nevada.

Mr. Skolnik explained that Correctional Cable Television, Inc. will be able to establish the program outside the State as a business with satellites and uplinks in Nevada, without a contractor's license. Mr. Skolnik said that, according to Correctional Cable Television, Inc., the license is not required if the company is not doing business with the State of Nevada.

Acknowledging that these regulations are a problem, Mr. Moell advised the Board that this difficulty with licensing occurs four to five times a year. He cited an example of the only contractor (from Oregon) to bid on a job to install handicap assessable restrooms at State Parks being fined severely as his license was pending at the time of the bid.

Chairman Marvel agreed that the issue was a dilemma. He said the Americans Disability Act (ADA) imposes these handicap requirements.

Mr. Moell noted that contractors have to put out a large sum of money on spec, not knowing if they will get a bid.

Chairman Marvel suggested that this might be an issue the legal staff take a look for a bill draft.

Director Bayer added that similar restrictions are placed on private prisons. He cited the example of prisons being required to staff the medical personnel at a certain level and that they are fined if these positions are not staffed. To bring in a psychologist from out of state requires them to be licensed. Although Director Bayer agreed that proper certification is necessary to analyze credentials of these professionals, he opined something should be done about the time frame for licensing.

Chairman Marvel called for further discussion on the Correctional Cable Television, Inc./EdumERICA. Being none, he directed Mr. Skolnik to address the next agenda item.

## **VI. DISCUSSION OF POTENTIAL PRISON INDUSTRY PROGRAMS- NRS 209.4814.**

### **A. Hickman Telecom**

Mr. Skolnik informed the Board that Hickman Telecom currently had the contract with the State of Nevada for modification and moving of telephone service. He related that the program for Hickman Telecom is similar to the approved program for Sprint, repair of phones to be recycled.

Addressing a question from the Chair, Mr. Skolnik said that the program was worth pursuing for the SNWCF with the private prison negotiating the contract and Prison Industries overseeing the program.

Chairman Marvel said he would entertain a motion for Prison Industries to pursue negotiations with Hickman Telecom for the housing project.

**SENATOR RAWSON MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH HICKMAN TELECOM AS A PRISON INDUSTRY. THE MOTION WAS SECONDED BY BRUCE AGUILERA. THE MOTION PASSED UNANIMOUSLY.**

**B. Wendy Smith's Maternity Clothing**

Mr. Skolnik advised the Board that Wendy Smith's is not a new industry, however, more an informational item since the program would be incorporated with the drapery shop in Ely as a product line. Mr. Skolnik explained that it would be a few months before the program was ready.

Referring to Mr. Magnani question, if the program would be piece-work similar to the drapery production, Mr. Skolnik replied that it would. He said that Wendy Smith would design the garments and market the garments. He explained that once the garments are marketed, Prison Industries would receive a price per garment and pay the inmates with minimum wage as part of a certified program.

Mr. Magnani pointed out that the letter dated September 13, 1999, from Wendy Smith to Mr. Skolnik on page 37 under tab VI. of the meeting packet (Exhibit H), mentioned approximately \$8 per hour for labor. Mr. Magnani noted that this was a respectable figure for labor.

Mr. Skolnik agreed with Mr. Magnani that \$8 per hour was a good price for labor. He explained that this was based on Wendy Smith's being a small business with the program being incorporated into an existing operation. Mr. Skolnik advised the Board that \$8 per hour is approximately what Prison Industries receives from the glass program, as they do not have to provide equipment or daily supervision. Mr. Skolnik said that if the volume for Wendy Smith's increases, the contract would have to be re-negotiated.

Addressing a question from the Chair, Mr. Skolnik advised the Board that the existing equipment at the Ely State Prison Drapery Program, which was completely paid for, would suffice for the new program.

Chairman Marvel said he would entertain a motion for Prison Industries to pursue negotiations with Wendy Smith for the garment program.

**SENATOR RAWSON MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH WENDY SMITH AS A PRISON INDUSTRY PROJECT. THE MOTION WAS SECONDED BY DIRECTOR BAYER. THE MOTION PASSED UNANIMOUSLY.**

**C. Woodson Enterprises, Inc.**

Mr. Skolnik informed the Committee that Mr. Woodson, who is negotiating with home shoppers and Amway, manufactures blended spices and barbecue sauce. Mr. Skolnik explained that since Mr. Woodson lives in Las Vegas, he would like to move his operation from California to Nevada. He advised the Committee that this Prison Industry program was ready to go into SNWCF.

In reference to Chairman Marvel's question on the product, Mr. Skolnik informed the Board that Prison Industries had specified items that prison would not accept in the blend, such as nutmeg.

There being not further questions or comments on Woodson Enterprises Inc., Chairman Marvel said that he would entertain a motion for Prison Industries to pursue negotiations for the industry program.

**SENATOR RAWSON MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH WOODSON ENTERPRISES INC. AS A PRISON INDUSTRY PROGRAM. BRUCE AGUILERA SECONDED THE MOTION, AND IT CARRIED UNANIMOUSLY.**

**D. Desert Copy**

Mr. Skolnik informed the Committee that Desert Copy has a laser cartridge re-manufacturing program and has indicated interest in multiple locations. According to Mr. Skolnik, there is presently a national company in Nevada that ships all their cartridge products out of state. Mr. Skolnik noted that this is a small operation that could be put into SNWCF, at SDCC, or at a facility in the north.

Chairman Marvel asked for questions or comments on the Desert Copy Program.

Responding to Mr. Magnani question, how many inmates would be involved in the program, Mr. Skolnik advised that the program would initially require three or four inmates and an 800 square foot area. He indicated that as the company grows, the company would increase the inmates employed.

Chairman Marvel said that he would entertain a motion for Prison Industries to pursue negotiations with Desert Copy for the cartridge program.

**SENATOR RAWSON MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH WOODSON ENTERPRISES INC. AS A PRISON INDUSTRY PROGRAM. MIKE MAGNANI SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.**

**VII. DISCUSSION OF ROLL OF PRISON INDUSTRIES IN APPROVING CONTRACTS.**

Mr. Guernsey said there had been some concern and confusion regarding the roll of the Nevada Legislature's Interim Finance Committee's Advisory Board on Prison Industry in reviewing and approving contracts. Mr. Guernsey related that there were some legal issues involving the separation of powers among branches of government. Mr. Guernsey pointed out that the Board was advisory in nature and does not have signature authority on contracts; however, it has to be aware by statute of certain items in order to be an effective advisory body to the Director of Prisons.

Chairman Marvel explained, for the benefit of Mr. Skolnik and the Board's newest member, Mr. Mackenzie, that this item is not meant to be contentious; however, is necessary to understand respective rolls for the program leaders. Chairman Marvel called on Wil Keane, Deputy Legislative

Counsel, Legal Division, for his clarification of the roll of the Advisory Board on Prison Industries in approving contracts.

Mr. Keane introduced himself for the record and informed the Committee that the duties of the Advisory Board on Prison Industries in regard to contracts are all set forth in subsection 6 and 7 of Nevada Revised Statutes (NRS) 209.4814. He pointed out that subsection 6 of the statute addresses review and recommendations concerning proposed programs, while subsection 7 of the statute deals with the Committee reviewing contracts or programs within three years after they are established to ensure these programs are meeting profitability requirements. If the program is not profitable, Mr. Keane noted, the Board could make recommendations pertaining to how the program should be handled.

Referring to the handout provided to the Board members on the LCB Legal Division's opinion (Exhibit K), Mr. Keane said the question arose whether the duties of the Advisory Board on Prison Industries violated the separation of powers doctrine, a constitutional doctrine found in the Nevada Constitution. He advised that the doctrine essentially says that one branch of government, in this case the Legislative Branch of government, cannot exercise the powers properly belonging to another branch of government, in this case the Executive Branch of government. Mr. Keane stated that the LCB Legal Division's opinion concluded that, because there is no statutory requirement that the Department of Prisons actually follow the recommendations of the Committee and the recommendations are non-binding, there is no separation of powers problem.

Chairman Marvel clarified that he did not want the Advisory Board on Prison Industries to be involved in operating the Prison System. He opined that the prison industry program is an important segment of government. Chairman Marvel voiced that the Committee wanted to be apprised of what they could expect in order to precede. He indicated that the roll of the Committee members was to be as helpful as possible without obstruction to Mr. Skolnik or Director Bayer. Chairman Marvel noted that the support of the Legislature is of significance for these industry programs.

Mr. Skolnik apologized to the Committee, stating that the issue of separation of powers arose from his misunderstanding the request of the Board reviewing draft contracts versus approving the contracts. He said that discussion with Mr. Guernsey, clarifying that it was the intent of the Board to review all draft contracts to see where Prison Industries was headed, nullified his concerns on this matter.

Chairman Marvel voiced that he appreciated Mr. Skolnik's comments on the issue. He emphasized the importance of everyone working together "from the same page".

Director Bayer agreed that the strength of the program is the relationship that Prison Industries has with business. He said that in looking across the country, Nevada has one of the strongest industry programs without the contention that exists in other states. Director Bayer accredited this strength to the ability to address items with good dialogue in the Advisory Board on Prison Industry meetings and the Board's openness to express concerns on these items. For example, he said, if Prison Industries was planning something that would conflict with labor, the Board would voice their concerns.

Agreeing with Director Bayer, Chairman Marvel voiced that the Board appreciated having a labor representative as one of their members.

According to Director Bayer, because of the advice from representatives from business and labor on the Board, Prison Industries has been able to fill "niches" versus taking jobs away in Nevada. He related that there was just a misunderstanding on who should be doing the oversight on the final signing of the contracts. Director Bayer expressed that he was happy with the way the Committee worked.

Chairman Marvel suggested that the LCB legal staff may be of help to Prison Industries and the Attorney General. Chairman Marvel asked if Greg Rossiter, Deputy Attorney General, Prison Industries, wanted to comment on the matter of separation of powers.

Mr. Rossiter introduced himself for the record and indicated that, in his opinion, there was simply a misunderstanding on the separation of powers. After review of the legal opinion provided by the LCB Legal Division staff, Mr. Rossiter voiced that he agreed with the opinion. He said he would welcome input from the LCB Legal Division staff.

Chairman Marvel concluded that the Advisory Board receives non-binding reports and makes non-binding recommendations. Chairman Marvel expressed his appreciation for the input and clarification on the separation of powers. Chairman Marvel directed the Committee move to the next agenda item.

## **VIII. REVIEW OF FINANCIAL REPORTS BY DEPARTMENT OF PRISONS.**

Mr. McCuin ascertained that the Committee had both the "Silver State Industries" Annual Report for the year ending June 30, 1999, with Comparative June 30, 1998, Financial Statements and "Silver State Industries" Financial Statements for the Quarter Ending September 30, 1999, with Comparative September 30, 1998, Statements (Exhibit L) on page 41 through 87 of the meeting packet under tab VIII.

Indicating that he had mentioned this in previous meetings, Chairman Marvel commended Mr. McCuin for the improvement of the financial reports for the Advisory Board.

Referring to the assets on page 44 (Exhibit L) of the meeting packet, Mr. McCuin informed the Board that cash increased in both Prison Industries and the Prison Ranch. He said there was some concern about the loss predicted for the Ranch due to the devaluation of the hay inventory. Mr. McCuin pointed out that the loss for the Ranch was not a cash loss, as cash for the Prison Ranch did increase between the fiscal years 1998 and 1999.

Referring to accounts receivable, Mr. McCuin reported that the write-off accrued for uncollectable accounts for fiscal year 1998 was \$22,500 compared to \$5,000 in fiscal year 1999. He noted that all of old debts that should have been written off years ago have disappeared from the books.

Comparing fiscal years 1999 and 1998 on page 49 of the meeting packet (Exhibit L) for the Central Administration's Statement of Operations, Mr. McCuin pointed out the increase in license plate fees. He said that the five percent inmate wage assessment for capital improvement had increased \$5,000. Mr. McCuin advised the Board that the rental income had remained constant. He explained that administrative fees had decreased due to repairs required at the facilities for Shelby program. Mr. McCuin noted the total general administrative expenses decreased approximately \$40,000 with the overall cost and revenues associated with Central Administration outside of the manufacturing industries improved by \$60,000.

Mr. McCuin informed the Board that fiscal year 1999 is the last year that the financial statements for detergent, mattress and linen shops at Nevada State Prison (NSP) would be broken out individually. He explained that all the shops have been combined except detergent. Mr. McCuin pointed out that the sales from NSP to Vinyl Products at Northern Nevada Correctional Center (NNCC) has increased over the previous fiscal years and have leveled out at approximately \$408,000.

Chairman Marvel asked if there were any questions from the Committee on the financial statements thus far. Being none, he instructed Mr. McCuin to continue his presentation.

On page 52 of the packet (Exhibit L), Mr. McCuin reported that the NSP Book Bindery and Printing shop for current year would be combined as one cost center. He said that sales for the Book Bindery and Printing shop remained constant with approximately \$20,000 less in profit.

Chairman Marvel questioned the significant difference in earnings for the NNCC Furniture and Upholstery Shop.

Mr. Skolnik explained that fiscal year 1998 reflected some considerable sales to Corrections Corporation (CCA) and the University that were not duplicated in fiscal year 1999. Addressing Chairman Marvel's question on the long range forecast for the NNCC Furniture and Upholstery Shop, Mr. Skolnik informed the Committee that Prison Industries is experiencing more competition from businesses that carry disposable furniture such as Office Depot. He related that in order to expand their market beyond government, Prison Industries is working with Mr. Agodi (Agodi Designs from Chicago) for development of new furniture products. Mr. Skolnik speculated that Prison Industries could generate sales of approximately two million dollars out of the Furniture and Upholstery Shop.

Mr. Moell notified the Committee that, within eight months, the Purchasing Department would be pre-qualifying modular furniture manufacturers and suppliers to work with the various State entities to sell their products. Mr. Moell said that, in his opinion, the trend in furniture was modular systems. Mr. Moell advised that Prison Industries should be one of these pre-qualified manufacturers to enable them to market, rather than bid.

Mr. Skolnik advised the Board that Prison Industries could not manufacture the connector hardware for modular systems and would have to partner with a company in the private sector in order to produce systems. He called attention to the problems of depending on other vendors for timely delivery and private competition. However, Mr. Skolnik said, Prison Industries has been developing alternatives to system furniture. He informed the Board that Prison Industries pays Agodi Designs a five percent commission for the design of their new, competitive products. Mr. Skolnik stated that the latest products being shown at the Chicago furniture mart packages case goods with freestanding panels versus modular systems.

In reference to a question from the Chair, whether prison industries in other states are having problems with competition in marketing their products, Mr. Skolnik replied that other states have a lesser problem due to the mandatory use laws in those states. Mr. Skolnik expressed he did not favor preferential or mandatory use laws.

Mr. Moell stated that one problem that Prison Industries encountered with bids is that private manufactures have significant resources to allot to a bid within a short period of time. Although Prison Industries may have a similar product, they may not be able to compete within that time frame with the resources of a large company. Mr. Moell said that being pre-qualified would level the competition field for Prison Industries.

Chairman Marvel asked Mr. Moell how many companies would be pre-qualified. Mr. Moell responded he anticipated three or four companies would be pre-qualified for furniture, approximately seven for computers and six for autos.

Mr. Mackenzie said that attempting to compete in commodities where purchasing economy of scale, equipment and automation have a distinct advantage is an uphill fight. He opined that to be competitive, it would make more sense to go after commodities that are labor intense where the purchasing economy of scales does not give large producers an advantage.

Responding to Mr. Mackenzie question on the marketing of Prison Industries' services, Mr. Skolnik said that Prison Industries has a website and marketing coordinators for the north and south. He said

that, in the past, Prison Industries employed representatives on a percentage basis to sell products; however, that method had not proven to be very successful for Prison Industries. Mr. Skolnik stated that the best marketing for Prison Industries has been word of mouth and repeat customers.

Chairman Marvel related that State Purchasing had been a great help to Prison Industries as far as marketing.

Mr. Mackenzie pointed out that on page 49 of the packet (Exhibit L) the cost for advertising and public relations had doubled in fiscal year 1999.

Mr. Skolnik explained that Prison Industries had put a catalog out in fiscal year 1999. He said that figure reflected the cost of printing and distribution of the catalog.

In reference to Mr. Mackenzie question on the cost of warranty expense going from \$40,609 in fiscal year 1998 to \$1,461 in fiscal year 1999, Mr. Skolnik said that warranty amount is distributed over all cost centers; and, without pulling the records; he could not answer this question at this time. Mr. Skolnik speculated the drop was due to the automotive operation at the SDCC. Mr. Mackenzie remarked that when looking for total income, \$40,000 is a large amount. Mr. Skolnik agreed.

Chairman Marvel expressed his appreciation for Mr. Mackenzie's comments on the financial statements.

Mr. McCuin explained that Prison Industries had never accrued warranty expense prior to fiscal year 1998. Mr. McCuin said that after seeing the significant effect that warranties caused on the financial statement, he decided to accrue for future years. He explained that \$12,000 or \$13,000 of the expense for fiscal year 1998 was due to the first time accrual for fiscal year 1999. Responding to Mr. Mackenzie's question of what is presently on the balance sheet for warranties, Mr. McCuin responded \$10,000.

In reference to the Ely State Prison (ESP) Drapery factory on page 56 of the meeting packet (Exhibit L), Mr. McCuin pointed out that \$6,000 of the expense was for a contract with a small company that was going to market ESP Drapery's product. He stated that he should have moved this expense to Central Administration as a selling expense, rather than charged to the drapery shop.

Mr. McCuin advised the Board that the depreciation on the equipment for the drapery shop, which is totally paid for, \$18,500 of the overhead is a non-cash depreciation expense charged during fiscal year 1999. Responding to Chairman Marvel's question on the life of the equipment, Mr. McCuin replied that the depreciation schedule for the equipment life is ten years.

Mr. McCuin said that if the Board considered the two previous items, the loss on the ESP Drapery operation would be reduced from \$33,000 to \$9,000.

Directing the Committee's attention to the footnotes on page 68 of the meeting packet (Exhibit L), Mr. McCuin noted that assessments on inmate wages consisted of \$30,366 for room and board, \$6,197 for victims of crime and \$6,197 for capitol improvement. Mr. McCuin said that these assessments total \$42,760 that goes back to the State of Nevada that would not exist if the ESP Drapery shop were to be closed.

Referring to the financial statements for the quarter ending September 30, 1999, beginning on page 70 of the meeting packet (Exhibit L), Mr. McCuin highlighted the overall improvement for the Ranch and industries. He pointed out that on page 75 of the meeting packet (Exhibit L) the consolidated operations are broken down by budget accounts. Mr. McCuin noted that on page 81 of the meeting packet (Exhibit L) the metal shop at NNCC showed a significant increase due to production of bunks for the High Desert facility.



Addressing Chairman Marvel's question on how Phase I was going for the High Desert facility, Mr. Skolnik related that Prison Industries is on schedule for Phase I, which is almost completed. He related that Phase II might necessitate some overtime and additional production capability since final delivery of products is required by May.

Addressing the figure of \$6,000 for commission on page 56 of the meeting packet (Exhibit L), Mr. Mackenzie commented that ESP Drapery was the only operation showing commission expense. He questioned whether Prison Industries sold the drapery products differently than products for other operations.

Mr. Skolnik explained that the \$6,000 was a one-time contract to market the drapery product.

Referring to page 68 of the meeting packet (Exhibit L), Senator Rawson questioned the total figures for restitution of 5 percent as they actually calculated to approximately 14 percent.

Mr. Skolnik clarified that the totals under Victims of Crimes Fund (VFC) included wages of inmates in the private sector programs such as Imperial Place, Shelby, or Vinyl Products. Mr. Skolnik said that when the Imperial Place pays an inmate for the restoration of a vehicle, the 5 percent for VCF and 5 percent for capital improvement plus room and board of 24 percent of an inmate's wage come into the particular prison that the prisoner is housed.

In reference to Senator Rawson's question, if 5 percent of an inmate's wage is a reasonable amount for VFC, Mr. Skolnik responded that, historically, the federal requirement of an inmate's wage was 5 percent. Although the federal government's new guidelines no longer require a deduction, Prison Industries will continue to deduct for room and board, capital improvement, and victims of crime. Mr. Skolnik said that if an inmate had a judgment against him for restitution in a specific case, it is taken out prior to the reflected figures; therefore, some inmates are working for free. Mr. Skolnik explained that federal law limits the deduction that can be held from an inmate's gross wage. Once the federal deduction limit is reached, funds are deposited into the inmates account and the individual state can take what they feel is appropriate from that inmate.

In reference to Chairman Marvel's question, if Prison Industries had asked for an opinion on these withholdings, Mr. Skolnik said that approval from the justice department for the 5 percent to be considered part of the room and board payment, as long as the director deemed it as such, was granted. Although the cap remains the same, Mr. Skolnik informed the Committee, new federal guidelines offer the states more latitude on deductions.

Addressing Senator Rawson's concern on if this method was working well, Mr. Skolnik affirmed that in comparison to other states' policies where the deductions are so high that an inmate is making only \$2 a day, it was working well for Nevada. He said that with Nevada's ratio, the program has the benefits of providing enough pay to motivate inmates to do a good job. Mr. Skolnik stated that Prison Industries is not seen as an unfair competitor who exploits the inmates to other businesses in Nevada.

Directing the Committee's attention to the NNCC Furniture Shop's statement on page 82 of the meeting packet (Exhibit L), Mr. McCuin noted that there is a significant decrease in sales during the first quarter. He indicated that with the large number of open orders in the second quarter, the furniture shop should be back on track.

In reference to a question from the Chairman Marvel, Mr. Skolnik affirmed that Prison Industries was processing vouchers in a timely manner. He advised the Committee that this quarter's sales are approximately \$100,000 behind last year, and the accounts receivables are about \$200,000 above last year due to the high volume of business with the High Desert facility.

Chairman Marvel wondered if the problems with the Department of Motor Vehicles and Public Safety's (DMV &PS) Project Genesis had caused delays in their reconciliation of the license plate fees due Prison Industries. Mr. Skolnik confirmed that there has been a slow down of the payments since September, which coincides with the implementation of Project Genesis.

Mr. Ghiggeri related that in conversations with DMV & PS staff, he was informed that no distributions of revenues have been done by DMV & PS since the date of implementation of Project Genesis until approximately the end of November 1999. Mr. Ghiggeri said that Project Genesis delays not only affected revenue for Prison Industries, but local school districts as well.

Addressing Chairman Marvel's question on the amount due Prison Industries for the fifty-cent fee collected by DMV & PS, Mr. McCuin advised that he did not know the amount due, as it is based on the number of license plates sold.

Mr. Skolnik said that when comparing the license plate fees to last year, Prison Industries had received approximately \$80,000 more last year than in this year.

Chairman Marvel expressed his satisfaction that the trend for Prison Industries' financial position is positive. He asked if there were any further questions on the financial reports. Being none, he directed the Committee's attention to the next item on the agenda.

#### **IX. REVIEW OF PROGRAM PROFITABILITY PURSUANT TO SUBSECTION 7 OF NRS 209.4814 FOR ELY STATE PRISON DRAPERY PROGRAM.**

Mr. Skolnik advised the Board that although the financial numbers for Ely are negative, the entire picture shows that the ESP Drapery program is generating more in deductions from inmate wages resulting in a net gain for the State. He related that John Woodburn, the new marketing coordinator who is developing new markets for the shop, and he went to Chicago to meet with people who are sending Prison Industries specifications for producing table skirting. Mr. Skolnik related that Prison Industries recently purchased a double stitch machine and will be making samples of the pleated skirting to send along with cost information to the potential client.

Chairman Marvel said that with the positive actions and another industry coming into the ESP Drapery Program, he was not inclined to ask for a motion in reference to a recommendation regarding whether the program should be continued or terminated.

#### **X. REVIEW OF NUMBER OF INMATE EMPLOYED BY DEPARTMENT OF PRISONS.**

Mr. Skolnik reported that due to the new program of sorting playing cards at SNCC in the old Skidmore Roth location, the count of inmates employed had increased to 399. Mr. Skolnik explained that when the casinos are done with playing cards, the cards are clipped on the corners, boxed and sent to Prison Industries for sorting. He said that the program started with five inmates; however, in his opinion, it would expand. Mr. Skolnik said that the program should be profitable for Prison Industries as the payment for sorting a case of cards is \$6 (\$5 for the inmates and \$1 for Prison Industries). He said that in doing the sorting, inmates are earning their time credits, as well as money.

Chairman Marvel expressed his gratitude to Mr. Aguilera for his help in initiating the program. He questioned where the sorted cards were retailed.

Mr. Skolnik advised the Committee that Prison Industries is working with a Las Vegas company, T. J. Wholesalers, who has contracts with most of the larger casino properties.

Mr. Aguilera informed the Board that the cards go back to the properties either for sales or to give to charities.

Mr. Skolnik related that the potential for the card-sorting program is approximately a million cases per year. Mr. Skolnik explained that the program was set up under the approved auspices of repackaging.

Mr. Skolnik advised the Committee that the Pershing County Program at the Lovelock State Prison has increased the number of inmates employed by 33. Since the Pershing County Program is also a vocational program, it is not always generating room and board payments. He explained that until the Pershing County Program is certified to pursue private sector work, it is restricted to being a training program. In response to Chairman Marvel's question, if other states have engaged in such a program, Mr. Skolnik advised that Nevada was the only state with an industry and a school program that would become certified under the federal Prison Industry Enhancement (PIE) program.

Chairman Marvel called for further questions or comments on the number of inmates employed. Being none, he requested the Committee to move to the next agenda item.

## **XI. SENATE BILL 485 – DISCUSSION OF THE OFFICE OF THE ATTORNEY GENERAL'S OPINION.**

Referring to the Attorney General's Opinion on SB 485 on page 45 of the meeting packet (Exhibit M), Director Bayer said that, in his assessment, the opinion brings up more questions than it answers. He informed the Committee that the Department of Prison has asked for further definitions on SB 485 from the Attorney General's Office. Director Bayer expressed his concern of the impact and the unintentional consequences of the bill. He said that SB 485 might affect the house arrest program, as well as Prison Industries. Director Bayer discussed his concerns in reference to the definition of personal information and the liability involved. He said the bill was meant to target a particular group, but targets a much wider area.

Chairman Marvel discussed the possibility of a bill draft to clean up some of the gray areas in SB 485.

Agreeing with Chairman Marvel, Senator Rawson suggested doing a bill draft from the Interim Finance Committee's Advisory Board on Prison Industries for clarification of these gray areas. Senator Rawson said that if there is

concern for some abuse, that abuse should be dealt with and the rest of the bill should be closed out.

For the record, Mr. Skolnik said, the telemarketing program proposed and approved by the Advisory Board, which received negative press and led to the legislation for SB 485, was prohibited from making calls to the area codes 775 and 702. He said that the program, which was not implemented in Nevada, now exists in Utah and Montana's prison systems allowing them to call residents in Nevada. Mr. Skolnik related that unlike Nevada, these states do not require their inmates to identify themselves as inmates. Mr. Skolnik reported that two Prison Industry operations have been stopped due to SB 485 - the Skidmore Roth Medical book sales and Vinyl Products' telephone marketing to retail waterbeds outlets. He said that Vinyl Products' attorneys have reviewed SB 485 and want to re-implement their telemarketing program. Mr. Skolnik indicated the re-establishment of Vinyl Products' telephone marketing is pending with the Attorney General's Office to see if it is permissible. He said that, in his opinion, the Skidmore Roth's program (now operating in New Mexico) was permissible. Mr. Skolnik opined that with the deregulation of public utilities

forthcoming, the market for telemarketers would be increasing. Mr. Skolnik expressed his disappointment that Nevada will be missing out on an opportunity to employ hundreds of inmates within the State of Nevada to do a job that is going to be done anyway. He informed the Board that there are now 17 other states participating in active telemarketing prison programs.

Director Bayer advised the Board that, in his opinion, the Department of Prisons had controls in place over these two programs; however, he needed to be responsive to the public. He opined that telemarketing is not consistent with the image the Department of Prison wants for rehabilitation. Director Bayer said that the public expects the Department of Prison to train inmates for jobs that they can go into as productive citizens after release.

Addressing a question from the Chair, Mr. Skolnik reported that, according to the telemarketing company they were dealing with, 50 percent of his workforce consisted of former prisoners.

Chairman Marvel also expressed regret that Prison Industries lost the Skidmore Roth program, as it was a sterile program for selling medical books, which would not injure the general public.

Mr. Skolnik apprised the Board that in over 100,000 phone calls placed for the Skidmore Roth program, there was only one incident.

Prefacing his remarks that the Legal Division did not necessarily agree with Mr. Skolnik's opinion of how SB 485 would apply, Scott Wasserman, Chief Deputy Legislative Counsel of the Legal Division for LCB, said that there is

room for interpretation on the various provisions of SB 485. He said that if the Board goes ahead with a bill draft request, some of the issues could be clarified. For example, Mr. Wasserman said, the issue of personal information is subject to interpretation of whether or not personal information is meant to private personal information or involves any personal information including a person's name or one's phone number should that be in a telephone directory.

Chairman Marvel recommended that the legal counsel from the Attorney General's Office also be involved in helping to work on the bill draft request.

Senator Rawson suggested looking at penalties for inappropriate use of information obtained by anyone in the Prison Industry program as a deterrent.

Mr. Skolnik apprised the Board that the one incident that occurred, during the Skidmore Roth program, resulted in the inmate's transfer to Ely State Prison within 24 hours. In his opinion, this transfer was the reason there was only one incident.

Chairman Marvel questioned if there was any further discussion on SB 485. Being none, he directed the Board to the Informational items on the agenda.

## **XII. INFORMATIONAL ITEMS.**

### **A. Status of Industry Programs for the Warm Springs Correctional Center**

Mr. Skolnik informed the Committee that Warm Springs Correctional Center (WSCC) had no space for an industry program.

Chairman Marvel said that the warden, Robin Bates, from WSCC had recently told him that he did have space, and that he wanted an industry program for WSCC.

Mr. Skolnik related that if WSCC has the space, he would be happy to work on obtaining an industry for

them as soon as he had programs in place for LCC. He noted that Director Bayer was also unaware that the warden from WSCC was requesting a prison industry at his facility.

Chairman Marvel assured the Board that he was going to visit WSCC to ascertain what space was available.

Director Bayer stated that he was going to re-inform the wardens, assistant directors, and the associate wardens of the importance of letting him know if there are problems in their facilities in order for him to have time to respond to the problems.

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

## **B. Status of Industry Programs for the Lovelock Correctional Center.**

Chairman Marvel stated that the Committee had previously discussed the programs at the Lovelock Correctional Center.

Mr. Skolnik added that Power Solutions was another program considered as a possible Prison Industries program for the LCC. He advised the Board that Power Solutions toured LCC, however the draft contract with them never came to fruition.

Mr. Skolnik informed the Board that the Prison Industry staff and the warden at LCC worked together to place an invitation on Prison Industries' website to an open house on December 10, 1999, at the LCC to encourage interest in an industry at the facility. To date, Mr. Skolnik related, there has been no response to the open house invitation. Mr. Skolnik reported that Prison Industries is planning advertising the available space with the local media and set a future date for another open house.

In reference to Chairman Marvel's question, how a company interested in an industry program would know about Prison Industries, Mr. Skolnik replied that Prison Industries had not and did not plan to pay a fee to have their website connected with a search engine such as Yahoo. However, he said, with the publicity that Prison Industries has received in the last ten year in Nevada, a company willing to use inmates as a labor force would know about Prison Industries.

## **C. Wild Horse Inmate Training Program Demonstration.**

Chairman Marvel informed the Board that he was not able to attend the open house demonstration at the Legislative Building for the Wild Horse Inmate Training Demonstration.

Mr. Skolnik advised the Committee that Prison Industries videotaped the demonstration program and that it was well presented. He reported that Prison Industries is looking at expansion for the Wild Horse Program for stray horses. Mr. Skolnik expressed that before Prison Industries commits to taking care of the Bureau of Land Management's (BLM) needs for horses, he felt they should continue the program for the Department of Agriculture to meet their needs.

Chairman Marvel affirmed that there is quite a difference between a wild horse and an stray.

Director Bayer agreed with Mr. Skolnik in reference to Prison Industries expanding the program for stray horses. He said he was also interested in working with the University of Nevada to establish Vet technical programs at the prison. Director Bayer said that if there is a need in the State, he was willing to explore innovative programs. He advised the Board that he would be attending another horse training program and the Nevada Wild Horse Commission's meeting in Elko. Although other states undergo

such programs only in minimum prison facilities, Director Bayer said that, with today's technology and some fiscal support, he was willing to try innovative horse programs in a medium prison facility. Director Bayer concluded, saying that the west was unique and that he would like to see Prison Industries help to keep that culture alive.

Chairman Marvel called for any further discussion on the agenda item. There being no further questions or comments on the a Wild Horse Inmate Training Program, Chairman Marvel directed Mr. Skolnik to move on to the next item, Update on Letter of Intent – 1999 Legislature.

#### **D. Updated on Letter of Intent**

Mr. Skolnik asked if the Committee had any questions on the item. There were no questions.

Chairman Marvel called for further comments or questions to come before the Board.

Mr. Skolnik informed the Board that he wanted to acknowledge the work performance of Sherrie Varner from Prison Industries' Carson City office. Ms. Varner had recently received an upgrade for assuming the work duties of Julie Caraselia after Ms. Caraselia's departure. Sherrie Varner has also been given the Prison Industries' Employee of the Year award for her outstanding work in the furniture shop. Mr. Skolnik related that after receiving her award, Ms. Varner is maintaining her efforts for Prison Industries and has recently obtained a sale to the Horizon Casino for a \$75,000 to \$85,000 upholstery job.

Addressing Mr. Skolnik's announcement referring to Ms. Varner, Chairman Marvel affirmed that Ms. Varner's work was most impressive. Chairman Marvel asked if there was anything else to come before the Board prior to comments from the public.

Director Bayer apologized to Mr. Guernsey on behalf of the Department of Prisons for any problems in reference to the confusion on separation of powers among branches of government and in the roll of the Nevada Legislature's Interim Finance Committee's Advisory Board on Prison Industry in reviewing and approving contracts.

Mr. Guernsey responded that there was a good relationship among the Board, Legislative Counsel Bureau staff, and the Department of Prisons in the past and that he felt the good relationship would continue. Mr. Guernsey expressed his appreciation for Director Bayer's support.

Chairman Marvel added that he appreciated the efforts of LCB's Legal Division on helping to clear up the confusion on the separation of powers matter.

### **XIII. PUBLIC COMMENT.**

Chairman Marvel called for any public comment to come before the Board. There was none.

Chairman Marvel asked if there were further questions or comments from the Board members.

Mr. Magnani voiced his appreciation for having the entire Committee together at one location versus teleconferencing the meeting. Discussion ensued among members on having the next meeting in the north with the possibility of touring the Ely State Prison or the Lovelock facility.

Director Bayer related that, during his participation of the last Director's conference, maximum prisons were discussed. Director Bayer said that he felt it was important for the taxpayers to know that, statistically, the Nevada Department of Prisons operates one of the best maximum prisons in the country. He said that the Ely State Prison is in better shape now than the day it was built.

Chairman Marvel agreed with Director Bayer's assessment and commented on the first-rate safety record of Nevada

prisons. He pointed out the cleanliness of the Lovelock Correctional Center.

Mr. Skolnik informed the Board that the Western Region of the Correctional Industries Association is currently reviewing the possibility of establishing joint purchasing agreements in order to reduce the cost of raw materials. He explained that the states of Washington, Oregon, California and Idaho are meeting to create a preliminary proposal for the region. Mr. Skolnik said that once he had more information on the joint purchasing endeavor, he would bring it before the Board.

Mr. Moell added that State Purchasing has also endeavored to set up similar joint purchasing through the Western States Conferencing Alliance.

There being no further business before the Committee, Chairman Marvel adjourned the meeting at 12:25 a.m.

Respectfully submitted,

Denise Nielsen  
Secretary

APPROVED:

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Assemblyman John Marvel, Chairman

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Date