

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

Legislative Building, Room 1214
401 South Carson Street, Carson City, Nevada
Legislative Counsel Bureau Office, Grant Sawyer State Office Building,
555 E. Washington Avenue, Room 4401
Las Vegas, Nevada
February 19, 1998

A meeting of the Interim Finance Committee's Advisory Board on Prison Industries was held at 9:00 a.m., Thursday, February 19, 1998, in Carson City, at the Legislative Building , Room 1214 and was simultaneously video conferenced to the Grant Sawyer State Office Building, Room 4401 in Las Vegas.

COMMITTEE MEMBERS PRESENT:

- (CC) Assemblyman John Marvel, Chairman
- (CC) Senator Lawrence Jacobsen, Vice Chairman
- (LV) Assemblyman Morse Arberry, Jr.
- (LV) Senator Raymond Rawson
- (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

COMMITTEE MEMBERS ABSENT:

- Mary K. Foster, CEO, Ethel M. Chocolates, Excused
- Bob Bayer, Director, Department of Prisons, Excused

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

- Robert A. Guernsey, Principal Deputy Fiscal Analyst
- Gary L. Ghiggeri, Principal Deputy Fiscal Analyst
- Rene Yeckley, Deputy Legislative Counsel
- Scott Wasserman, Chief 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

John Neill, Assistant Director of Prisons

Julie Carasella, Regional Marketing Coordinator, Prison Industries

Mark Roberts, Administrative Service Officer, Department of Human Resources

Frank Adams, Chief, Administrative Services, Department of Motor Vehicles & Public Safety

Clay Thomas, Chief of the Registration Division, Department of Motor Vehicles & Public Safety

Mark Krmptic, Budget Analyst, Department of Administration

Keith Munro, Deputy Attorney General, Prison Industries

Paul Iverson, Administrator, Division of Agriculture

Bruce Greenhalgn, Bureau of Livestock Inspection

Ed Voegel, Las Vegas Sun Journal

Geoff Dorran, Nevada Appeal

Exhibits:

Exhibit A is the meeting Notice and Agenda.

Exhibit B is the Attendance Roster.

Exhibit C are copies of Accounts Receivables Silver State Industries' - Status and Bad Debt Write Offs During Year Ending June 30, 1997, section 3 B, Pages 23 through 31 in the Meeting Packet.

Exhibit D is a copy handout from Howard Skolnik of Operational Procedures of the Silver State Industries' awarding credit.

Exhibit E is a copy is a copy of the schematic for the corrals for the Wildhorse Program.

Exhibit F is a handout of a copy of the map of the Virginia Range.

Exhibit G are copies of Financial Statements for the Quarter ending December 21, 1997, with Comparative December 31, 1996, Financial Statements for Silver State Industries.

Exhibit H are copies of item 7 in the Meeting Packet for 1st Quarter FY 98 Financial Information for Silver State Industries.

Exhibit I is a handout from Howard Skolnik of a memo from Keith Munro regarding Correctional Cab TV, Inc.

Exhibit J is a copy of the draft contract between Cerami-Craft Corporation and Prison Industries.

Exhibit K is a copy of draft revisions to the contract between Cerami-Craft Corporation and Prison Industries, item 10 B of the Meeting Packet.

Exhibit L is a copy of the December 10, 1997, memo from Rene Yeckle to Gary Ghiggeri related to provisions of the contract between American Heritage Tile Corporation (Cerami-Craft) and Prison Industries.

Exhibit M is a copy of Relevant Provisions of the Draft of the Contract between a the Prison Industries Program and American Heritage Tile Corporation.

Exhibit N is a copy from the Internal Revenue Service to the South Carolina Department of Corrections regarding payment made by a state to prisoners, Page 95-a of the Meeting Packet.

Exhibit O is a copy of the American Correctional Association Policy draft Page 112 a in the Meeting Packet.

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 February 19, 1998, meeting of the Nevada Legislature's Interim Finance Committee's Advisory Board on Prison Industry to order at 9:00 a.m. and announced that the meeting was being simultaneously video conferenced to the Grant Sawyer

State Office Building in Las Vegas, Nevada. After requesting the secretary call the roll for the Committee, Chairman Marvel indicated a quorum was present.

2. Approval of Minutes of October 22, 1997, Meeting.

Chairman Marvel indicated he would accept a motion to approve or modify the minutes from the October 22, 1997, meeting.

SENATOR JACOBSEN MOVED THE MINUTES OF THE OCTOBER 22, 1997, MEETING BE APPROVED AS PRESENTED. THE MOTION WAS SECONDED BY BILL MOELL. THE MOTION CARRIED UNANIMOUSLY.

3. Response to Committee Questions Raised October 22, 1997.

Chairman Marvel instructed Mr. Skolnik to proceed with responses of the questions raised at the meeting of October 22, 1997.

(A) Status of Prison Industry Programs at Southern Nevada Women's Prison.

Howard Skolnik, Director of Prison Industries, informed the Committee that, after review of the original contract between Corrections Corporation of America (CCA) and Nevada Department of Prisons, a written agreement would not be required for Prison Industry programs at the Southern Nevada Women's Correctional Facility (SNWCF). Mr. Skolnik explained that statutes, NRS 209.151, 209.189, 209.192, 209.4813 and 209.4814, cited in the contract required all Prison Industries Programs to be implemented consistently with those statutes. Mr. Skolnik elaborated that NRS 209.189 refers to Prison Industries' cash flow, NRS 209.192 deals with the funds for the Capital Improvement fund, NRS 209.4813 and 209.4814 refer to the Advisory Board on Prison Industry and the oversight of all Prison Industry programs. Mr. Skolnik continued, stating that CCA would be handled as any other institution with agreements for prison industry programs implemented through the Advisory Board on Prison Industries and administered by the Prison Industries' office.

Mr. Skolnik stated that CCA had submitted a more detailed request for a program with Jacobs Trading Company, a firm with established prison industry programs in Minnesota, Oklahoma, and Ohio.

Chairman Marvel questioned if this program would require an outside building.

Mr. Skolnik answered that CCA is proposing an initial work opportunity for twenty inmates within the facility for a certified program with Jacobs Trading Company for SNWCF with two four-hour shifts or ten inmates with one eight-hour shift in the facility's space available. He stated that, within the first year, they would like to expand the program to employ forty full-time inmates at the facility. Mr. Skolnik explained that the long term intention of the program would include up to eighty inmates and the necessity of a building. He pointed out that negotiations between CCA and the State would have to transpire for construction of a building, as one does not exist at this time.

Chairman Marvel inquired if the construction of a building would create security and liability problems with a building outside the compound.

Mr. Skolnik clarified that the building would be inside the compound.

Chairman Marvel requested Scott Wasserman, Chief Deputy Legislative Counsel, convey his position on this method of contracting industry programs with CCA.

Mr. Wasserman said he was comfortable the fact that the statutes would still apply to the manner in which Prison Industries proceeds with the industry. He said the director is working with CCA to determine which industries to proceed with and the Board, in its advisory capacity, would still advise the director if he should proceed with those industries.

Mr. Skolnik related that Prison Industries was requesting approval to proceed with negotiations with Jacobs Trading Company for the initial phase of the ten inmates for an industry program at SNWCF.

Chairman Marvel questioned if there were any other programs planned for SNWCF.

Mr. Skolnik responded that the only other program being explored was the program with Vega Enterprises for the manufacturing of sandwiches. He explained that this program had been put on hold until the program with Jacobs Trading Company was resolved due to limited space.

Chairman Marvel indicated the Chair would entertain a motion to proceed with negotiations with Jacobs Trading Company.

SENATOR JACOBSEN MOVED TO AUTHORIZE PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH JACOBS TRADING COMPANY. THE MOTION WAS SECONDED BY AL PULITZ. THE MOTION CARRIED UNANIMOUSLY.

Chairman Marvel directed Mr. Skolnik to proceed to the next item on the agenda.

(B) Accounts Receivables Silver State Industries'- Status and Bad Debt Write Offs During Year Ending June 30, 1997.

Referring to section 3 B (Pages 23 through 31 in the Meeting Packet, Exhibit C), Mr. Skolnik informed the Board that as of February 19, 1998, the 120-day accounts receivable figure dropped from \$94,497 to \$57,876. He related that Prison Industries is continuing to collect outstanding debts.

Chairman Marvel related that the collection of accounts receivables was an area of concern conveyed recently by an audit report for several state agencies. He questioned if Mr. Skolnik was receiving good feedback from the Controller or the Attorney General's office when the uncollectable accounts are submitted.

Mr. Skolnik replied that Prison Industries had received direct response from the Controller and a referral to the Attorney General's office only on the account receivable for David Simmonds. Mr. Skolnik indicated that John McCuin, Chief of Financial Services for Prison Industries, has been interacting with the Controller's office.

In response to Chairman Marvel's question, Mr. McCuin related that there is a new employee in the Controller's office handling collections. Mr. McCuin said he had received feedback from the new contact that letters have gone out from the Controller's office to the individual or the company with the unpaid account. The only contact prior to that was on the account of David Simmonds.

Chairman Marvel asked for clarification on the total outstanding balance of uncollectable accounts.

Mr. Skolnik replied that as of the morning of February 19, 1998, the balance of uncollectable accounts was \$57,876.10.

Referring to the footnotes depicting incorrect billings on the table for the "Silver State Industries Uncollectable Accounts Written Off During the year ending June 30, 1997," (Pages 23 in the Meeting Packet, Exhibit C), Chairman Marvel questioned the validity of placing the \$15,000 in the uncollectable figures.

Mr. Skolnik agreed the figures should have not been included. He explained that, as part of a historical problem, these billings were showing as outstanding receivable accounts and had to be carried there until identified as an incorrect billing.

In reference to Chairman Marvel's question, if these incorrect billing or double billing figures had been backed out of the uncollectable items, Mr. McCuin explained that if billing was identified in the current year, the corresponding sales would have been reduced on the operating statement side; however, because the items were carried at the end of a fiscal year, figures go to retained earnings versus the operating statement.

Chairman Marvel questioned if the \$15,000 figure was included in the \$57,876. Mr. Skolnik said that it should not be included; however, he did not yet have a list of what comprised the \$57,876 figure. Chairman Marvel requested that Mr. Skolnik impart the list to Bob Guernsey, Principal Deputy Fiscal Analyst of the Legislative Counsel Bureau with as soon as he received it.

Mr. McCuin added that amount outstanding from CCA over \$20,000 was a double billing. He explained that CCA owed Prison Industries \$5,000 and \$21,080 was double billed by the metal shop. Mr. McCuin stated that this \$20,000 double billing was part of the reduction from \$94,497 to \$57,876.

Addressing Chairman Marvel's previous question if the \$57,876 included the \$15,000 figure, Mr. Skolnik stated that all the double billing had been backed out of the original \$94,497 total. Chairman Marvel question how much of the \$57,876 doubtful accounts receivables would be collected. Mr. Skolnik indicated \$15,000 or \$20,000. He said that many of the companies on the uncollectable list are no longer in existence. Mr. Skolnik added that there is a danger of bad debts in doing business with the private sector and suggested the Advisory Board acknowledge that bad debt will be incurred in pursuing that business. In reference to Chairman Marvel's question if Prison Industries does diligence, Mr. Skolnik replied affirmatively, stating that the most current credit procedure on awarding credit was passed out to the Advisory Board members in today's meeting (Exhibit D).

Chairman Marvel inquired if there were any other questions or comments on the subject of Accounts Receivables for Silver State Industries. Being none, he instructed the Committee to move to the next agenda item.

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

Mr. Skolnik related that part of the equipment for the corrals has been received by Prison Industries. He said they plan to be up and ready by the end of March. In reference to Chairman Marvel's question on a contract, Mr. Skolnik confirmed that there was a interlocal agreement with the Department of Business and Industry, Division of Agriculture.

Chairman Marvel requested Mr. Wasserman's opinion regarding the liability of the Wildhorse Program for the State. Mr. Wasserman related he was not yet familiar with the details of the program.

Chairman Marvel invited Paul Iverson from the Division of Agriculture and Bruce Greenhalgn from the Bureau of Livestock Inspection to discuss the Wildhorse Program.

For the record, Paul Iverson, Administrator of the Division of Agriculture, introduced himself and Bruce Greenhalgn, an animal health inspector and brand inspector who supervises the Carson, Douglas and Washoe area and manages the horses in the Virginia Range. Mr. Iverson credited Mr. Greenhalgn for setting the frame work for the program and working with Prison Industries to get the facility ready to accept the wildhorses. Mr. Iverson expressed his gratitude to Director Bayer, Mr. Skolnik, Tim Bryant and the rest of the people at Prison Industries for the progression of the program. Referring to a handout of the schematic for the corrals for the Wildhorse Program (Exhibit E), Mr. Iverson informed the Advisory Board that the facility is designed to hold thirty horses. He provided the Board with a handout of a copy of the map of the Virginia Range (Exhibit F), and indicated the range is approximately 520 square miles or 360,000 acres. Mr. Iverson informed the Board that an aerial survey revealed there are approximately 800 horses on that range.

Mr. Iverson indicated one of the main long-time problems is the presence of horses in congested residential and commercial areas. He related that 123 horses were reported between Hidden Valley and the foothills a month ago. That number is now reduced to 43 with 12 horses being sent to Fallon and thirty horses being cared for by Don Lapen. Mr. Iverson said that since the adjournment of the last legislative session, the Division of Agriculture has processed approximately thirty horses that would have gone to the facility at Prison Industries had the facility been available. He informed the Board that at the present time, horses are being placed, until adoption, with whoever will hold them (from dog pounds to back yards). Mr. Iverson assured the Advisory Board that the Division of Agriculture has been very successful in getting the horses adopted.

Mr. Iverson explained the program's primary focus will to remove the horses from residential areas that are an issue of safety (for both the people and the animals) and to transport them to the at Prison Industries' facility for care. He informed the Board that the Division of Agriculture has agreements with nonprofit organizations (wildhorse advocate groups) that adopt the horses.

Responding to questions from Chairman Marvel, Mr. Iverson said the cost of care for a horse would be approximately \$1.50 per day. Prison Industries would be paid \$2 per day for the feed, water and care of the horses. He stated that the extent of a horse's stay, from the day they are branded and given shots, will be sixty days. He said that on day 61, there will be a public sale at the facility site; and if the horse is still there on day 62, it would be loaded and hauled to an auction yard. Mr. Iverson explained that each horse will be branded with a freeze brand with an "N" and a number. The brand would enable the horse to be tracked for at least one year.

Chairman Marvel asked who was gathering the horses. Mr. Iverson replied that Mr. Greenhalgn would be collecting the horses. He explained that a bait and trap method would be utilized to corral the horses in the residential community versus a major round up. He reiterated that unless there was a situation of starvation or lack of water for the horses on top of the range, a round up method would not be employed.

Chairman Marvel expressed his concern for inmates' safety and questioned if there would be much handling of the horses once they are on the Prison Farm. Mr. Iverson indicated that the Bureau of Land Management (BLM) donated one of their hydraulic squeeze chutes which would afford more safety to the program. He opined that once the horses are unloaded, receive their vaccinations and are branded, there would be little need for handling. He mentioned that Mr. Greehalgn and Darrel Peterson both lived close to the that facility.

Mr. Iverson informed the Advisory Board that, in many cases, these horses are pets; and there is a tremendous amount of interest from media, neighbors, animal advocates in what happens to these horses. He emphasized the importance of making sure the program is administered well with proper care, feed, sanitary drinking water and a clean facility.

Chairman Marvel asked if the horses would be classified as estrays. Mr. Iverson responded that every horse is classified as an stray and, therefore, the property of the Division of Agriculture. He informed the Advisory Board that the Division of Agriculture has some liability exemptions. He pointed out that the State is not liable to any property damage caused by an stray horse.

Chairman Marvel questioned if the Attorney General for Prison Industries had any concerns with the liability issue for the Wildhorse Program. Mr. Skolnik informed the Board, prior to Keith Munro assuming responsibilities as counsel to Prison Industries, the agreement for the Wildhorse Program was reviewed by the Attorney General's office and that they had no problems with the agreement. Chairman Marvel then requested Mr. Wasserman's opinion on the liability issue.

Mr. Wasserman replied that since it is the Attorney General's office that advises both Prison Industries and the Division of Agriculture and they are comfortable with the liability issues, he had nothing to add.

Addressing Chairman Marvel's concern for inmates' safety, Bruce Greenhalgn, Brand Inspector for the Division of Agriculture, introduced himself for the record and pointed out on the schematic, (Exhibit E), that the gates and corrals were designed to handle the horses without physical contact. He continued to explain that the horses could freely move from one area to the next. He stated that the squeeze shut (nicknamed the "Arm Buster" when retained by the Bureau of

Land Management) is being revamped to be less confining.

Chairman Marvel expressed his dislike for chutes and indicated that he was a rope man.

Mr. Greenhalgn concurred with Mr. Iverson that gathering the horses is a volatile issue with media, neighbors and animal advocates. He said that people (both for the horses or against them) have a positive response to the program, knowing that the horses will be maintained at the Prison Industries' facility and cared for by prison inmates.

Chairman Marvel agreed with Mr. Greenhalgn in reference to the positive response to the program and stated that the Division of Agriculture had done well with their public relations work on this issue.

Mr. Iverson reiterated that the response to this program has been positive. He said because of the facility and design of the corrals, the horses will be separated out to eliminate herds from fighting amongst themselves. The plan enables isolation for sick horses and colts from the other horses. Mr. Iverson informed the Committee that Washoe County donated \$31,000 to the Division of Agriculture with \$25,000 designated for the construction of the facility and the remainder for the care of sick or injured horses. He said that the panels should be delivered on February 20, 1998. Mr. Iverson related that he and the counties involved are enthusiastic that the program will take care of a major long-term problem.

In reference to Chairman Marvel's request for clarification on the anticipated time of the project, Mr. Iverson responded the projected time is March.

Senator Jacobsen questioned if there would be a timely removal should a horse had to be put down.

Mr. Iverson responded that, with the donation from Washoe County, the program would have the funds for euthanasia and disposal costs. He related the difficulties in the past of getting the \$60 required to have a horse picked up. Mr. Iverson informed the Committee that the Division of Agriculture was going to approach Carson City, Storey, and Lyon County for additional funds for euthanasia and disposal costs.

Senator Jacobsen suggested that, after a future meeting, the Advisory Board tour the facility in order to be fully aware of what is available at the facility. He inquired if the inmates crews would be utilized to construct the facility since Stewart Camp with 250 inmates is close to the facility.

Mr. Iverson responded that the entire construction would be done by inmate crews. He stated that he was going to ask Carson City for help to buy in on the project. Mr. Iverson concluded by saying that, once the facility is up, he would like to work with Mr. Skolnik and Mr. Bayer to invite the legislators, media and interested parties for a press conference at the facility.

In reference to Chairman Marvel's question on support from animal advocate groups, Mr. Iverson indicated that the advocates groups supported the project.

Chairman Marvel call for further discussion on the Wildhorse Program. Being none, he thanked Mr. Iverson and Mr. Greenhalgn for their attendance and directed the Committee to the next item on the agenda.

(D) Status report on Who Provides Land Value Figures for Prison Industry's Financial Report.

Mr. Skolnik informed the Advisory Board that land values utilized by Prison Industries are historic numbers provided by the State Controller's office. He said that Prison Industries is not certain if the figures are based on cost or a portion of cost. In response to Chairman Marvel's question if the Prison Industries had any control over the figures for land values figures, Mr. Skolnik indicated they did not.

(E) Report on Reconciliation of Silver State Industry Financial Report with the State Controller for Year Ending June 30, 1997.

Mr. Skolnik reported to the Board that the Silver State Industry was reconciled with the State Controller's office on the balance forward and on the financial statement. He explained the figures are provided to Silver State Industries by the Controller's office and Silver State Industries verifies to them. Mr. Skolnik pointed out that the only figures that Silver State Industries provides to the Controller's office are the receivables and payables which they incorporate into their financial statement.

Chairman Marvel asked for any questions in reference to the reconciliation. Being none, he directed the Committee proceed to the next agenda item.

4. Discussion on Current Interactions with Prison Industries and Director's Office, Department of Human Resources.

Chairman Marvel thanked Mark Roberts, Administrative Service Officer for the Directors Office for the Department of Human Resources, for attending the meeting and invited him to update the Board on the current interactions between his department and

Silver State Industries.

Mr. Roberts introduced himself for the record and stated that he appreciated the opportunity to let the Board know of the progression since the last meeting between the Department of Human Resources and Prison Industries. He said that, before he originally spoke with Advisory Board, if his department phoned Prison Industries, the phones were either busy or they would get voice mail and no one would return their calls. Mr. Roberts stated that agencies were not notified of price increases, creating difficulties in attempting to adhere to budgets for furnishings. The catalogues were old with dark pictures so it was hard to see what you were buying. Mr. Roberts related that the general complaint throughout the entire department was it took an average nine months to receive furniture, forcing people to look for other sources to purchase furniture.

Mr. Roberts indicated that since the last Prison Industries meeting, there had been substantial changes in attitude in his department as well as changes in Prison Industries. He noted that in checking with other agencies, as well as Human Resources, that there is high satisfaction with Prison Industries. Since the current perception of dealing with Prison Industries implicates a timely wait for furniture, Mr. Roberts suggested that perhaps Prison Industries should contact agency administrators or department heads to inform them of their improved way of doing business.

In reference to Chairman Marvel’s question wether being on the website would expedite getting out the word of improved business, Mr. Roberts replied, in his opinion, it would help. Mr. Roberts related that agencies are not as expeditious as they should be in planning. He indicated that when lead was time three or four months, and Prison Industry delivered in nine months, State Purchasing allowed agencies to shop elsewhere.

Chairman Marvel expressed his appreciation that Mr. Roberts had brought the situation to the attention of the Advisory Board at the last meeting and thanked him for reporting back with the improvements in Prison Industries’ service. Chairman Marvel stated there would be more discussion of the website and the new catalogue. Chairman Marvel asked if there were further questions for Mr. Roberts from Las Vegas or Carson City.

Mr. Skolnik introduced Julie Carasella, Regional Marketing Coordinator for Prison Industries, and attributed the primary responsibility for the improvements in Silver State Industries’ furniture shop to Ms. Carsella.

Chairman Marvel welcomed Ms. Carasella and invited her to advise the Board of how she was handling the stale surplus of orders for the furniture shop.

For the record, Ms. Carasella introduced herself as Marketing Coordinator for Northern Nevada Prison Industries. She informed the Board that deliveries for orders have improved and are now taking two to three weeks for stock items and eight to ten weeks for custom items. She announced that a new colored catalogue for the furniture shop will be ready for distribution early in April. In reference to Chairman Marvel’s question on the number of catalogues that would go into circulation, Ms. Carasella responded there would be 1,500 catalogues going out. Ms. Carasella informed the Board that there should be a new products line out the first part of this summer.

Chairman Marvel said that after seeing the work for the community college, the counties had shown interest in the furniture for county offices; however, they had not seen a catalogue. Chairman Marvel suggested getting the new catalogue out to the counties. Chairman Marvel thanked Ms. Carasella for her input and expressed encouragement on handling the backlog she inherited.

Senator Jacobsen questioned if Prison Industries branded or autographed any of the sale items. Senator Jacobson said, as a advertising principle, he would encourage this policy.

Mr. Skolnik informed the Senator that all the furniture items are branded "hand crafted by Silver State Industries" in a drawer. On furniture, he explained, the brand should not be visible on the outside.

In reference to Chairman Marvel’s question if the prices would be current in the catalogue, Mr. Skolnik replied that as they have been updating products, they are updating prices. He informed the Board that with the aid of the State Museum, the final shoot of the product line for the catalogue is taking place February 19, 1998. He said that the photos should be ready to go to State Printing Division within the next few weeks.

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

5. Discussion on Silver State Industry’s coordination with the State Purchasing Division.

Bill Moell, Administrator of the State Purchasing Division, advised the Board that one of the ways State Purchasing can measure

Silver State Industries' performance is by the number of phone calls, complaints and agencies asking for relief to purchase their furniture elsewhere. He related that he was pleased to inform the Advisory Board that these phone calls had stopped. Mr. Moell said that the follow-ups by his department on agencies purchasing furniture from Silver State Industries' are now positive, indicating that phone calls are being returned, appointments are being kept and deliveries are being made on time. He acknowledged that this is a considerable improvement over just a few months ago.

Mr. Moell stated that the circulation of the catalogue is going to be very helpful for the State Purchasing Division. He said a team from his division goes to rural Nevada twice a year to speak with cities, counties and school districts. Mr. Moell said they are scheduled to go to these rural areas in late April for a few weeks and invited Silver State Industries to send someone from their marketing department to join them. He said, at a minimum, they would require approximately 100 to 200 catalogues for distribution.

Mr. Skolnik responded that, in his opinion, they could not sacrifice an employee from their office for that length of time without repercussions, exacerbating the previous problems. Mr. Skolnik indicated that he wanted it on record, that Prison Industries was only apprised of the seriousness of poor service problems a few months ago. He said that although problems are substantially reduced, they are not gone. Mr. Skolnik indicated management has targeted remaining problems and is anticipating solutions within the next months, if not weeks. He continued, saying it is difficult for administration to rectify problems if they are not brought to the attention of administration. Mr. Skolnik expressed his desire for mechanisms to be put into place to alert administration at the beginning of a problem, not when it reaches a crisis in the future.

Chairman Marvel stated that Mr. Moell was the Advisory Board's best liaison as he has "a finger on the pulse of all the agencies."

Mr. Moell interjected that problems escalated due to legislative approval of new positions for agencies on the first of October.

Mr. Skolnik said that some of the problems that were up to three years old (to be addressed more when the financial statements are presented) and not brought to management's attention.

Chairman Marvel congratulated John Neill on his promotion to Assistant Director of Prisons and welcomed his comments on the situation.

John Neill introduced himself for the record and related that they were aware that Mr. Skolnik was directing considerable attention to area of the furniture shop. He said that more difficulties come with the expansion of business. Mr. Neill expressed his confidence in the furniture shop with the change of staff.

Mr. Moell suggested that a phone number could be listed in the new catalogue as a contact if the order is not delivered within a specific time frame or if there are problems with the order. This method of communication utilized by State Purchasing in their newsletter, he explained, guarantees action.

Chairman Marvel questioned how the media could be encouraged to write about the Prison Industry Program. He said that the general public does not realize that Prison Industries exists.

Mr. Skolnik informed the Board that public television, Channel 10 in Las Vegas, contacted Prison Industries in reference to doing a feature story in their business news on Prison Industries. Mr. Skolnik said there was also interest from the media in the northern area.

Chairman Marvel questioned if the Las Vegas audience or people in Carson City had any comments or questions. Being none, he directed the Board members to move on to the next item.

6. Discussion on DMV & PS license plate Prison Industry Fee current collecting procedures.

Chairman Marvel welcomed Frank Adams and requested that he update the Committee on Department of Motor Vehicles & Public Safety's (DMV & PS) procedures for license plate fee collection.

Frank Adams, Chief, Administrative Services for DMV & PS, introduced himself and Clay Thomas, Chief of Registration Division for DMV & PS, for the record. He informed the Committee that revenues from the license plates to Prison Industries from FY 1996 were \$362,000 and from FY 1997 were \$395,000. He said that, for the first six months of this year, revenues from the license plates is \$193,000, slightly higher than the same time period last year. Mr. Adams said, in his opinion, the manual process has leveled out. He said that the next six months with the automation change, should reveal if a large volume of license plate collections have been missed.

Clay Thomas introduced himself for the record and said that once the concern that the fees for the license plates were not being properly collected was brought to the attention of the Registration Division, corrective practices were enacted. He said that training was administered to staff to collect the fee manually. At the same time, Mr. Thomas explained, steps were taken to automate the existing program to collect the fee. He announced that this change has been completed and the automation of collecting the fee is now in effect to capture the fifty cent per plate on the appropriate transactions. In addition, Mr. Thomas said, his division is drafting policy and procedure, to be formalized by the end of the month, for license plate inventory control and annual audit process for license plates.

Chairman Marvel questioned if Mr. Adams was satisfied that his department had achieved a point of reconciliation. Mr. Adams confirmed that, in his opinion, DMV & PS had a much better handle on the process and what was owed to Prison Industries.

Chairman Marvel complemented Mr. Adams on his expeditious work on the collection and reconciliation of revenues for the license plates. He asked if there were further questions for Mr. Thomas or Mr. Adams.

Senator Jacobsen questioned if the program, Genesis, would affect the collection of the fees.

Mr. Adams explained that Genesis, a rewrite of the old computer system with changes in how DMV & PS does business, would be a positive influence on the collection system. He said with the new system collection would be part of the everyday process.

Senator Jacobsen questioned if the Interim Committee could help with anything that needed to be implemented while Genesis was in the formative state that would aid in the collection for license plates.

Mr. Adams ensured Senator Jacobsen and the Board members that the process for collection of this revenue to Prison Industries was identified in the preplanning for Genesis and is part of the package.

In reference Chairman Marvel's question on when Genesis would be in place, Mr. Adams answered that the Board of Examiners approved the contract with Deloitte and Touche, the software consultant. He said his department was informed the project would be in place in 16 months, and they would go live with the new program in September 1999.

Chairman Marvel asked if there were any further questions for Mr. Adams or Mr. Thomas from the Board in Las Vegas or Carson City. There being none, he thanked Mr. Adams and Mr. Thomas for their participation in the meeting. Chairman Marvel directed the Committee's attention to item 7 A on the agenda.

7. Status of Prison Industries.

(A) Financial Statement Comparison Fiscal 1st Quarter 1998 vs the Fiscal 1st Quarter 1997.

Referring to the new information, a handout of Financial Statements for the Quarter ending December 31, 1997, with Comparative December 31, 1996, Financial Statements for Silver State Industries, (Exhibit G), Chairman Marvel asked Mr. Skolnik if the material in the packet (under Tab 7 in the Meeting Packet, Exhibit H) should be disregarded.

Mr. Skolnik responded no. He informed the Advisory Board that the handout (Exhibit G) was completed within six weeks of the close of a quarter following holidays. He related that, including holidays, this is the fastest Prison Industries had ever had financial statements to the Board. Mr. Skolnik pointed out that comparisons (on page 17 of Exhibit G) of the first quarter to the second quarter show that the second quarter, in spite of large sales, was not as profitable as the first quarter. He directed the Board's attention to the net loss of \$64,074 in the second quarter and indicated that there is still a profit of \$300,030 for the year. Mr. Skolnik explained there are a few reasons for the second quarter's loss. He said one reason is that the State system requires Prison Industries to order material on multiple shipments off of a form, the D-10. Mr. Skolnik explained that the payment is made at the conclusion of those shipments on the final D-10. He cited an example of ordering a substantial amount of metal for the metal shop in the first quarter with the D-10 closing out in the second quarter. Consequently, the expense for the metal shows in the second quarter and the income from the sale showing in the first quarter.

Chairman Marvel thanked Mr. Skolnik for the clarification, he mentioned that the Board was going to question this loss. Chairman Marvel queried if Prison Industries was not on a modified accrual system.

Mr. Skolnik replied that they are; however, if paperwork representing the expense is retained because the D-10 has not closed, there is not an accurate accounting. Mr. Skolnik invited John McCuin to expound on the accrual system.

Mr. McCuin indicated that the accounting situation as explained by Mr. Skolnik was correct. He acknowledged that the problem with the D-10 is that they only put in one receiving date, the last receiving date to close the D-10. Mr. McCuin expounded that if the relationship of materials with an outstanding D-10 and the sales is obvious, he makes an assumption of a D-10 problem, verifies the D-10 with the work center, and corrects entries within the time frame. However, he said, if they don't stand out, he is not aware of a problem. Mr. McCuin disclosed that after reviewing the figures with Mr. Skolnik on the second quarter, D-10 problems totaled approximately \$25,000.

Mr. Skolnik interjected that this would reduce the first quarter's profits by \$25,000 and improve the second quarter by \$25,000. He informed the Board that the previous Marketing Coordinator for Prison Industries ordered unauthorized raw material and incorrectly charged \$30,000 against account #1001, Central Office, in order to have timely delivery. Mr. Skolnik related that correcting this error also reduced the profits in the furniture factory and impacted the second quarter's statement.

Chairman Marvel complimented Mr. McCuin for the good work he had done on the financial statements and

requested that he utilize footnotes, in the future, to alert the Board to any such discrepancies.

Mr. McCuin agreed to work on footnoting the problem items.

Chairman Marvel conveyed that the Advisory Board would appreciate the footnotes. He called attention to reviewing information and noting a net income for one year of \$364,000 versus \$35,000 the year before. Chairman Marvel emphasized that the Advisory Board needs to know why there are such discrepancies.

Mr. Skolnik said, in this case, the discrepancy was a number of things. In reference to the footnotes, he asked that the Advisory Board realize these financial statements were just completed the day prior to the meeting.

Mr. McCuin added that late vouchers and late D-10s cannot be identified when attempting to close out the financial statements in a six-week period. He noted that for the annual statements a three-month period is reasonable in order for such items to be identified.

Chairman Marvel reiterated his appreciation of Mr. McCuin's work and the improvements he had made on the preparation of the financial statements compared to past preparations.

Mr. Moell stated that if D-10s are an issue and the State Purchasing Department is notified in advance, their department would endeavor to accommodate Prison Industries' accounting system by paying the vendor a partial payment and hand-typing forms to assure crediting the correct quarter. He said that he was confident that the new system at the State Purchasing Department will be able to do partial payments in a less onerous way.

Mr. McCuin said that he did not mean to imply that the problem is simply the D-10, however, the manner in which Prison Industries handles the posting. Lack of communication from isolated work centers to the Accounting Department sometimes inhibits knowledge of the D-10s. He said that, otherwise, manual entries could be made to accounts payable when the D-10s cross periods.

Chairman Marvel requested that Mr. McCuin clarify what makes up the D-10 for the record.

Mr. McCuin explained that Prison Industries had direct purchase authority up to \$5,000, however, Prison Industries must go through State Purchasing for anything purchased more than \$5,000. He said that if the price is from \$5,000 to \$10,000, State Purchasing may direct Prison Industries to call the vendor to order the product, or they may contact the vendor themselves. The payment for the goods to the vendor is paid by State Purchasing, and Prison Industries then pays State Purchasing for the goods. In the voucher system, or direct purchase, he explained, Prison Industries would make the contact with the vendor and make a voucher to the Controller's office and the payment would be issued through Prison Industries.

Mr. Moell added that the D-10 is the document utilized by State Purchasing to create a purchase order. He explained that often when Prison Industries gets a bid for a product, their need for raw materials is extreme. Mr. Moell related that State Purchasing does all they can to expedite orders for Prison Industries.

Chairman Marvel asked if the \$5,000 was still a reasonable limit. He questioned if that figure had not been raised.

Mr. Moell answered that the \$5,000 figure had been raised. Mr. Moell explained that State Purchasing does not have to go to bid until a figure reaches \$25,000 which has been beneficial for expediting purchases.

Howard Skolnik interjected that, under statute, Prison Industries has the authority to bypass the bidding processes upon joint discussion and approval of the Administrator of the Purchasing Division and the Deputy Director of Prison Industries.

Chairman Marvel inquired if there were further question from Carson City or Las Vegas on the area of the D-10. Being none, he requested that Mr. Skolnik continued on the financial reports.

Mr. Skolnik pointed out that, in comparing year to date figures, the unrestricted cash has increased by over \$300,000 in the last year. He said this is a reflection of the profitability; however, there is concern in the profitability in the NNCC Ranch. Mr. Skolnik informed the Board that Prison Industries had requested that the Ranch reduce their purchases of capital items and expenditures that do not result in an immediate sale. Mr. Skolnik explained that, over the last few years, there have been a large number of purchases for the Ranch. He stated that it is taking too long to build the Ranch account back up. Consequently, Prison Industries wants to slow their expenditures. In reference to Chairman Marvel's question if these were expenses or capital improvements, Mr. Skolnik replied that most the expenses were for equipment, capitalized expenses that come out of cash.

Chairman Marvel questioned if the depreciation factor would not take care of part of this loss.

Mr. Skolnik replied yes and no. He explained that a number of the purchases for the Ranch were for used equipment. Mr. Skolnik continued, saying that since they are additional items, not replacement items, depreciation would not take care of these items. Mr. Skolnik said that the bottom line was that at this time last year, there was a net loss of \$66,200 and this year there is a net profit of \$300,000. He noted that sales are almost double that of last year. He called attention to the Furniture Factory and the Upholstery Factory as being the primary sources of the financial improvement. Mr. Skolnik noted that the Upholstery Factory, which shows some losses in the second quarter, took a significant hit in the last quarter as Prison Industries honored commitments that were made below costs.

Chairman Marvel questioned if Mr. Skolnik expected the Upholstery Factory would pick up. Chairman Marvel also asked Mr. Skolnik if there were any programs that Prison Industry should abandon, due to losses.

Mr. Skolnik pointed out that, although they were not as profitable as in the first quarter, the financial statements show that, in the second quarter, Southern Desert was again profitable. Therefore, he said, management feels much better about the Southern Desert operation.

Mr. Skolnik informed the Board that Ely had a set back. He related that Prison Industries has taken an active position on Ely by mailing out 300 brochures to drapery installers and designers in the western part of the United States. Mr. Skolnik said that Prison Industries is working with team from Oklahoma City. He said that, while at the American Correctional Association (ACA) meeting in San Antonio, Texas, he met with a representative from this interested company. Mr. Skolnik informed the Committee that a third-party representative of the prospective business is flying in from Chicago to tour the Ely facility. Mr. Skolnik opined that Prison Industries should try to make a go of the Ely Drapery Factory before deciding another company should move in. In reference to Chairman Marvel's question if Prison Industries was getting good input back from the fliers, Mr. Skolnik related they are getting good inquiries on the fliers. He stated that since their prices are fifty percent lower than the market, there is no reason that they cannot get business even with the freight costs involved with shipping to and from Ely. Mr. Skolnik informed the board that in the last week, Prison Industries picked up \$20,000 in orders, which is about as much business that Ely Draperies had in the last quarter. Mr. Skolnik said that other than Ely, they do not have an operation that is not successful.

Chairman Marvel expressed that he was pleased to hear that the programs were beginning to be productive, especially Southern Desert which had always had difficulties. Chairman Marvel's questioned if Las Vegas or Carson City Board members had any further questions on the financial statements. Mr. Skolnik offered to get back to the Advisory Board members should they have questions as they reviewed the statements.

The Chairman then proceeded to item 7 C on the agenda.

(C) Review of Schedule of Inmates Employed.

Mr. Skolnik reported that Prison Industries' work force has been fairly flat. He said with the new programs coming on, it would pick again. Mr. Skolnik said there were improvements in Prison Industries due to increased staffing at the furniture factory. Mr. Skolnik and Chairman Marvel agreed that when the program for Lovelock was implemented, the number of inmates employed should increase. Chairman Marvel asked if there were further questions on the inmates employed. There being nothing further, the Chairman proceeded to item 8 on the agenda.

8. Discussion of Silver State Industries' Website.

Mr. Skolnik announced that Prison Industries is now on the web. He informed the Board that the website address is www.state.nv.us/ssi/. Mr. Skolnik related that Prison Industries' website should be linked to the State web page within a week. He said there were some minor modifications to be implemented to Prison Industries' web page prior to the link. He explained that the site lists a 1-800 phone number and direct e-mail access.

Chairman Marvel remarked he had tried the website the previous day and was unable to find prices for products listed on the site.

Mr. Skolnik acknowledged that the prices are not on the website, as there are still updates to the catalogue. He explained more pages would be added to the website with pricing information.

Mr. Skolnik credited Craig Korsgaard, Regional Marketing Coordinator for Prison Industries in Las Vegas, for designing the entire website on his own time. Mr. Skolnik also gave accolades to Mr. Korsgaard for the assistance he provided Julie Carasella in the solutions to the recent problems Prison Industries was having in the north.

Chairman Marvel expressed that his comments on the omission of prices were not intended as criticisms, but were meant to be helpful.

Mr. Moell mentioned that the person who did their website also did so on his own time. Mr. Moell informed Mr. Skolnik and the Board that he instructed his employee to put a link to Prison Industries' website from their website by the end of the week.

Chairman Marvel remarked that would be another avenue for Prison Industries. He asked for further comments on the website. There being none, the Chair directed the Board to break for five minutes before discussing item 9.

9. Discussion of Silver State Industries' Furniture Bid vs Machabee Office Environments for the Department of Employment, Training and Rehabilitation at the Maryland Parkway Office.

Mr. Skolnik informed the Board that the bid for the contract for the Department of Employment, Training and Rehabilitation (DETR) will be bid out through State Purchasing and that Prison Industries will be one of the bidders on the contract. He said that, in this way, they will be assured that "apples are compared to apples and not to oranges" and Prison Industries will have a fair shot at the contract.

Chairman Marvel questioned if Mr. Moell had anything to add. Mr. Moell replied that this was Prison Industries' shot at the contract.

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

(A) Correctional Cable TV, Inc.

Mr. Skolnik related that Correctional Cable TV out of Tyler, Texas, is a subsidiary of Buford Television, one of thirty or forty largest cable companies in the United States. He explained that they provide cable TV services to jails and prisons around the country. Mr. Skolnik said Correctional Cable TV has recently acquired interactive software and hardware that allow for satellite linkage interactive communications. Mr. Skolnik explained that, through this linkage, the cable company would like to develop an international educational program. He noted that the contract would provide limited inmate employment for the actual broadcasting of show, as it would be contracted out to a private, Nevada-based company to develop the curricula necessary for the program. The proposal would call for a contract with teachers to provide the classroom live, nationwide presentations at intervals of two hours in the morning and afternoon.

Mr. Skolnik said, although details still needed to be worked out, Prison Industries would receive approximately \$3,300 per site for this service. Prison Industries would pay their education developer approximately \$300 per site, with a contract based on the income from the project. He explained that the initial investment for Prison Industries would be to build, soundproof, and light a studio. Mr. Skolnik continued, saying that the company would be responsible for all the uplink and interactive equipment. Future inmate jobs would be provided, he explained, as Prison Industries would become the assembly plant for the interactive packages (one for every inmate) that all of the sites around the country would utilize. Mr. Skolnik said that the target is 25 inmates per classroom and multiple classrooms per site may vary. He explained they may get \$3,000 for the first site, \$2,000 for the second site and \$1,000 for each additional classroom.

Chairman Marvel questioned how many prisons would be involved.

Mr. Skolnik responded that the original proposal would be fifty facilities within the first six to eight months. He said the Correctional Cable TV's projection is to increase to 150 facilities after the end of first full calendar year of operation and 450 to 500 facilities within five years. He informed the Board that the requirements for education in county jails are changing with the increase in state and federal prisoners detained in county facilities. He pointed out, that the real target for these interactive packages is the county facilities, as the county jails have neither space nor resources to provide this required education.

In response to a question from the Chair, Mr. Skolnik indicated that the program would be accredited under the American Correctional Associations Educational Accreditation. He indicated that all teachers would be currently accredited or previously accredited through the Clark County School District.

Chairman Marvel asked what type of program would be instructed.

Mr. Skolnik replied that the first module to be developed would be preparation for a General Education Diploma (GED). He indicated that the second segment would be for life skills. Mr. Skolnik said there will be a package on substance abuse. He related that, in the future, the modules could be used for staff training.

Chairman Marvel questioned when Mr. Skolnik could present the details to the Advisory Board.

Mr. Skolnik answered that this is a fast track program that must be up and running this summer.

Chairman Marvel reminded Mr. Skolnik that, with the media available, the Prison Industry Board could meet more often than quarterly in order to give Prison Industries authority to proceed with programs.

Mr. Skolnik replied that he had just relayed all the information he had on the program to the Advisory Board. He said that this information and other specific requests from Prison Industries have been transmitted to Keith Munro, the new Deputy Attorney General for Prison Industries, to draft an agreement. Mr. Skolnik repeated the need for a fast track on this

program. He informed the Committee that the potential revenue on this program in five years would be approximately one million dollars per year, which would support expansion.

Chairman Marvel indicated that the Chair would entertain a motion to allow Mr. Skolnik to pursue negotiations with Correctional Cable TV.

**SENATOR JACOBSEN
MOVED FOR APPROVAL
FOR PRISON INDUSTRIES
TO PURSUE NEGOTIATIONS
WITH CORRECTIONAL
CABLE TV. THE MOTION
WAS SECONDED BY AL
PULIZ.**

Chairman Marvel called for further discussion on the program.

Mr. Puliz questioned which facility would house the program.

Mr. Skolnik informed the Board that the site would be at the Southern Nevada Correctional Center in the Educational Building where the old blood bank was located. Mr. Skolnik explained that approximately a ten by twelve-foot area would be enclosed for the studio. In reference to Mr. Puliz's question on the amount of funds required for lighting, Mr. Skolnik replied that the program could be started with less than a total of \$20,000 capital expenditures.

Chairman Marvel requested that, when Mr. Skolnik receives more refined details pertinent to the program, he forward them to Mr. Guernsey and Mr. Ghiggeri in order for them to inform the members of the Board.

**THE MOTION ON THE FLOOR TO PURSUE NEGOTIATIONS WITH CORRECTIONAL CABLE
TV CARRIED UNANIMOUSLY.**

The Chairman directed the Board members to the next agenda item.

(B) Cerami-Craft Corp. (American Heritage) with Discussion by LCB Legal on Cerami-Craft Contract.

Referring to the copies of the draft contract between Cerami-Craft Corporation (formally American Heritage) and Prison Industries (Exhibit J) and the draft revisions (Page 74 of the Meeting Packet, Exhibit K), Mr. Skolnik related that Prison Industries is negotiating with Cerami-Craft's attorneys for final wordings to the contract. He said that the contract has been presented to the Budget Office along with the contract summary. Mr. Skolnik said that they are anticipating presenting the contract to the Board of Examiners on March 14, 1998. Mr. Skolnik indicated he hoped that whatever questions that are left on the part of Cerami-Craft would be resolved within the week and a signed contract would follow the draft to the Budget Office.

Chairman Marvel called on Rene Yeckley, Deputy Legislative Counsel of the Legislative Counsel Bureau-Legal Division, for a presentation on the review and suggestions concerning the draft of the contract. Chairman Marvel indicated that perhaps Keith Munro, Deputy Attorney General for Prison Industries could then respond to the concerns.

Ms. Yeckley introduced herself for the record and informed the Board that early last December, at the request of Principal Deputy Fiscal Analyst, Gary Ghiggeri, their office reviewed a draft of the contract between the Prison Industries Program and American Heritage Tile Corporation. She related that after reviewing that contract, LCB's Legal Division provided their comments to Mr. Ghiggeri who then passed them on to several interested parties, including Mr. Skolnik and the Attorney General's Office. Ms. Yeckley said that since that time, Chief Deputy Legislative Counsel, Scott Wasserman has been in contact with Deputy Attorney General, Keith Munro, who helped draft the contract. She related that based on discussions between Mr. Wasserman and Mr. Munro, it was their understanding that the Legal Department's suggestions were well received by the Attorney General's Office and that the Attorney General's Office is very interested in crafting the best possible contract for the State.

Ms. Yeckley explained that the LCB Legal Division was not involved in the drafting or negotiating of this contract. She reiterated that the review of the contract was conducted at Mr. Ghiggeri's request and solely for the informational purposes of the Advisory Board to assist the Board in its consideration of the proposed Prison Industry Program. She related that it was LCB's Legal Division's opinion that the Attorney General's Office, specifically, Mr. Munro, did a fine job of drafting the contract. Ms. Yeckley indicated that LCB's Legal Division was quite satisfied with the contract as written and are merely offering suggestions for tightening the language of the contract. She pointed out that because the Attorney General's Office is the legal advisor to Prison Industries, LCB's Legal Division recommend that Prison Industries consult with the Attorney General's Office before modifying the contract in any way, including modifying the contract to incorporate any of their suggestions.

Ms. Yeckley related that LCB's Legal Division found eight provisions of the contract that Prison Industries may wish to revise. She pointed out that these provisions were detailed in a memo that is included in the back of 10 B in the Meeting Packet (Exhibit L). Referring to a handout entitled, "Relevant Provisions of The Draft of The Contract Between the Prison Industries Program and American Heritage Tile Corporation," (Exhibit M). Ms. Yeckley suggested the Committee may find it easier to follow her presentation by using the handout as she would be discussing the relevant contract provisions in the order that they appear in the handout.

In reference to Chairman Marvel question if the Board in the Las Vegas area had this handout, Ms. Yeckley affirmed they did. Ms. Yeckley indicated that the first provision of the contract that Prison Industries may wish to revise is found in section 2 of the contract which identifies the property to be leased. Specifically, subsection 2.01 of that section provides that Prison Industries agrees to lease to American Heritage (Cerami-Craft) 40,000 square feet of commercial property located at the Lovelock Correctional Center. Ms. Yeckley said that this subsection does not specify the exact location of the leased property. She said LCB's Legal Division considers it advisable to do so. The Division suggested that this may be accomplished by referencing existing structures as markers or indicating that Prison Industries is entitled to designate the 40,000 square feet involved.

Chairman Marvel questioned if we did not already have Prison Industries buildings at the location.

Mr. Skolnik replied there were Prison Industries buildings there; however, there may be additional construction at the facility by Cerami-Craft. Mr. Skolnik said in prior contracts Prison Industries has never locked themselves in and have had the capability to moved people and space. He said that if this turns out to be a twenty-year agreement, Prison Industries felt it was in the best interest of the State to allow flexibility for adjustments.

Responding to Chairman Marvel's question on how many square feet were available at the Lovelock facility for Prison Industries, Mr. Skolnik answered that there were 40,000 square feet, two buildings with 20,000 square feet each.

Continuing with her presentation, Ms. Yeckley said this subsection does not specify the procedure for measuring the leased property. She noted there is more than one procedure for measuring the area of a leased space and specifying in the contract the procedure to be used may prevent any possible disagreement. Ms. Yeckley provided an example that disagreements may arise concerning whether the leased property should include the interior walls, exterior walls, structural supports and common areas. Therefore, LCB's Legal Division suggested that it may be helpful to provide in the contract, a procedure for measuring the leased property.

Chairman Marvel called for comments from the Attorney General.

Keith Munro, Deputy Attorney General for Prison Industries, introduced himself for the record and related that the Legal Department's proposal was a respectable suggestion. However, he said that the leased property is 40,000 square feet. At this time, Prison Industries does have a specific building that will be provided. Mr. Munro said that if structures leased change at some time in the future, this allows some flexibility. He related that the suggested measuring was tighter than Prison Industries preferred.

Chairman Marvel asked if Prison Industries could identify the building and leave a loop hole.

Mr. Munro said that Cerami-Craft Corporation knows which building they are getting. He said that the lawyers for Cerami-Craft reviewed the contract and did not have a problem with the unidentified 40,000 feet, unidentified as a specific building.

Ms. Yeckley related that the second provision of the contract that may be revised is found in section 4 of the contract which involves the subject of "Rent and Security Deposit." She said that subsection 4.04 of that section requires American Heritage (Cerami-Craft Corporation) to pay its rent to Prison Industries within fifteen (15) days of receipt of invoice. Ms. Yeckley pointed out lease agreements, such as this one, commonly include a penalty if the lessee does not pay his rent on time. She explained that this subsection does not provide such a penalty if American Heritage (Cerami-Craft) makes a late rent payment. Ms. Yeckley said LCB's Legal Division opinion is that Prison Industries may wish to revise the contract to include such a penalty.

Mr. Munro stated that this is a fair suggestion. However, he said, looking at the contract as a whole, Prison Industries is asking Cerami-Craft to put up one-quarter of a million dollars in indemnification. Prison Industries has sufficient guidelines if Cerami-Craft is in breach. He explained that the monthly invoices that will be sent to Cerami-Craft will have a penalty set forth on it and there are statutory provisions should Prison Industries choose to enforce them. Mr. Munro acknowledged that Prison Industries language is a bit more flexible as opposed to the academic suggestion from LCB's Legal Division. He conveyed that sometimes Cerami-Craft may need help from Prison Industries and may not need to be charged a penalty. Mr. Munro said that Prison Industries and Cerami-Craft are in this program together for mutual survival.

Chairman Marvel expressed that Mr. Munro's comments were well taken.

Continuing with her presentation, Ms. Yeckley informed the Committee that the third provision of the contract that may be revised is found in section 5 of the contract which deals with the subject of "Alterations and Improvements." She said specifically, subsection 5.01 require American Heritage (Cerami-Craft), at its expense, to make any and all improvements necessary for it to do business at the leased property not otherwise required by Prison Industries. Ms. Yeckley called attention to the fact that this subsection does not expressly require American Heritage (Cerami-Craft) to obtain approval from Prison Industries before making such improvements. She said that, in contrast, in another portion of the contract, specifically subsection 7.08, American Heritage (Cerami-Craft) is expressly required to obtain approval from the Warden of the Lovelock Correctional Center before erecting certain structures or buildings. Therefore, LCB's Legal Division believes that Prison Industries may wish to expressly require American Heritage (Cerami-Craft) to obtain approval from Prison Industries before making improvements to the Leased Property.

Chairman Marvel question if obtaining approval would not be automatic.

Mr. Munro replied that Prison Industries does require specific permission. He read from the draft contract (Exhibit J), "any improvements made by Cerami-Craft shall be promptly, in good and workmanlike manner, and in compliance with all insurance requirements and with all applicable permits, authorization, building regulations and all other governmental rules, regulations, ordinances, statutes and laws now or hereafter in effect pertaining to the Leased Property." Mr. Munro said, in his opinion, that the provision cited in subsection 7.08 is different. Mr. Munro explained that this pertains to a specific request if Cerami-Craft wants to build an additional structure on prison grounds. In this case, he pointed out, Cerami-Craft must get permission from the Warden.

Chairman Marvel questioned if this permission should not be from the entire Department of Prisons.

Mr. Skolnik interjected that the reason for the specific permission in subsection 7.08 is that the Department of Prisons does not want a building to go up between the line of sight between the tower and the main yard for security considerations. He explained that other sections in the contract speak to the issue of security considerations and the requirement to meet Prison Industries needs in that area. Mr. Skolnik said that with the exception of security, he could not think of anything that would be done to a building that would not be covered by permits.

Mr. Munro asked Ms. Yeckley what the specific concerns were in subsection 5.01.

Mr. Wasserman interjected that the concern was the uncertainty of what specifically rules require Cerami-Craft to approach Prison Industries for permission, for example, of adding a closet. He said that if Mr. Munro and Prison Industries was comfortable with the security issue, not knowing if Cerami-Craft is building within the building, it is a decision Mr. Munro and Prison Industries could make. Mr. Wasserman said, that in light of the other decision that requires express approval, he would not be comfortable that this one doesn't. He said that he would assume, were he Cerami-Craft, that he could build a closet without coming for approval.

Mr. Munro pointed out that when looking at the contract as a whole, section 17.01-E

states "Notwithstanding anything to the contrary contained above. If Cerami-Craft shall breach any covenant hereof, or do or permit or omit to do any act or thing which results in a nuisance or an offensive or illegal condition, or which causes or threatens a serious security risk, serious damage or injury to life, limb or property, then and in such event Cerami-Craft shall be automatically in default of the agreement, without any requirement of notice from Prison Industries." Mr. Munro stated that, in his opinion, the suggestion of LCB's Legal Division is a good one; however, other language covers the situation if Cerami-Craft builds a closet inside, that becomes offensive.

Mr. Wasserman said that is the problem; it is an "after the fact" rather than being a preventative. Mr. Wasserman said that if Mr. Munro and Prison Industries is comfortable with that, it is their decision.

Mr. Skolnik said that if Prison Industries had a company building a closet without anybody aware of it when there is a minimum of two correctional officers assigned per 100 inmates, there is a problem that will never be rectified by a contract.

Gary Ghiggeri, Principal Deputy Fiscal Analyst, called attention to a similar situation which happened at the Southern Desert Correctional Center a few years ago. Directing his question to Mr. Skolnik, Mr. Ghiggeri asked if a room was not discovered at that facility in the Prison Industry area.

Mr. Skolnik agreed and reiterated that having a contract would have done nothing to prevent the building of that room. He related that the room was discovered at 8:45 and 10:10 the company was closed. Mr. Skolnik said, in his opinion, Prison Industries could not act faster than that with or without different language in the contract.

Ms. Yeckley stated that the next provision of the contract that may be revised is found in section 6 of the contract which involves the subject of the "Use of Inmate Labor and Staff." She said that subsection 6.02 of that section requires Prison Industries to provide American Heritage (Cerami-Craft) with a "stable and available work force of inmates from which to choose its employees." Ms. Yeckley explained that this subsection also provides that American Heritage (Cerami-Craft), under certain circumstances, has the option of providing its own labor, if Prison Industries does not provide adequate

labor. She said that here, the term "stable" may be ambiguous in that "stable" is a subjective concept. Ms. Yeckley continued, saying it is somewhat uncertain whether stable refers to the amount of prisoners, the mental stability of each prisoner, or some other variable. Additionally, the term "adequate labor" may be ambiguous in that "adequate" is also a subjective concept. She indicated that it seems unclear whether adequacy refers to the number of prisoners, the skills of the prisoners, or some other variable. Further, it appears unclear who makes the final determination as to stability and adequacy. Thus, she continued, it appears uncertain when American Heritage (Cerami-Craft) may exercise its option to provide its own labor rather than use prisoners from the Lovelock Correctional Center.

Ms. Yeckley suggested that one possible solution to this issue is for the contract to provide a general formula, such as: "Prison Industries shall provide X number of prisoners with abilities from which American Heritage may choose Y number of prisoners to work for American Heritage."

Based on these observations, Ms. Yeckley said, Prison Industries may wish to revise the contract to define the terms "stable" and "adequate labor" or to identify which party determines whether there is a "stable" work force of inmates and "adequate labor."

Chairman Marvel agreed that there were some ambiguities in this subsection. He invited Mr. Munro to address the issue.

Mr. Munro said the Ms. Yeckley had established some good points. He said that Prison Industries is dealing with inmates who are continually being discharged, transferred, or put in a lock down. Mr. Munro related that when reviewing the issue and attempting to define the quality and qualifications of inmates provided, they realized a dilemma. He said the inmates would be provided for base level work. Mr. Munro and Prison Industries decided it would be better not to get into setting a particular standard of inmate that Prison Industries would provide.

Chairman Marvel expressed his hope that Cerami-Craft would not interpret this portion of the contract that the inmates were not qualified and bring in their own employees into the prison system. He opined there is a need to insure that the inmates are still employed.

Mr. Skolnik interjected that Prison Industries would still control the front door of the institution. He said the ability for Cerami-Craft to simply show up with a new work force is going to be limited. Mr. Skolnik explained that Cerami-Craft would have to go through a court proceeding before marching in with a group of employees. He said that they were negotiating an agreement, not having two sets of lawyers identify perfect language. Mr. Skolnik opined that if there is no desire on the part of both parties to make the agreement successful, it is irrelevant what language is in the agreement. He said that 15 years from now the institution may have an entire type of inmate population than today. However, Mr. Skolnik continued, saying Cerami-Craft is going to have a multibillion dollar capital investment and would want a work force. He said it would be better to work together with flexibly, rather than have Prison Industries identify X characteristics in workers (from which Cerami-Craft could choose) in case Prison Industries was unable to provide these workers due a change in the inmate population. Mr. Skolnik said that the Prison Industries Programs have never been successful or failed because of the contract language.

Ms. Yeckley stated that the next two provisions of the contract that may be revised are found in section 7 of the contract which involves the subject of the "Use of Leased Property." She said, first, subsection 7.02 of that section requires Prison Industries to provide American Heritage (Cerami-Craft) with adequate space at the Lovelock Correctional Center to house any necessary materials and records. As illustrated previously, Ms. Yeckley explained, adequacy is a subjective concept and may lead to future misunderstandings. Therefore, Prison Industries may wish to define or place limitations on the term, "adequate space." Further, Ms. Yeckley continued saying, it appears unclear whether this space is included within, or is in addition to, the original 40,000 square feet provided in subsection 2.01 of section 2 of the contract. She said it is also seems unclear whether the space, if it is in addition to the 40,000 square feet, is subject to the rent and insurance requirements that are provided in sections 4 and 11 of the contract. Therefore, Ms. Yeckley said, Prison Industries may wish to revise the language used in subsection 7.02 of section 7 of the contract.

Mr. Munro related that he thought that in setting forth the language, Ms. Yeckley left off the final clause, "as specified in 2.01." He pointed out that subsection 2.01 does set forth the 40,000 square feet. Mr. Munro said that this would be within the 40,000 square feet. He stated that this is another area that would be negotiated between Cerami-Craft and the Warden to meet administrative concerns and security concerns.

Directing his question to Mr. Munro, Chairman Marvel asked if he was in accord with the attorneys at Cerami-Craft.

Mr. Munro responded yes; Cerami-Craft and Prison Industries were still negotiating the contract. He related that the attorneys for Cerami-Craft did not object the language in this subsection.

Chairman Marvel questioned Mr. Skolnik when the contract for Prison Industries was to go before the Board of Examiner.

Mr. Skolnik answered that the Board of Examiners would meet in March. He said that the date of submission for the contract was February 18, 1998. Prison Industries had provided a current draft that reflects some of the negotiations and has been in contact with the Budget Office. He said that barring any major change, Prison Industries should be able to

make the March 14, 1998, deadline. Mr. Skolnik stated that if there are significant changes in the contract as a result of further negotiations, Prison Industries and Cerami-Craft would have to start over as far as time lines.

Ms. Yeckley related that the other provision in section 7 of the contract that may be revised is subsection 7.08. As discussed earlier, she said, this subsection requires American Heritage (Cerami-Craft) to obtain approval from the Warden of the Lovelock Correctional Center before erecting certain structures or buildings on the grounds of the Center. She continued, saying that similar to subsection 7.02 of section 7 of this contract, this subsection does not indicate whether such structures or buildings are included within, or in addition to, the original 40,000 square feet provided in subsection 2.01 of section 2 of the contract. Further, she said, it does not explicitly indicate whether the space, if it is in addition to the 40,000 square feet, is subject to the rent and insurance requirements set forth in sections 4 and 11 of the contract. Ms. Yeckley said that LCB's Legal Division recognizes that the parties may agree upon these issues concerning rent and insurance at the time that Prison Industries grants permission to American Heritage (Cerami-Craft) to erect a structure or buildings. However, she related, Prison Industries may still wish to clarify the language used in subsection 7.08 of section 7 of the contract.

Mr. Munro opined that this is a linguistic disagreement. He agreed that the company would have to receive permission from the Warden of Lovelock Correctional Center (LCC) if they want to build a structure outside the 40,000 square feet. He said that the language of "on the grounds of LCC" identifies that and the contract states "Cerami-Craft shall be responsible for all expenses arising from the creation and operation of any such structure or building." Mr. Munro said, in his opinion, this verbage sets forth that the type of structure built and the use of the structure will determine the rent, insurance and other such expenses.

Mr. Skolnik added that Cerami-Craft wants to put kilns and a mixer outside of the fence line for safety purposes. He said they need to bring the mixed clay through an auger system that will require the erection of addition building. Mr. Skolnik related that Prison Industries wants to make sure the building is not an issue of line and sight or security. He explained that Prison Industries would not bill Cerami-Craft for this space. He likened the space to the space that Vinyl Products uses outside the building to store raw material.

Mr. Ghiggeri conveyed that he was not sure that the LCC Warden had the authority to grant permission for additional buildings. He said that if the land or the space is to be leased, it must go through State Lands. Mr. Ghiggeri said if the space is going to be donated to the company, it is another issue.

Mr. Munro related that this is a fair suggestion. He said that Mr. Skolnik described the company building small items such as kilns. Mr. Munro agreed if the structures were larger than kilns, the Warden would not have the authority to set the expenses.

Chairman Marvel questioned if the program would be fairly water intensive.

Mr. Skolnik answered that it was not. He said that Cerami-Craft had checked on water availability and their needs would not be a problem.

Ms. Yeckley continued her presentation, saying that the seventh provision of the contract that may be revised is found in section 11 of the contract which involves the subject of "Insurance." She said that subsection 11.02 of that section requires American Heritage (Cerami-Craft) to pay Prison Industries for the cost of maintaining fire insurance for the leased property. Ms. Yeckley explained that this subsection requires Prison Industries to estimate in advance the cost of such insurance and requires American Heritage (Cerami-Craft) to pay such amount as additional rent. She related that this subsection does not provide for the rights and duties of the parties in the event that Prison Industries incorrectly estimates the cost of insurance. Ms. Yeckley said that Prison Industries may wish to revise the language of subsection 11.02 to provide a procedure for the reconciliation of any under or over payment of insurance by American Heritage (Cerami-Craft). For example, Ms. Yeckley stated, the contract may require American Heritage (Cerami-Craft) to pay Prison Industries at the end of each year, the difference between the amount American Heritage (Cerami-Craft) paid for insurance and the actual cost of insurance, and likewise, Prison Industries may be required to reimburse American Heritage (Cerami-Craft) any amount received in excess of the actual cost of insurance.

Mr. Munro related that the original suggestions from LCB's Legal Division were not as in depth as Ms. Yeckley's presentation. However, he said, that in discussion with Mr. Wasserman this particular suggestion was presented, sent to the Attorney General's Office for Prison Industries and adopted into the contract.

Ms. Yeckley related that the final provision that the LCB's Legal Division suggests may be revised is found in section 15 of the contract which involves the subject of "Destruction of Premises." Subsection 15.01 of that section requires Prison Industries to return any security deposited with Prison Industries, if the lease agreement is terminated by Prison Industries because the property has been destroyed at no fault of American Heritage (Cerami-Craft). She stated that this subsection does not expressly provide that Prison Industries may subtract any charges from the security deposit for expenses such as repairing damage to the property caused by American Heritage (Cerami-Craft). Ms. Yeckley said that Prison Industries may wish to revise the contract to authorize it to deduct applicable charges from the security deposit before returning the security deposit. She suggested that this may be accomplished by providing that the Prison Industries will return to

American Heritage (Cerami-Craft), any security deposited with Prison Industries, less any applicable charges.

Mr. Munro related that, again, this was a good suggestion and this suggestion would be adopted into the contract.

Ms. Yeckely thanked Chairman Marvel and the Advisory Board and said she would be happy to address any questions from the Board on her presentation.

Chairman Marvel expressed his gratitude for the diligence demonstrated by LCB's Legal Division for looking into the contract. Chairman Marvel said although the Advisory Board has no control over the Board or Examiners or the Attorney General's Office, the issues raised are now at least a matter of record. He said in the matter of security deposits that assessment should be done before any part of the security deposit is returned.

Mr. Skolnik informed the Board that along with the security deposit, a \$250,000 irrevokable letter of credit from Cerami-Craft would be provided to Prison Industries.

Mr. Munro expressed his appreciation to LCB's Legal Division for the job in reviewing the contract between Cerami-Craft and Prison Industries. He said it was a good meeting of the minds to get the best contract possible for the State of Nevada.

Chairman Marvel asked for further questions regarding the contract.

In reference to Mr. Skolnik's remarks of negotiations and people's ability to work together when going into business, Mr. Wasserman commented that when people are going into business working out a contract, they are obviously on agreeable terms. He said that the LCB's Legal Division wanted to look at the worse-case scenario for loopholes in the contract. Mr. Wasserman expressed his concern for subsection 5.01 of the contract. He questioned why Prison Industries did not put into the contract that Cerami-Craft would need express authority from Prison Industries before making improvements to structures or buildings. Mr. Wasserman urged Prison Industries to add verbiage to the contract concerning obtaining approval from Prison Industries before making improvements. He said that since Cerami-Craft understood they need authority, he doubted they would disagree to the change in the contract.

Mr. Munro indicated that if there was a specific clause that Mr. Wasserman could suggest, Prison Industries would consider the change to the contract.

Mr. Wasserman responded to add "with express authority of the Prison Industries before adding improvement."

Chairman Marvel requested that Mr. Wasserman provide Mr. Munro with the specific language. The Chairman, again, thanked Ms. Yeckley and Mr. Wasserman for a job well done. He expressed gratitude to Mr. Munro for his responses to LCB's Legal Division's presentation. Chairman Marvel questioned if there was any more on the Cerami-Craft contract. Being none, Chairman Marvel directed the Advisory Board to the next item on the agenda.

(B) Jacobs Trading Company.

Chairman Marvel related that Jacobs Trading Company had already been discussed by the Board.

(D) Tripp Plastics.

Mr. Skolnik indicated that Tripp Plastics had been brought before the Advisory Board as a potential program for Lovelock. Mr. Skolnik informed the Board that Tripp Plastics had again been in contact with Prison Industries to discuss a smaller operation that would be located at Warm Springs Correctional Center (WSCC). He said that if the program for Cerami-Craft does not work out for Lovelock, Prison Industries would like to have Tripp Plastics as an option for that facility. Since the Advisory Board had previously granted permission to Prison Industries for negotiations with Tripp Plastics, Mr. Skolnik said he was requested authorization for flexibility on the location for the program and further authorization to explore negotiations with Tripp Plastics.

Chairman Marvel said he would entertain a motion for expansion of authority for Lovelock and other possible locations.

BILL MOELL MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO CONTINUE TO EXPLORE NEGOTIATIONS WITH TRIPP PLASTICS FOR AN INDUSTRIAL PROGRAM WITH THE EXPANSION OF FLEXIBILITY FOR THE LOCATION OF THE PROGRAM. THE MOTION WAS SECONDED BY AL PULIZ.

Chairman Marvel asked for further discussion on Tripp Plastics. Being none, the Chairman called for a vote on the motion on the floor.

THE MOTION ON THE FLOOR TO APPROVE PRISON INDUSTRIES TO CONTINUE TO EXPLORE NEGOTIATIONS WITH TRIPP PLASTICS FOR AN INDUSTRIAL PROGRAM WITH THE EXPANSION OF FLEXIBILITY FOR THE LOCATION OF THE PROGRAM THE MOTION

PASSED UNANIMOUSLY.

12. Information Items.

(A) Tag Plant Roof Estimate

Chairman Marvel said the original estimate for the tag plant was off from the figure provided by the Public Works Board.

Mr. Skolnik informed the Board that the original estimate came from the Department of Motor Vehicles and Public Safety. He said the revised figure from Public Works makes sense. Mr. Skolnik related that this would be a capital improvement project, not a Prison Industry project.

(11. (B) Cerami-Craft Corp.)

Chairman Marvel instructed the Board to return its attention to the Cerami-Craft contract for the Lovelock facility.

Mr. Ghiggeri said that, before the Board takes action on Cerami-Craft program, he wanted to make sure for record that the Board and the Prison Director are aware of section 6.02 of the contract. He stated that Cerami-Craft can bring workers from the outside to work in this factory. Mr. Ghiggeri expressed concern that this was clear and on the record to eliminate any problems later.

Chairman Marvel called on John Neill, Assistant Director of Prisons, to respond to Mr. Ghiggeri's concerns on subsection 6.02.

Mr. Neill replied that he was not aware if Mr. Skolnik and Director Bayer had discussed the issue.

Mr. Skolnik related that he and Director Bayer spoke of two circumstances when Cerami-Craft will be utilizing their own employees. He said that one area is to provide certain technical skills, supervision, and the like that will be required. Mr. Skolnik informed the Board that, at its peak, the program will generate approximately 40 civilian jobs in addition to 300 inmate jobs. He related that the second situation demanding civilians to be brought into the facility to work would be a case of a long term lock down. Mr. Skolnik stated that Cerami-Craft would be allowed to bring in a work force to maintain the plants operations necessitated by such a lock down. Mr. Skolnik advised the Board that this situation recently happened in a Prison Industry print shop in Hawaii with an extended prison lock down.

Chairman Marvel questioned if Mr. Skolnik was looking for formal approval for the Cerami-Craft program. He indicated that the Chair would entertain a motion to allow Prison Industries the continued pursuit of negotiations with Cerami-Craft.

BILL MOELL MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO CONTINUE TO NEGOTIATE WITH CERAMI-CRAFT FOR AN INDUSTRIAL PROGRAM FOR THE LOVELOCK FACILITY. THE MOTION WAS SECONDED BY AL PULIZ. THE MOTION PASSED UNANIMOUSLY.

Chairman Marvel apologized for having to back up and directed the Advisory Board

to the next item on the agenda

(B) Interagency Agreement - University of Nevada Reno

Chairman Marvel questioned how the agreement with the University of Nevada was working out.

Mr. Skolnik informed the Board that the University of Nevada had completed the collection of data and is running the analysis of the economic impact that the Nevada Prison Industries has on the State by the end of the fiscal year.

Chairman Marvel called for any questions on the subject of the Interagency Agreement between Silver State Industries and the University of Nevada. Being none, he turned to the next item on the agenda.

(C) IRS Letter-Inmates as Independent Contractors.

The Chair asked if Prison Industries had an area of concern in reference approving inmates as independent contractors for reporting purposes to the Internal Revenue Service (IRS).

Referring to the letter from the IRS to the South Carolina Department of Corrections, (Page 95-a of the Meeting Packet, Exhibit N), Mr. Skolnik explained that Prison Industries is using this letter as a letter of determination to the State of South Carolina, however, Prison Industries has no idea of the specifics for South Carolina's prisoners. Mr. Skolnik informed the Board that Prison Industries is continuing to receive letters of determination affecting Nevada that say that Prison Industries can operate with inmates as independent contractors. Should the position of the IRS change, Mr. Skolnik pointed out, the letter of determination to South Carolina would be useful, as it states that Prison Industries would be only responsible for withholding of federal income taxes.

In reference to the Chairman's question on if Prison Industries used W-2 forms or 1099 forms, Mr. Skolnik replied Prison Industries has used Form 1099 for the last 11 years.

Chairman Marvel remarked that the Form 1099 appears to have stood the test of time.

Agreeing with the Chairman, Mr. Skolnik added that in 1975 Prison Industries used a determination in the state of Illinois to predicate Nevada's decision. He pointed out that due to the increase of privatization of prison industries in the country, the position by the IRS may change. Mr. Skolnik said that, up until now, states (depending on the jurisdiction) are responsible only for filing either a Form W-2 or a Form 1099.

In reference to Chairman Marvel's question on unemployment, Mr. Skolnik replied that, up until now, the state has been absolved from having to pay unemployment.

(D) Catalogue

Chairman Marvel related the catalogue had been previously discussed and turned to the next item on the agenda, Peer Audit for Prison Industry Enhancement Certification Programs.

(E) Peer Audit for P.I.E.

Mr. Skolnik informed the Board that Prison Industries was audited as required by the U. S. Department of Justice. Mr. Skolnik said that he was advised by the Department of Justice and the contractor for oversight of the audit that Prison Industries is in compliance and needs to take no further action on questions raised.

(F) Federal Senate Bill 10

Directing his question to Mr. Skolnik, Chairman Marvel asked what the concerns were with Senate Bill 10.

Mr. Skolnik said that, at this point, Senate Bill 10 does not impact Nevada. He said it is a bill that has been introduced by Senator Dianne Feinstein that would preclude prison inmates from involvement of any data collection or processing of personal information in any prison in the United States. For example, Mr. Skolnik said, Prison Industries in Nevada used to handle the filing of registration for the Department of Motor Vehicles. He said those programs that involve telemarketing would be affected. Mr. Skolnik opined that such a law opens the door for federal government to start legislating what may or may not be done within Prison Industries in Nevada.

Mr. Moell expressed that when he read the bill, he interpreted it to mean the inmates could not have access to personal information. He said that inmates could give out addresses such as business, park addresses or the like, but not someone's personal address.

Mr. Skolnik agreed. However, he said, to mail out information on parks or businesses would require the inmate to request a personal address. Mr. Skolnik informed the Board that there are thousands of inmates in the country doing such tourist information programs. He said that there is substantial savings in the cost of operation of such programs to the respective states utilizing inmate for these programs.

Chairman Marvel questioned if this bill was the result of abuse of personal information.

Mr. Skolnik said that either 20/20 or 60 Minutes featured a story of a single incident in Texas involving a female whose address was obtained by an inmate working on a telemarketing program who started harassing the woman.

Chairman Marvel related that, similarly, an isolated incident in Reno had an adverse effect with the conservation camps. He said honor camps in Nevada were almost forfeited due to just one occurrence.

Mr. Skolnik suggested that those members of the Advisory Board with access to the Congressional Delegation may want to express concern that Senate Bill 10 may open the door for further federal regulation that may impact Nevada's Prison Industry programs. In reference to Chairman Marvel question as to when Senate Bill 10 would be heard, Mr. Skolnik replied he was not certain. He said that he hoped to have an update from people this weekend as Prison Industries is hosting a meeting of the Prison Industry Enhancement Audit group in Las Vegas.

Chairman Marvel said that some members of the Nevada Legislature would be going back to Washington, D.C., in April,

and he wondered if Senate Bill 10 would be heard prior to April.

Mr. Skolnik said he did not know, however he offered to e-mail Mr. Guernsey as soon as he had further information on when the bill would be heard.

Chairman Marvel said he was sure they would be meeting with the Congressional Delegation. Chairman Marvel directed the Advisory Board to the next informational item on the agenda.

(G) ACA Policy

Mr. Skolnik informed the Board that he was the Chairman for the Policy Committee for the American Correctional Association (ACA) and on the Legislative Affairs Committee of the ACA. He related that the Legislative Affairs Committee is currently looking at taking a national position on correctional industries. Mr. Skolnik said that ACA bases their Legislative priorities upon ACA approved policy. Mr. Skolnik offered the Advisory Board the opportunity for any input for consideration to the ACA Policy draft (Page 112 a in the Meeting Packet, Exhibit O).

Chairman Marvel instructed the Board to get in touch with Mr. Skolnik should they have any suggestions to add to the ACA Public Policy on Correctional Industries. He congratulated Mr. Skolnik on his appointment as Chairman.

(H) Flyer Ely Drapery Factory

Mr. Skolnik informed the Advisory Board that 300 of the Ely Fliers on the Drapery Factory were sent out throughout the western states. He said that Prison Industries is already receiving responses from the mailing.

(I) OSHA Requirements

Mr. Skolnik advised the Board that most of Prison Industries' ergonomic furniture does meet chairs OSHA standards. He related that Prison Industries had provided the Budget Office with information on the OSHA qualifications for the furniture. He said that all furniture manufactured by Prison Industries is tested as it is developed is tested against Business Industrial Furniture Manufacturing Association (BIFMA) standards and by independent laboratories in California to assure quality standards.

Chairman Marvel related he was attempting to introduce a tort reform bill also dealing with product liability because of Prison Industries.

Mr. Skolnik informed the Board that Prison Industries carried insurance for product liability.

(J) Prison Industry Work Program B65063

Mr. McCuin summarized that Work Program B65063 was conceived to provide funds for the shortfall from the Nevada State Prison's (NSP) mattress, linen and vinyl factories. He explained that the shortcoming from the mattress and linen factories was due to the expansion of the Lovelock Prison and the new Southern Nevada Women's Correctional Facility. Mr. McCuin informed the Board that Vinyl Products at Northern Nevada Correctional Center (NNCC) make waterbeds, and Prison Industries makes items that complement the product. He said that Vinyl Products has continuously increased their purchases from Prison Industries over the past few years. Mr. McCuin informed the Board that there was a need for another work program as funds for NSP vinyl are almost extinguished at this time.

Mr. Skolnik added that the need for the work programs is indicative of the growth that Prison Industries is experiencing. He expressed concerns about the ability of Prison Industries to meet demands due to growth because of the way the budget has been modified. Mr. Skolnik said that Prison Industries does not have the flexibility they previously had to respond to changes in ordering materials.

Chairman Marvel related that he would like to further pursue the discussion of lack of Prison Industries' ability to purchase at the next Advisory Board meeting.

Mr. Skolnik related that Prison Industries would put together the specific instances and time frames problems regarding the ability to purchase to present at the next Advisory Board meeting.

Chairman suggested the Advisory Board invite someone from the Budget Office to attend the next meeting for this agenda item.

13. Public Testimony.

Chairman Marvel asked if anyone in the audience in Las Vegas or Carson City had any comments to come before the Advisory Board. There was no Public Testimony given.

Directing his question to Mr. Skolnik, Mike Magnani, Labor Union Representative, Las Vegas, asked if Prison Industries had adjusted the Prison Industries programs to address the minimum wages increases that have occurred in the last few years bringing the wage to

\$5.15 per hour.

Mr. Skolnik responded that, up until this time, Prison Industries had absorbed the cost of the increases for minium wages without having to increase prices. He informed the Board that some price increases would soon be in place to reflect both the increase in minium wages and increases in material costs. Mr. Skolnik explained that this is the reason there is not a current price list on the website.

Senator Rawson, in Las Vegas, questioned if anyone had approached Mr. Skolnik in reference to Prison Industries working on the Dental Bus.

Mr Skolnik responded that at the last ACA meeting, he spoke with a contact that commercially does bus conversions. He explained that, as a result of that conversation, Prison Industries was able to obtain information on requirements on the bus conversions.

In reference to Chairman Marvel’s question on fabrication of the buses, Mr. Skolnik answered Prison Industries would be doing the fabrication similar to the type of work done for the Classroom on Wheels Program. He pointed out that the because the project is being done for a medical facility, the requirements for sanitation, electrical, and components of the like are different that Prison Industries has done in the past.

Directing his question to Senator Rawson, Chairman Marvel questioned if the Senator was contemplating a mobile dental program. Senator Rawson informed the Board that Blue Cross & Blue Shield Insurance had put up money to finance a bus. He said that there is consideration to work with Saint Mary’s Hospital in northern Nevada to have a bus that could be utilized in both portions of the State.

Chairman Marvel commented that the Dental Bus would be an exciting, worthwhile program. Chairman Marvel asked for any other business to come before the Advisory Board. Being none, the Chair said the Advisory Board would move on to consider the next meeting date.

14. Setting Date for Next Meeting(s) and Directions to Staff.

Chairman Marvel questioned Mr. Skolnik how soon he felt he would be ready to present further information on the Cerami-Craft tile program.

Mr. Skolnik responded that he hoped Cerami-Craft would be in place prior to the next meeting. He said that Prison Industries anticipating resolution on the contract agreement within the next few weeks.

Chairman Marvel suggested May or June for the next Advisory Board Meeting.

15. 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