

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

Legislative Building, Room 4100
401 South Carson Street, Carson City, Nevada
Legislative Counsel Bureau Office, Grant Sawyer State Office Building,
555 E. Washington Avenue, Room 4412
Las Vegas, Nevada
July 31, 1998

A meeting of the Interim Finance Committee's Advisory Board on Prison Industries was held at 10:00 a.m., Friday, July 31, 1998, in Carson City, at the Legislative Building , Room 4100 and was simultaneously video conferenced to the Grant Sawyer State Office Building, Room 4412 in Las Vegas.

COMMITTEE MEMBERS PRESENT:

(CC) Assemblyman John Marvel, Chairman
(CC) Senator Lawrence Jacobsen, Vice Chairman
(CC) Bob Bayer, Director, Department of Prisons
(CC) Bill Moell, Administrator, Purchasing Division
(CC) Al Puliz, President, Puliz Moving and Storage
(LV) Mike Magnani, Labor Union Representative
(LV) Bruce Aguilera, Vice President/General Counsel, Mirage
(LV) Mary K. Foster

COMMITTEE MEMBERS ABSENT:

Senator Raymond Rawson, Excused
Assemblyman Morse Arberry, Jr., Excused

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Robert A. Guernsey, Principal Deputy Fiscal Analyst
Gary L. Ghiggeri, Principal Deputy Fiscal Analyst
Kristin Roberts, Deputy Legislative Counsel
Allison Combs, Research Division
Denise Nielsen, Secretary

OTHERS PRESENT:

Howard Skolnik, Deputy Director, Prison Industries
John McCuin, Chief of Financial Services for Prison Industries
Mark Krmpotic, Budget Analyst, Department of Administration
Keith Munro, Senior Deputy Attorney General, Prison Industries
Ed Voegel, Las Vegas Review Journal

Jackie Crawford, Warden of Lovelock Prison, Nevada Department of Prisons

Anne M. Pellegrini, Inmate's Mother

Mark Jolley, Scherer for Attorney General, Las Vegas, Nevada

Exhibits:

Exhibit A is the meeting Notice and Agenda.

Exhibit B is the Attendance Rosters.

Exhibit C are copies of tables presented under Tab 4 A, Pages 26 through 28 in the Meeting Packet on Uncertified and Certified Deductions from Inmates Wages.

Exhibit D are copies of the Financial Statements for the Quarter ending March 31, 1998, with comparative March 31, 1997, Financial Statements for Silver State Industries, Pages 32 through 60 in the Meeting Packet.

Exhibit E is a handout from Mr. Skolnik with comparisons for the time periods ending 7-30-98 and 7-30-97.

Exhibit E is a copy of the booklet, Lovelock Correctional Center, Prison Industry Overview.

Exhibit G are copies of correspondence and the contract for Prison Industries and Telenet International, presented under Pages 62 through 78 in the Meeting Packet.

Exhibit H are copies of correspondence between the Nevada Appeal and Howard Skolnik in reference to a telemarketing of subscriptions for the Nevada Appeal presented under tab 5 C, Pages 83 through 83 a in the Meeting Packet.

Exhibit I is information referring to "The Free Market Prison Industries Reform Act of 1998."

Exhibit J is a copy of a letter from Anne M. Pellegrini.

Because of their size, the exhibits are not attached to these minutes but, upon request, may be reviewed in the Fiscal Analysis Division of the Legislative Counsel Bureau, Carson City, Nevada. You may contact Denise Nielsen at (702) 684-6821.

1. Roll Call.

Chairman Marvel called the July 31, 1998, meeting of the Nevada Legislature's Interim Finance Committee's Advisory Board on Prison Industry to order at 10:00 a.m. and announced that the meeting was being simultaneously video conferenced to the Grant Sawyer State Office Building in Las Vegas, Nevada. Chairman Marvel requested that the secretary call the roll for the Committee.

Chairman Marvel, on behalf of the Committee, congratulated Keith Munro on his promotion to Senior Deputy Attorney General, Prison Industries. He directed Mr. Skolnik to proceed to item number 3 on the agenda while a quorum was being determined.

3. Response to Committee Questions Raised February 19, 1998.

(A) Status of Prison Industries' Catalog/ Website.

Howard Skolnik, Director of Prison Industries, informed the Advisory Board that Silver State Industries has sent out approximately 1,000 copies of its new catalogue. He advised the Committee that the catalogue had been distributed to the rural counties through State Purchasing.

Chairman Mavel complemented Mr. Skolnik on the appearance of the catalogue. Mr. Skolnik credited the Nevada State Museum for their help in the development of the catalogue, providing photography of furniture and products. Chairman Marvel suggested a letter of thanks from the Advisory Board go to the Nevada State Museum for their cooperation with the catalogue project.

Mr. Skolnik explained that, due to space restriction, not all the information contained in the catalogue is available on the Website for Sliver State Industries. In reference to Chairman Mavel's question, Mr. Skolnik indicated that there was no tracking method in place to measure whether new business for Sliver State Industries is from hits on the Website. Silver State Industries' website is <http://www.state.nv.us/ssi>.

(B) Status of Uncollectable Accounts.

Mr. Skolnik apologized to the Board that he was not able to provide the Board with a listing of the uncollectable accounts and said he would get the list out the following week. He said the status of the accounts was that they had been referred to the State Controller and that Prison Industries had not seen any of the income from the uncollectables.

Chairman Marvel expressed concern in reference to the collection of outstanding debts due Prison Industries. He said that, as a member of the Audit Subcommittee, he was aware that the collection of accounts receivables was an area of concern conveyed by an audit reports for several state agencies. Chairman Marvel suggested that the State Budget office may want to contact the State Controller's office to

follow-up on the progress of the collections.

Mr. Skolnik interjected that before the accounts go to the State Controller's Office, Prison Industries requests that the Attorney General's Office send a letter out to the debtor, requesting payment.

Mr. Munro, Senior Deputy Attorney General, Prison Industries agreed to check with the State Controller's office and report back to the Committee on the status of the uncollectable accounts.

Mr. Moell, Administrator for the State Purchasing Division, informed the Advisory Board that he had been in contact with J. Perry Comeaux in reference to a request for proposal (RFP) for a collection agency to collect outstanding debts owed the State.

Chairman Marvel informed the Committee that he had been advised by Counsel that the Advisory Board now had a quorum and directed the Board's attention back to item 2 on the agenda, approval of the February 19, 1998, meeting minutes.

2. Approval of Minutes of February 19, 1998, Meeting.

BILL MOELL MOVED THE MINUTES OF THE JANUARY 19, 1998, MEETING BE APPROVED AS PRESENTED. THE MOTION WAS SECONDED BY SENATOR JACOBSEN. THE MOTION CARRIED UNANIMOUSLY.

4. Status of Prison Industries.

(A) Uncertified and Certified Deductions for Inmates Wages.

Mr. Skolnik directed the Committee to the tables under Tab 4 A, page 26 of the Meeting Packet (Exhibit C) on Uncertified and Certified Deductions from Inmates Wages. He explained that VCF is the Victims' Compensation fund and CIP is the Capital Improvement fund for Prison Industries. He noted that NSP-Gentine includes Mattress, Linen and Detergent that is reported as a single item, rather than being broken down by shop.

Chairman Marvel questioned if Prison Industries now had funds available to begin work on some Capital Improvement Projects (CIP's). Mr. Skolnik replied that Prison Industries has the funds and approval for a building for Jean. He explained that Prison Industries is holding off on this project, hoping that state-operating industries may go into the Lovelock Correctional Center for a better use of the funds.

Senator Jacobsen questioned if Prison Industries built the "porta-potties" that the inmate crews utilize. Mr. Skolnik responded that Prison Industries constructs the trailers and puts the facilities on them for the Forestry Division and the Department of Transportation (NDOT). Senator Jacobsen related that he served on the board for the 4-H at Lake Tahoe, who has decided to purchase one of the portable facilities that would accommodate the disabled. Mr. Skolnik advised Senator Jacobsen to submit a bid to Prison Industries for the facility.

(B) Review of the Number of Inmates Employed.

Mr. Skolnik reported that, as of June 30, 1998, 375 inmates were employed with Prison Industries. He noted that inmate employment is up 23 percent from the prior year with 305 employed inmates for the fiscal year.

(C) Financial Statement Comparison Fiscal 2nd Quarter 1998

vs Fiscal 2nd Quarter 1997.

Directing the Committee's attention to page 32, under Tab 4 A of the meeting packet, (Exhibit D), Mr. Skolnik highlighted financial statements for the third quarter for the Committee, stating that net income was \$274,000 for the overall operation.

Chairman Marvel commented that the retained earnings for Silver State Industries looked good.

Referring to the handout on comparisons for the time periods ending July 29, 1998, versus July 29, 1997, (Exhibit E), Mr. Skolnik informed the Committee that sales for Prison Industries were up 40 percent, the unencumbered cash position has improved 136 percent (not including funds in the Capital Improvement fund), receivables are down 25 percent and inventory was down 30 percent. He noted that open orders are down attributable to the University of Las Vegas order that Prison Industries was completing at the same time last year.

In reference to Chairman Marvel's question if the orders would escalate with the start of the new prison, Mr. Skolnik affirmed that orders should increase. He added that Prison Industries, at present, is holding on over half million dollars in open orders.

Chairman Marvel asked the average turnaround on these open orders and if turnaround time was improving for Prison Industries. Mr. Skolnik replied that these open orders were turning within thirty or sixty days with the furniture orders turning within three weeks.

Mr. Moell, Administrator for the State Purchasing Division, informed the Committee that there had been no adverse comments from other agencies. He expressed that the interactions between Silver State Industries and other state agencies had notably progressed.

Mary Foster from Las Vegas expressed her congratulations to Mr. Skolnik and his team for their improvement in the financial

performance.

Chairman Marvel added that all the members of the Board we appreciative of the improvement of the financial reporting to the Committee.

Mr. Skolnik related that John McCuin, Chief of Financial Services for Prison Industries, and other Prison Industry staff deserved credit for the improved reporting.

Referring to the Certified Deductions for the Bookbinding/Print Program at the Nevada State Prison (NSP), Page 28 of the Meeting Packet, (Exhibit C), Chairman Marvel questioned why no deductions were reported. Mr. Skolnik explained that there were no inmates working on certified jobs during the reporting period. He pointed out that a number of Prison Industries' operations had been certified in order to operate either for government or to sell to the private sector. Mr. Skolnik clarified that government work is done non-certified. He informed the Committee that there was no cost involved in maintaining the certifications. Mr. Skolnik added that Prison Industries had been approached by the Art/Glass Center (Prison Industries' partner in the Glass Program in Las Vegas) to print a book for a marketing tool for their glass work. Mr. Skolnik said that Prison Industries intended to approach the State Printing Division to see if this program would be feasible legally.

Chairman Marvel remarked on the improvement of Prison Industries' cash position, and retained earnings, observing that Southern Desert Correctional Center (SDCC) was in the black.

Mr. Skolnik related that the only problem area remaining was the Ely State Prison Drapery Program which would be addressed under agenda item 7 A.

Chairman Marvel asked the Committee members if there were any further questions on the financial statements. He reiterated Mary Foster's complement on the improvement of the financial report on Prison Industries. Being no further questions or comments, Chairman Marvel directed the Committee to the next item on the agenda.

5. Discussion of Potential Prison Industry Programs-NRS 209.4814.

(A) Telenet International

Mr. Skolnik informed the Board that Telenet International is a customer service marketing program, specializing in long distance switching services for larger companies such as Westinghouse. Mr. Skolnik related that Telenet International approached Prison Industries with a possible operation for an industrial program for the Lovelock Correctional Center. He explained that the program was likened to the Skidmore-Roth Program in place at Southern Nevada Correctional Center (SNCC) in Jean and would have 100 stations, employing 200 inmates in two four-hour shifts.

Chairman Marvel announced that the Committee was pleased to have in attendance Jackie Crawford, Warden of the Lovelock Correctional Center. He welcomed Ms. Crawford and invited her to interject any comments she had on the industry program for the Lovelock facility.

Mr. Skolnik informed the Committee that inmates for the Telenet International Program would be employed under the umbrella of Prison Industries and paid \$4.50 per switch. Mr. Skolnik said that Prison Industries would charge Telenet International \$5.50 per switch. He expounded that the industry standard is 1.25 switches per hour. Once the inmates are trained and all the stations are filled, if the standard is achieved, the net income for Prison Industries should be approximately one-quarter of a million dollars per year.

Responding to Chairman Marvel's question on the required space of the program, Mr. Skolnik said that 10,000 square feet (one half of one of the buildings available for prison industries at the Lovelock Correctional Center) would be more than ample.

Mr. Skolnik related that since the Telenet International Program is a service industry and does not require certification under the federal program, Prison Industries has chosen not to certify the program and has decided to pay the inmates a straight piece rate.

Warden Crawford introduced herself for the record and informed the Committee that the Prison Industry component with Telenet International would help the Lovelock facility and their 1,300 inmates. Ms. Crawford pointed out that the Lovelock Correctional Center, Prison Industry Overview, delivered to the members with the Meeting Packets, (Exhibit F), contained a list of skills of the facilities' inmates. She said, in her opinion, the Lovelock facility had the caliber of inmates that could make the Telenet Program a success. Ms. Crawford expressed her disappointment in the loss of tile industry program for Lovelock Correctional Center with Cerami-Craft.

Chairman Marvel said that he had been a speaker at a class at the time Prison Industries was negotiating the contract with Cerami-Craft. He related the enthusiasm that the class shared for the industry program. Chairman Marvel reiterated the disappointment for the loss of the Cerami-Craft Program for the Lovelock facility.

Addressing some concerns on the Telenet International Program, Mr. Skolnik said that the inmates would not have access to any personal information on a customer aside from the customer's name and phone number. Mr. Skolnik explained to the Committee that due to problems in the long distance switching called slamming, changing service without the approval of the customer, a \$40,000 per incident fine was imposed. He said in order to avoid these expensive fines, companies are hiring third-party companies to verify, tape, and retain records of all the switches.

Mr. Skolnik reviewed for the Committee how the structure of the program:

- There would be a total of six staff per 100 inmates in the program-

One correctional officer (paid for by Telenet);

For each 25 inmate employees there would be one supervisor, and;

One manager for the program.

- The inmate would receive a list of names and phone numbers.
- The inmate would make the phone call, describing the service and benefits and ask the potential customer if they are interested in the service.
- The interested customer would be referred to a supervisor who would switch the call to the third-party company (outside of the Lovelock institution) for verification.
- The third-party company would gather personal pertinent information such as mother's maiden name or social security number for verification.
- The following day, the shop would receive a fax from the third-party confirming which switches transpired and which were refused.

Chairman Marvel questioned if Mr. Skolnik had relayed this structure to the members of the Interim Finance Committee (IFC) who had concerns about the Telenet International Program. Mr. Skolnik related that he had personally spoken with the individual who had expressed the most concerns about the program. He related that this individual had toured the facility at the Southern Desert Correctional Center for the Prison Industry Program and seemed to be impressed with the program.

Chairman Marvel said that the Prison Industries Advisory Board does not always receive the contracts; however, the Board does like to have them reviewed by their legal counsel in order to assist the Board in the consideration of Industry programs. Chairman Marvel requested that Kristin Roberts, Deputy Legislative Counsel of the Legislative Counsel Bureau (LCB)-Legal Division, comment for the record on the general observations of the Legal Division concerning the contract between Prison Industries and Telenet International, (Tab 5 A, Pages 62 thru 78 in the Meeting Packet, Exhibit G).

Ms. Roberts advised the Board that it was LCB's Legal Division's opinion that the contract legally satisfactory. Ms. Roberts said that she had reviewed the contract signed on July 6, 1998, and had a few suggestions to offer on the contract. Ms. Roberts related that, in the correspondence between the Department of Administration and John McCuin, the Department of Administration expressed concern as to how the dollar value of services sold would be determined by Prison Industries to effectively bill Telenet for commissions. Referring to Item 4 on Page 65 of the Meeting Packet, (Exhibit G), Ms. Roberts said Prison Industries may wish add instructions in the contract requiring Telenet International to provide a monthly sales person activity report to Prison Industries in order to accurately compute commissions for Prison Industries' billings to Telenet.

Mr. Skolnik interjected that Prison Industries would be receiving a daily report from Telenet International. Mr. Skolnik said that since the contract, at this time, was past the deadline, he was not certain the contract could be changed.

Chairman Marvel acknowledged that these suggestions may be after the fact; however, they may be areas to watch for in future contracts.

Ms. Roberts said that the second recommendation for the contract was in regard to the security measures. She indicated that the detailed security measures outlined in the correspondence between Mr. Skolnik and Telenet International should have been included in the contract.

Chairman Marvel noted that the LCB Legal Division did have some legitimate concerns, and he suggested that, in the future, the Board be provided with contracts for review prior to the contracts being signed.

Mr. Skolnik agreed to provide the Advisory Board with contracts for review in the future.

Chairman Marvel indicated that the Chair would accept a motion to authorize Prison Industries to pursue the Telenet International activities for the Lovelock Correctional Center.

SENATOR JACOBSEN MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH TELENET INTERNATIONAL. THE MOTION WAS SECONDED BY AL PULIZ.

Chairman Marvel called for further questions or discussion on the program.

Mike Magnani, Labor Union Representative, Las Vegas, questioned if there were any employees in the State of Nevada currently performing any of the tasks required by Telenet International that would be adversely impacted by moving the jobs into the prison system. Mr. Skolnik responded that employees would not be impacted. He continued, saying that Telenet International had approached Prison Industries as they had incurred difficulties filling their 250-station operation in Las Vegas with only 75 of the stations filled. The local economy has made filling the positions difficult since these telemarketing positions were not high paying jobs, Mr. Skolnik explained. He added that Telenet International is willing to hire released inmates who have worked the Telenet Prison Industry Program.

In reference to Chairman Marvel question if Telenet International would be paying the utilities for the program, Mr. Skolnik replied that Telenet International would not be renting the space. Mr. Skolnik informed the Board that this would be a

manpower model program, such as the Skidmork-Roth Program and the Art-Glass Center. He explained that inmates are paid by Prison Industries and Prison Industries then bills the company. Mr. Skolnik said additional funds go to Prison Industries' net profit.

Mr. Skolnik told the Committee that Prison Industries is considering utilizing the other 10,000 square feet of the building for a state-operated, state-owned furniture refinishing shop. He expounded, saying that, presently, Prison Industries is turning away approximately \$100,000 worth of furniture refurbishing. Mr. Skolnik informed the Board the he had met with the facility manager from Harrah's and the owner of one of the large salvage companies in Las Vegas who both informed him of a potential volume of refurbishing business that is presently not being met. In reference to Chairman Marvel's question on how many inmates this furniture refinishing shop would employ, Mr. Skolnik estimated 30 to 40 inmates would be employed when the shop was fully operational.

Mr. Skolnik explained to the Board that one of the realities of the Telenet International Program is that the inmates are required to be articulate to work in the operation. He said there are inmates in the Lovelock facility that deserve an opportunity to work, yet would not meet the requirements of the Telenet International Program. Mr. Skolnik said the refinishing program would provide these inmates with the employment opportunity.

Mr. Pulitz, President, Puliz Moving and Storage, questioned who would be responsible for the setup charge on the Telenet International Program. Mr. Skolnik replied there would be no setup cost to Prison Industries. Telenet paid for all the equipment, switches, and seating. He explained the program would be designed on tables for security purposes, rather than using partitions, with a privacy devices for the phones.

Chairman Marvel questioned if Mr. Magnani was satisfied with Mr. Skolnik's answer on job displacement. Mr. Magnani confirmed he was. Chairman Marvel then called for a vote on the motion for consideration on the floor.

THE MOTION ON THE FLOOR TO AUTHORIZE PRISON INDUSTRIES TO PURSE THE TELENET INTERNATIONAL ACTIVITIES FOR THE LOVELOCK CORRECTIONAL CENTER CARRIED UNANIMOUSLY.

Senator Jacobsen related that he was pleased to see Warden Crawford at the meeting and requested she speak to the Committee in reference to the Lovelock Correctional Center in reference to community acceptance and operations of the Lovelock facility.

Chairman Marvel suggested that the Committee delay this discussion for the Public Testimony component of the agenda.

(B) Edumerica, Incorporated.

Mr. Skolnik advised the Committee that Edumerica is part of the Correctional Cable TV interactive education program that was approved by the Advisory Board at the meeting of February 19, 1998. He divulged that Prison Industries did not have in-house the expertise to develop the curriculum or supervise the educators who would present the illustrations. Mr. Skolnik said that Prison Industries had contracted with a local company in Las Vegas experienced in course development, alternative education, correctional education and television education to help develop, maintain, and update the program's curriculum. He noted that Edumerica would serve as the representative of the professional educator in meeting with the sheriffs, wardens, and directors from other agencies.

In reference to Chairman Marvel's question if the program would be in all the prisons, Mr. Skolnik responded that the program was not designed for Nevada, however, is designed to sell across the country. Mr. Skolnik explained that the educational programs in Nevada's prisons are fairly complete. However, he said, some of the jails in Nevada may want to purchase the program. Recently, more county facilities are housing state inmates, across the country, due to crowding issues. He explained that there is a legal issue to provide education for a state inmate housed in county facility. The program would provide resources to the county facilities to meet these legal requirements at a cost that would be beneficial in comparison to the hiring of one teacher. Mr. Skolnik said that Prison Industries viewed this program potentially as a huge program.

Chairman Marvel questioned how Prison Industries in Nevada would benefit from the program. Mr. Skolnik replied that inmates would work in the technical aspects of the program as cameramen and support clerical services by grading tests, tracking and responding to customers. Mr. Skolnik testified that once Prison Industries paid Edumerica's fees, income from the program from Correctional Cable TV would be \$3,000 for the first classroom with a sliding scale for multiple classrooms.

Addressing Chairman Marvel's question on the program once fully employed, Skolnik projected that the program, within five years, should bring in 500 subscribers and an income of approximately \$1,500,000 per year to Prison Industries. He explained that the computer devise for the student to interact with the instructor would ultimately be manufactured by Prison Industries which would create jobs for inmates.

In reference to Chairman Marvel's question on the contract, Mr. Skolnik clarified that the program for Correctional Cable TV was approved at the Advisory Board on Prison Industry meeting of February 19, 1998, and the contract was going before the next Board of Examiners' meeting. He explained that Prison Industries and Edumerica, Inc. have an interim contract in order to start on the curriculum for the program. With the curriculum developed, once the program is approved by the Board of Examiners, Prison Industries can start marketing on the program.

Chairman Marvel asked the Board members if there were any further questions on Edumerica. Being none, he directed the Committee's attention to item 5 C on the agenda.

(C) Nevada Appeal Marketing.

Referring to Tab 5 C, Page 83 in the Meeting Packet, (Exhibit H), Mr. Skolnik informed the Board that the Nevada Appeal had

contacted Prison Industries requesting a possible contract for a industrial program for telemarketing subscriptions of the Nevada Appeal.

Chairman Marvel questioned if it was advisable that inmates have access to the media.

Mr. Skolnik expressed his concerns in reference to Prison Industries' relationship with the media. He added his concern of the possibility of the Nevada Appeal compromising objectiveness with Prison Industries if Prison Industries were marketing their subscriptions.

After concurring with the Board members, Chairman Marvel announced that the Committee would not take action on agenda item 5 C, Nevada Appeal Marketing, at this time. Chairman Marvel then directed the Committee's attention to item 6 on the agenda.

6. Discussion of Vinyl Products' Request for Additional Space for Prison Industry.

Mr. Skolnik related that Prison Industries was in the process of developing a 5,000 square-foot warehouse to be paid for out of Prison Industries' retained earnings for the Northern Nevada Correctional Center (NNCC). He said that the warehouse is in the design phase. Once the design is completed and approved by the institution for security criteria, Prison Industries will request approval from the Director of Prisons. Mr. Skolnik explained with the Director's approval Prison Industries would proceed to the State Public Works Board. Mr. Skolnik opined that if Prison Industries is going to provide additional space for Vinyl Products, Prison Industries should include the space in the proposed warehouse and have Vinyl Products pay for part of the building.

Chairman Marvel questioned if Director Bayer had any comments on the warehouse project.

Bob Bayer, Director of the Department of Prisons, related that he had no problems with the project as long as the additional expansion is located properly.

In reference to Chairman Marvel's question, if the warehouse would employ additional inmates, Mr. Skolnik affirmed it would. He informed the Committee that, presently, the Prison Industries' warehouse is maintained outside the Prison's grounds necessitating a locked-up and double handling of all furniture and metal products. Mr. Skolnik related that the new building would be a regular warehouse operation opening approximately six more jobs for inmates.

Chairman Marvel questioned if the Committee had any further questions for Mr. Skolnik on the warehouse. Being none, the Chairman proceeded to the information items on the agenda.

7. Information Items.

(A) Status of Industry Program- Ely State Prison.

Mr. Skolnik said as the financial statements indicate, the Ely State Prison (ESP) Drapery Program has not done well. However, he said, sales for the ESP Drapery Program at the close of the year were approximately \$86,000, indicating that sales in the fourth quarter were almost as high as the first three quarters. Mr. Skolnik related that sales through the first month of this fiscal year, as of July 24, 1998, reflect that Prison Industries has shipped \$17,000 in products and is holding \$22,000 in open orders.

Mr. Skolnik informed the Committee that there is a contract pending before the Board of Examiners with The Drapery Handyman, a company specializing in contract draperies for commercial properties for hotels, apartment complexes, and new housing developments. He added that if that contract is approved, Prison Industries would receive their regular fee for manufacturing of draperies and a percentage of the cost of the hardware and the material.

Mr. Skolnik advised the Board that Prison Industries had sent out a mass mailing of brochures on the ESP Drapery Program approximately three months ago to California, Oregon, and Washington to the installers and designers in the drapery business. He explained that the losses in the Drapery Program are a reflection of Prison Industries' volume. Mr Skolnik said that if Prison Industries could increase the volume, the profits would improve.

Referring to Chairman Marvel's question, if everything for the ESP Drapery Program had been paid for, Mr. Skolnik affirmed that everything had been. Mr. Skolnik said that Prison Industries had been dealing with a primary customer, Hospitality Fabricators, who went bankrupt and stopped orders from Prison Industries. He expounded that Prison Industries is now providing five different companies with drapery products and added that the latest company based in Las Vegas.

Chairman Marvel opined that the Ely program sounded like it was improving. He asked for any questions or comments from the Board Members on the ESP Drapery Shop. Being none, Chairman Marvel instructed the Committee to move to the next agenda item.

(B) Status of Industry Program for Lovelock-Cerami-Craft Corp.

Chairman Marvel restated that the contract for Cerami-Craft was nullified. Again, Chairman Marvel extended his appreciation that Warden Crawford was at the meeting and suggested this was the appropriate time for Warden Crawford to respond to Senator Jacobsen's inquiries on the Lovelock Correctional Center.

Warden Crawford advised the Committee that the Lovelock Correctional Center (LCC) was an outstanding prison with a capacity of 1,300 inmates. Of these 1,300 inmates, Warden Crawford reported, 650 are enrolled in an educational program with Pershing County School District. Warden Crawford expressed her gratitude for the Prison Industry Program approved by the Board with Telenet International for the Lovelock Correctional Center. She related that with an industry in place, LCC would be a model prison for the other institutions in the state. Warden Crawford informed the Board that the project for LCC and the industry of Cerami-Craft was to be a partnership with community and indicated regret that the industry did not work out. Concluding her presentation, Warden Crawford extended an invitation to the members of the Advisory Board to visit the Lovelock institute.

Chairman Marvel asked if there were any questions for Warden Crawford on LCC.

Senator Jacobsen remarked that it was nice to get a report that the LCC is a model institution. He related that he had heard positive reports from constituents on LCC and that Warden Crawford deserved praise for her accomplishments.

Chairman Marvel announced that he had reviewed information from the Economic Impact Study being conducted by the University of Nevada Reno showing the benefits to the State of Nevada from the industry programs. Chairman Marvel questioned if Mr. Skolnik had released this information to the press.

Mr. Skolnik explained that, at this point, the report from the University of Nevada is a preliminary report. He said that the summary of the Economic Impact Study shows that in 1997, for one-quarter of a million dollars in total sales Prison Industries had an economic impact of ten million dollars in Nevada, creating more than 33 jobs in the private sector and supporting 257 jobs.

Chairman Marvel questioned when the final report would be ready. Mr. Skolnik advised the Committee that the final report would be ready by the end of August.

Mr. Skolnik informed the Committee that Mr. Munro had officially and legally terminated the contract with Cerami-Craft Corporation by letter, allowing Prison Industries to pursue other programs.

Chairman Marvel directed the Committee to the next agenda item.

Mr. Skolnik requested that the Committee skip agenda item C until later and next discuss the Wildhorse Program.

(D) Report on Wildhorse Industry Program With The Division of Agriculture.

Due to problems with the traps and a wet year providing substantial feed in the mountains for estrays, Mr. Skolnik advised the

Board, Prison Industries has only one wildhorse at this time.

Chairman Marvel reported that Mr. Ghiggeri and he had toured the Prison Farm on opening day for the Wildhorse Program. He related that Prison Industries had done an excellent job in putting together the facility for the estrays. He questioned how many horses had been processed through the facility.

Mr. Skolnik said that Prison Industries had one wildhorse horse and five estray horses with disputed ownership.

(C) Status of Industry Program- Others.

Mr. Skolnik advised the Board that Prison Industries is doing well and that sales are up. He explained that Prison Industries had been working on a new line of furniture with Joe Agodi from Agodi's Design in Chicago and is planning to introduce an additional line of furniture in hopes of increasing Prison Industries' business. Mr. Skolnik said that Prison Industries is considering increasing promotions to private business as projections for an increase in government business for the next biennium is slim due to the shortfalls in revenue for the government.

Referring to Chairman Marvel's question, if Prison Industries had been watching income revenues from sales tax and gaming, Mr. Skolnik responded that Prison Industries wanted a plan in case revenues are not there. Chairman Marvel commented that was the way to operate.

Mr. Skolnik continued, stating that the overall status in the industry is as healthy as it has ever been. He restated that Prison Industries is planning to build a warehouse out of retained earnings. Mr. Skolnik asked if Mr. John McCuin, Chief of Financial Services for Prison Industries, wanted to add any comments. Mr. McCuin declined, stating that he felt that Mr. Skolnik had covered all areas.

Mr. Skolnik informed the Advisory Board that Don Gentine, Supervisor of Prison Industries at Nevada State Prison, was selected as Supervisor of the Year for the Western Region of the Correctional Industries Association. He explained to the Board that Mr. Gentine was scheduled to attend the Prison Industry Advisory Board meeting; however, there was a death in his family. Mr. Skolnik noted that this was the second consecutive year that a member of the Nevada Correctional Industries Program has been selected as the region's best. Mr. Skolnik opined that this honor reflects well on the staff for Prison Industries as well as the Advisory Board for providing direction for Prison Industries.

Chairman Marvel expressed his regrets for the loss in Mr. Gentine's family. He informed the Committee that a letter of congratulations had been drafted by staff on behalf of the Advisory Board and that, with approval of the Committee, it would be forwarded to Mr. Gentine.

Mr. Skolnik requested that the letter be presented to Mr. Gentine at the American Correctional Association awards ceremony in Detroit by Director Bayer.

Chairman Marvel commented that the award was an outstanding accomplishment and informed Mr. Bayer that he would appreciate his presenting the Board's congratulatory letter to Mr. Gentine.

Mr. Bayer said that he had known Mr. Gentine for approximately twenty years and that, in his opinion, Mr. Gentine is an exceptional employee. Mr. Bayer said he would be pleased to extend the Board's acknowledgment at the American Correctional Association meeting.

Mr. Bayer informed the Board that he had received a letter with Prison Industry Enhancement's (PIE) proposed guidelines. Directing his question to Mr. Skolnik, he questioned if Prison Industries was in compliance should the new guidelines be adopted.

Mr. Skolnik voiced that he would like to defer response to the question until the status report was finalized.

Mr. Skolnik advised the Board that the program of repackaging items for resale for Jacobs Trading at the Corrections Corporation of America (CCA) approved at the last meeting has been initiated, employing five inmates.

Responding to Director Bayer's question on PIE's proposed guidelines, Mr. Skolnik related that the Bureau of Justice Assistance contracts with the Correctional Industry Association to assure compliance of the Prison Industry Enhancement programs with federal guidelines. He said that Prison Industries was given a peer review in April by an individual from Kansas. Mr. Skolnik related that he requested that the evaluator also review how Prison Industries fared against the proposed guidelines. Mr. Skolnik informed the Board that, according to the review, Prison Industries is already in compliance with the new guideline.

Addressing three possible issues for the future guidelines, Mr. Skolnik discussed Prison Industries' plans for quarterly reporting from the contract monitor on industry programs indicating review for compliance. He said that since the Employment Security Division provides an annual review and certification of Prison Industries' wage structure, he felt compliance for wage issues would be met. Calling attention to the fact Prison Industries receives direction from the Advisory Board, including the expertise of Mike Magnani, Labor Union Representative, Mr. Skolnik related that the third issue, concern for displacement created by industry programs, had no foreseen violations.

In response to a question from Mr. Marvel, Mr. Skolnik replied that Prison Industries would have no problems with the proposed changes. He informed the Board that PIE had lifted the question about taxes and the IRS, indicating that deductions that did not exceed 80 percent are the responsibility of the jurisdiction. Mr. Skolnik said Prison Industries would no longer be required to deduct for victims compensation. He said that victims compensation, although an option, would be a deduction that Prison Industries would want to maintain to promote good public relations. Mr. Skolnik stated that, since tax deduction would be subject to the local IRS, Prison Industries' letter of determination stating that inmates are independent contractors would

stand without the need to defend the determination at each review.

Addressing Director Bayer's question on the legal ruling for inmates' wages for work programs, Mr. Skolnik confirmed that it is mandated that Prison Industries pay at least minimum wage. He expounded stating that, last year, Nevada was one of the highest paying of all the states with the average inmate wage of \$3.87 per hour for all Prison Industries' program.

Senator Jacobsen questioned if there would be additional activity for industry programs at the women's prison in Las Vegas (CCA).

Mr. Skolnik responded that Telenet International may want to set up a program in CCA, as they would have the advantage of trained work force as inmates are released to fill their stations. He explained that Telenet International loses their trained employees to the phone companies as customer service operators.

(E) "The Free Market Prison Industries Reform Act of 1998."

Referring to item 7 E in the meeting packet, Exhibit I, Mr. Skolnik informed the Board that Congressman McCollum has introduced a bill that will primarily affect federal prison industries, however, will impact the states by lifting all controls, including minimum wage.

Chairman Marvel asked Mr. Magnani if he had reviewed the information on "The Free Market Prison Industries Reform Act of 1998" with other representatives of the Labor Union. Mr. Magnani responded he had not.

Mr. Skolnik informed the Committee that at hearings held in June 1998, the AFLCIO was opposing the act at the federal level and was supporting the PIE program. Mr. Skolnik offered assistance to Mr. Magnani for any follow up on the reform act.

Chairman Marvel asked if the Committee had further questions on "The Free Market Prison Industries Reform Act of 1998." Being none, he directed the Committee to the next agenda item.

*8. Review of Program Profitability pursuant to NRS 209.4814, Subsection 7.

Chairman Marvel questioned if Mr. Skolnik had any recommendations at this time in reference to profitability. Mr. Skolnik reported to the Committee that Prison Industries is in compliance to NRS 209.4817, Subsection 7 by operating "in the black" in a combined basis. Mr. Skolnik said that the one issue is the program at Ely State Prison (ESP) with the three consecutive years of losses in the drapery program. He recommended that the Ely operation be maintained.

Chairman Marvel stated that the Chair would accept a motion that the Advisory Board would continue the programs that are in place for Prison Industries and review programs for further action at the next meeting.

SENATOR JACOBSEN MOVED THAT THE ADVISORY BOARD ON PRISON INDUSTRY SUSTAIN THE PRESENT INDUSTRIES PROGRAMS IN PLACE IN THE PRISON INDUSTRIES' FORMAT SUBJECT TO DELETION AFTER REVIEW AT THE NEXT MEETING. THE MOTION WAS SECONDED BY AL PULIZ. THE MOTION CARRIED UNANIMOUSLY.

The Chairman questioned if there were any other issues the Committee members would like to discuss.

Mr. Puliz question the progression of the collection problems encountered by Prison Industries from the Department of Motor Vehicles and Public Safety (DMV & PS).

Mr. Skolnik informed the Board that the year to date figures on the collection of license plate revenues indicate a significant increase of approximately \$30,000 over last year's receipts.

Chairman Marvel related that with DMV & PS's implication of the new automatized system, Genesis, Prison Industries would have the capability to better track the collection of the fee.

Senator Jacobsen questioned if the next meeting could be held in Lovelock.

Chairman Marvel related that with busy schedules of Committee members, it may not be convenient to travel to the Lovelock facility. He suggested a poll of members in reference to convenience prior to setting up the next meeting.

9. Public Testimony.

Chairman Marvel asked if there was any public testimony from Las Vegas or Carson City to come before the Advisory Board. Addressing Anne M. Pellegrini in the audience in Carson City and referring to her letter (Exhibit J) that was sent to the LCB staff for the Advisory Board, Chairman Marvel apprised Mrs. Pellegrini that the problem addressed in the letter did not come under the privy of the Advisory Board. Chairman Marvel stated that the Committee was not trying to deny due process.

Mrs. Pellegrini introduced herself for the record and informed the Committee that she had

written to LCB and had received a reply from the Warden of Ely State Prison addressing one issue, however, not the issue of keys of visitors

to the Ely State Prison. Mrs. Pellegrini related that she had sent copies of her letter to Director Bayer and to the Senior Deputy Attorney General for assistance to address and correct her issue.

Since the issue was not related to Prison Industries, Mrs. Pellegrini, Keith Munro, Senior Deputy Attorney General, Prison Industries and Director Bayer agreed to discuss the issue.

10. Adjournment.

Chairman Marvel asked for any other business to come before the Committee. Chairman Marvel thanked the committee members in Las Vegas and Carson City for their attendance. There being no further business to come before the committee, the meeting was adjourned at 11:30 a.m.

Respectfully submitted,

Denise Nielsen

Fiscal Analysis Division Secretary

Assemblyman John Marvel, Chairman

Prison Industry Advisory Board

Date