

Minutes of
Nevada Legislature's Interim Finance Committee's
Advisory Board on Prison Industry
Legislative Counsel Bureau Office, Grant Sawyer State Office Building,
555 E. Washington Avenue, Room 4401
Las Vegas, Nevada
October 22, 1997

A meeting of the Interim Finance Committee's Advisory Board on Prison Industries was held at 10:00 a.m., Wednesday, October 22, 1997, in Las Vegas, at the Grant Sawyer State Office Building, Room 4401.

COMMITTEE MEMBERS PRESENT:

- Assemblyman John Marvel, Chairman
- Senator Lawrence Jacobsen, Vice Chairman
- Assemblyman Morse Arberry, Jr.
- Senator Raymond Rawson
- Bob Bayer, Director, Department of Prisons
- Bill Moell, Administrator, Purchasing Division
- Al Puliz, President, Puliz Moving and Storage
- Mary K. Foster, CEO, Ethel M. Chocolates
- Mike Magnani, Labor Union Representative

COMMITTEE MEMBERS ABSENT:

- Bruce Aguilera, Vice President/General Counsel, Mirage, 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
- Denise Nielsen, Secretary

OTHERS PRESENT:

- Howard Skolnik, Deputy Director, Prison Industries
- Mark Roberts, Administrative Service Officer for the Department of Human Resources Frank Adams, Chief, Administrative Services, Department of Motor Vehicles & Public Safety
- Mike Nolan, Principal Budget Analyst, Department of Administration
- Gordon I. Fink, Senior Deputy Attorney General, Prison Industries
- Carole Vilardo, Nevada Taxpayers Association
- Ellen Palmer, Manager, Business Development, Corrections Corporation of America

Exhibits:

- Exhibit A is the meeting Notice and Agenda.

Exhibit B is the attendance roster.

Exhibit C is a copy a handout from Howard Skolnik of Silver State Industries' Uncollectible Accounts Written Off During the Year Ending June 30, 1997.

Exhibit D is a copy of page 12, item 10 in the October 29, 1996, minutes on Prison Industry Plans.

Exhibit E is a copy of the Financial Comparisons Fiscal Year 1996 vs Fiscal Year 1997 for Silver State Industries.

Exhibit F is a copy of the Annual Report for Year Ending June 30, 1997, with Comparative June 30, 1996, Financial Statements for Silver State Industries.

Exhibit G is a handout of highlights from Howard Skolnik on Silver State Industries new Internet website.

Exhibit H is a handout from Howard Skolnik of a sample of the Silver State Industries' credit application.

Exhibit I is a handout from Frank Adams on License Plate Production-November 1, 1996, through September 1, 1997, from the Department of Motor Vehicles and Public Safety.

Exhibit J are copies of the draft agreement for the UNR Economic Impact Study and the letter of response to the (UNR) from Prison Industries.

Exhibit K is Page 8 of the Meeting Packet, on the Skidmore Roth program.

Exhibit L is a with a copy of the October 9, 1997, letter from Corrections Corporation of America to Prison Industries.

Exhibit M a copy of a letter dated October 3, 1997, from P & S Metals & Supply Company.

Exhibit N is a copy of the draft of a contract between Prison Industries and the Division of Agriculture for the Wildhorse Program.

Exhibit O is a copy of information on the AFL-CIO Paper Concerning Use of Prison Industries.

1. Roll Call/Selection of Chairman and Vice Chairman- NRS 209.4813.

Acting as temporary Chairman of the Advisory Board on Prison Industries, Assemblyman Marvel called the meeting to order at 10:00 a.m. After requesting the secretary call the roll for the committee, Chairman Marvel indicated a quorum was present. Assemblyman Marvel requested that Bob Guernsey conduct selection of a chairman and vice chairman for the Advisory Board on Prison Industries. Mr. Guernsey stated that in accordance with NRS-209.4813, it is the duty of the committee to chose a chairman and, historically, a vice chairman for the next two-year term. Mr. Guernsey then opened the floor for selections.

SENATOR JACOBSEN MOVED TO SELECT ASSEMBLYMAN MARVEL AS CHAIRMAN OF THE ADVISORY BOARD ON PRISON INDUSTRY. THE MOTION WAS SECONDED BY ASSEMBLYMAN ARBERRY. THE MOTION CARRIED UNANIMOUSLY.

ASSEMBLYMAN ARBERRY MOVED TO SELECT SENATOR JACOBSEN AS VICE CHAIRMAN OF THE ADVISORY BOARD ON PRISON INDUSTRY. THE MOTION WAS SECONDED BY SENATOR RAWSON. THE MOTION CARRIED UNANIMOUSLY.

2. Approval of Minutes of October 29, 1996, Meeting.

Chairman Marvel indicated he would accept a motion to approve or modify the minutes from the October 29, 1996, meeting.

SENATOR RAWSON MOVED THE MINUTES OF THE OCTOBER 29, 1996, MEETING BE APPROVED AS PRESENTED. THE MOTION WAS SECONDED BY ASSEMBLYMAN ARBERRY. THE MOTION CARRIED UNANIMOUSLY.

Addressing items in the minutes of the October 29, 1996, meeting requiring follow-up discussion, Chairman Marvel questioned Mr. Skolnik on the issue of funding for the correctional officer for Vinyl Products. Howard Skolnik, Director of Prison Industries, replied that Vinyl Products is still funding the correctional officer and requesting relief from the funding. In response to Chairman Marvel's question on if there is a possibility of losing the contract due to this funding process, Mr. Skolnik answered he did not think they would lose the program at this time, as Vinyl Products is discussing expansion. He suggested that the Board give consideration to the state funding the officer since Vinyl Products had contributed more to the general fund in room and board payments than any other private sector program.

In response to Senator Rawson's question on the duration of Vinyl Products' contract at this time, Mr. Skolnik explained that Vinyl Products has been on a month to month schedule while they are endeavoring to implement a revised contract to include the state-funded correctional officer. Senator Rawson recommend the contact with Vinyl Products be updated with a creation of a state-funded position for the correctional officer through the Interim Finance or through a bill draft for the next legislative session.

Chairman Marvel requested that, before the next meeting, Mr. Skolnik, Director Bayer, Mr. Guernsey, Mr. Ghiggeri and the budget office

meet to explore the possibilities of state funding for the correctional officer.

Chairman Marvel then requested follow-up information on the doubtful accounts receivables referred to the Controller's office. Mr. Skolnik provided the Advisory Board with a handout (Exhibit C) listing the accounts that had been sent to the Controller's office for collection and written off last year by Prison Industries. Referring to the handout, Mr. Skolnik stated that David Simmonds is the only client on the uncollectible account list that has been in contact with Prison Industries to negotiate payments on his outstanding balance. Mr. Skolnik explained that all of these accounts were part of the \$108,000 write off last year. Chairman Marvel stated that the concern of the Advisory Board is the method of follow up once the accounts are turned over to the Controller's Office. Mr. Skolnik explained that the accounts are first addressed by a letter to the customer stating that if payment is not received within thirty days a letter will go to the Attorney General. If payment is not received, the Deputy Attorney General then sends notice that if the account is not paid within 15 days, the matter will be turned over to the State Controller for collection. Mr. Skolnik stated that at this point, the account is written off, turned over to the Controller and out of Prison Industries' hands.

Mr. Moell, Administrator of the Purchasing Division, expressed concern for the method utilized by Prison Industries for client companies regarding credit risks. He suggested that Prison Industries require some kind of a bonding process before extending credit customers. Mr. Skolnik replied that there would be discussion of new credit procedures which should eliminate some of the credit problems.

Chairman Marvel also requested follow-up information on the negotiations for the new Prison Industry Program approved, Mr. Floppy. Mr. Skolnik informed the Advisory Committee that this program had been eliminated. In reference to Chairman Marvel's question if there was a program plan to replace Mr. Floppy, Mr. Skolnik explained not at this time, as there are internal problems requiring priority.

Referring to the minutes of the last meeting, (Page 12 in the Meeting Packet, Item 10, Exhibit D) Chairman Marvel requested reporting on the shops according to the new appraisal process implemented by Silver State Industries. Mr. Skolnik indicated he did not have the report at this time due to internal problems that have taken precedence. Chairman Marvel indicated to Mr. Skolnik that the committee would be asking for the presentation of results on the formal evaluation and recommendation process by Silver State Industries for the institutional programs at the next Board meeting.

Chairman Marvel turned to the next item on the agenda and called on Mark Roberts, Administrative Service Officer for the Directors Office for the Department of Human Resources.

4. Presentation on Interactions with Prison Industries by Director's Office, Department of Human Resources.

Mark Roberts, Administrative Service Officer for the Directors Office for the Department of Human Resources, introduced himself for the record and summarized the events leading up to the purchasing of furniture for the Family to Family initiative authorized by the last legislative session. Mr. Roberts explained that the program is set on a quick time line. Mr. Roberts continued, stating that on July 31, 1997, their department contacted Silver State Industries, obtained their delivery schedule, and discussed items and prices. Mr. Roberts was informed that Silver State Industries would require a three-week lead time for the furniture.

Mr. Roberts continued, stating that on August 1, 1997, the order was faxed from Human Resources to Howard Thew, Marketing Coordinator for Silver State Industries, and the receipt of the fax was confirmed. On September 4, 1997, Human Resources phoned to check on the order. Mr. Roberts related that Mr. Thew could not locate the purchase order and promised to call back as they were in the middle of large job for another agency. At this time, Mr. Roberts reiterated to Mr. Thew the importance of receiving the order in a timely fashion as Human Resources required the furniture for the employees for the new program being introduced. Mr. Roberts stated that Mr. Thew phoned back and assured him delivery of the order no later than September 29, 1997, one month later than the original delivery deadline.

Mr. Roberts said, on September 15, 1997, staff from Human Resources phoned to confirm progression of the order and were informed that Silver State Industries could not honor the delivery date of September 29, 1997, and that they would require two to three more weeks. Mr. Roberts stated that he then phoned Mr. Moell at the State Purchasing to requesting permission to obtain furniture from another source.

Mr. Roberts stated that the following day, he received a phone from Mr. Thew to set up an appointment to discuss problems he was having regarding the order. On Monday, September 22, 1997, Mr. Thew, equipped with the inventory sheet, met with and assured Mr. Roberts that three-fourths of his order and a sixty-inch loaner table (to substitute for a seventy-two-inch table requested) would be delivered and in place by week's end.

Mr. Roberts related that on Thursday, September 25, 1997, Mr. Thew phoned Human Resources notifying then that a portion of the order as it was ready. No one showed up and no one called. Mr. Roberts conveyed that on Friday, September 26, 1997, the deliveries arrived; however, pieces did not match. Mr. Roberts stated that their department was able to notify the driver at that time that pieces of the furniture did not match and some of the items were unacceptable. Mr. Roberts was informed by the driver that the sets did match, however, some of the wood had defects. The driver communicated to Mr. Roberts that Mr. Thew had pieced together the furniture in order to fill the order and meet the delivery date from the warehouse inventory. Mr. Roberts was informed by the driver that he could not take the furniture back; however, he had phoned Mr. Thew, conveying the dissatisfaction of the Human Resources Department and their request for matching furniture. Mr. Roberts related that the Human Resources Department had also notified in writing their dissatisfaction with the furniture on the delivery papers which were return with the driver. Mr. Roberts elaborated that their department was left with three sets of desks, computer tables, credenzas and a forty-inch loaner table, all unacceptable, in the lobby of the Director's office.

Mr. Roberts continued, explaining that Mr. Thew came out the following Monday stating that there was a misunderstanding and he would take care of it. Mr. Roberts expressed his irritation that he was not being dealt with honestly and openly. He reiterated that there was no misunderstanding (Mr. Thew was aware if the deadline for the furniture and the furniture order was promised; not loaner furniture). Mr. Roberts continued, relating that upon the advise of Bill Moell, he phoned Mr. Skolnik with the issue. Mr. Skolnik assured Mr. Roberts that the problem would be resolved and requested ten days in order to have the order in place.

Continuing, Mr. Roberts related that on September 30, 1997, Mr. Bates, who actually constructs the furniture, phoned to notify him that he recently received the purchase order and the prices quoted on the purchase order were not correct. Mr. Bates requested a week to ten days to deliver all the furniture ordered (brand new) to the Human Resources Department. The unacceptable furniture was removed and the order was delivered on November 9, 1997. Mr. Roberts expressed the satisfaction of their department with the resolution of the problem. Mr. Roberts stated that their department has the support of their director to continue to deal with Silver State Industries for future orders. He expressed concern whether Howard Skolnik and Mike Bates have the time to make personal commitments to every agency in the state as they have done for Human Resources.

In reference to Chairman Marvel's request for response on Mr. Robert's concern, Mr. Skolnik replied that the internal problem in the Northern Nevada Correctional Centers (NNCC) Furniture and Upholstery Office is even more involved than Mr. Roberts pointed out. He notified the Advisory Board that 200 of the beds for Lovelock had to be furnished by another provider due to lost paperwork and delays in the Carson City Office of Silver State Industries. Mr. Skolnik said staff from his Las Vegas office who were sent to the Carson City Office have discovered approximately fifty purchase orders dating back as far as late spring from twenty different agencies that have not been addressed. Mr. Skolnik notified the Advisory Board that he is sending staff from his Las Vegas Office to the Carson City Office until the problem is resolved. Mr. Skolnik advised the committee that disciplinary action is being taken with the employees involved. He assured the committee that, if necessary, there would be staff changes.

Bill Moell prefaced his comments to the committee by stating he was pleased that Mr. Roberts was satisfied with NNCC, as he has been dealing with twenty to fifty agencies that are dissatisfied with purchasing wood furniture from Prison Industries. Mr. Moell disclosed he has encountered complaints of phone calls not returned, commitments not kept, and deliveries schedules not met. Mr. Moell reminded the committee of State Purchasing's commitment to store inventory in their Reno and Las Vegas warehouses. He said he has not been able to get anyone to deliver the furniture available in these warehouses, while agencies are being told they have to wait three to six months for their deliveries. Mr. Moell expressed concern that these agencies presume that Mr. Moell's department is still involved with Prison Industries.

Mr. Skolnik requested that Mr. Moell refer the complaining agencies to his phone number for him to resolve the agency's problems. Mr. Moell replied that Mr. Robert's complaint was the fifth complaint that State Purchasing had attempted to help that week via the NNCC furniture shop. Mr. Moell suggested that since state agencies are required to obtain their wood furniture through Prison Industries, NNCC should conduct the industry more like a business by taking orders, communicating with their customers, honoring commitments and delivering orders in a timely manner.

Mr. Marvel question if Mr. Moell had communicated directly on these problems with Mr. Skolnik. Mr. Moell replied that he and Mr. Skolnik had discussed the problems in the past; however, the problems have accelerated.

Mr. Skolnik stated that the problem with NNCC's furniture program is similar to the problems they had in their financial department in the past. Mr. Skolnik related that he had just recently become aware of the severity of the problem. He stated that as a result of Mr. Roberts' phone complaint, he had sent people from Las Vegas to communicate with other agencies regarding their difficulties with purchasing furniture with Silver State Industries. Mr. Skolnik explained that since they are a small organization, if one employee does not perform, it has a huge profound effect on the industry. Mr. Skolnik related the difficulties of supervising an employee who is 500 miles away and capable of withholding information from management.

Chairman Marvel expressed his concern regarding the difficulties that state agencies are experiencing with Silver State Industries. Directing his question to Mr. Skolnik, he inquired whether the problem had been resolved. Chairman Marvel related his apprehension in reference to Prison Industries' capability, since the legislatures and Mr. Moell's department have been insistent, when agencies come before the money committees, that they utilize Prison Industries' services. Mr. Skolnik answered that the problem was now under control. He continued, stating that Prison Industries's furniture delivery was up \$300,000 in comparison to the figures this time last year. Mr. Skolnik explained that the problem is not in meeting the orders in production, but in addressing and forwarding the orders to the shop for manufacturing the furniture. Mr. Skolnik explained that in order to correct the problems, he had implemented new restrictions and procedures.

In reference to a question from Chairman Marvel, Mr. Moell related that last October his department had requested catalogues from Prison Industries for the rural agencies he was scheduled to visit. He said the catalogues never came. Mr. Moell continued, relating that when referrals were made to Prison Industries in Carson City, the State Purchasing Department assumed the orders were being processed. He said that in checking back with state agencies, he learned that the agencies assumed that State Purchasing was part of the problem and had given up on requests. Mr. Moell emphasized that he has worked hard to make sure that his agency is responsive and related his irritation of having his agency associated with these adversities.

Mr. Skolnik said that the State Purchasing Department had been incredibly supportive of Prison Industries. He reiterated that had he been aware the degree of the problem, he would have resolved it sooner. Mr. Skolnik informed the Board that he has utilized training in organization skills and time management for his employees. He reminded the Board that even though Nevada was an "at will" state, he could not just terminate a classified employee without going through procedures.

Mr. Moell stated that the Welfare Department and the Child and Family Services have critical situations going with furniture orders and requested that Mr. Skolnik follow up with these agencies.

In response to Chairman Marvel's question on the catalogues, Mr. Skolnik answered they would be addressed with the discussion of the Internet website on the agenda.

In response to a question of Chairman Marvel, Bob Bayer, Director for the Department of Prisons, stated that he was surprised that the administrators of agencies had not called him to approach him with the purchasing problems. He said that he was glad they had called Mr. Skolnik, as it demonstrated the accountability system is working. Mr. Bayer stated he first was alerted to the problem with furniture orders when he was reviewing a Public Work's change order on the Lovelock Prison expansion and saw the 200-bed item. Mr. Bayer related that if there is a problem in the future and Mr. Skolnik was not available, he would be willing to assist in a solution.

Mr. Skolnik pointed out to the Board that the problem exists in only 1 out of 23 operations and the other 22 operations have not received customer complains. Mr. Moell said that the other 22 operations are not required to be utilized by state agencies. He pointed out to Mr. Skolnik that this was the issue. Mr. Skolnik replied that Prison Industries operation is only required to be utilized if the agency wants wood furniture.

Senator Jacobsen questioned whether a production bulletin board to advise all employees of the date an order arrived would be useful. Mr. Skolnik explained that the problem is not the production process, however, getting the order to production. He explained the procedure has changed so that all mail is being logged in to alleviate any future problems.

Chairman Marvel commented this meeting is timely after hearing considerable praise regarding the work Prison Industries had done for the School of Architecture. Mr. Skolnik informed the Board that this work along with Corrections Corporation America of was arranged out of the Las Vegas office. Mr. Skolnik said Prison Industries is asking all agencies to communicate with the Las Vegas office as the primary point of contact until everything is corrected. The Advisory Board discussed amongst themselves the importance of open communications with Carson City and the Las Vegas area.

Chairman Marvel requested a procedure for review by the next meeting of the Advisory Board on Prison Industries entailing a resolution of purchasing difficulties with Prison Industries encountered by state agencies.

Mr. Bayer added that he would like to be included in the loop in a step-by-step written procedure, as these issues should never have to come before the Advisory Board on Prison Industries.

Mike Magnani, Labor Union Representative, said he had worked with Mr. Skolnik for several years. He gave accolades to the Prison Industries and the directors for addressing problems in the past and expressed his confidence in their ability to handle the issue. Chairman Marvel agreed with Mr. Magnani and concluded, expressing his gratitude to Mr. Roberts for his attendance and bringing the issue to the Advisory Board for resolution.

Mr. Moell reiterated Mr. Magnani's confidence in Mr. Skolnik and stated the issues of storage and delivery still needed to be addressed. Mr. Skolnik agreed to meet with Mr. Moell to set up a more formal approach to addressed storage and delivery after he confronted the more urgent issues.

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

5. Status of Prison Industries.

(A) Financial Comparisons Fiscal Year 1996 vs Fiscal year 1997.

Mr. Skolnik presented financial statements to the Advisory Board (Pages 14 through 17 in the Meeting Packet, Exhibit E). Chairman Marvel expressed approval that the Southern Desert is now reflecting positive figures. Mr. Skolnik indicated that the operating loss in the Drapery Program at Ely was due to their primary customer going out of business. He explained that Prison Industries is in the process of building a new customer base for the Drapery Program to alleviate this problem. He related that Silver State Industries was developing brochures relating to the Drapery Program for mass mailing in the western area. Mr. Skolnik provided the Advisory Board with current additional year-to-date comparative information:

1996 1997

Sales \$493,235 \$714,625

Tag Revenue 74,000 32,850

Rent & Other Reimbursement Revenue 50,236 37,169

Available Cash 241,000 411,333

Receivables 389,000 725,630

Open Orders 247,000 480,000

Mr. Skolnik explained that the decrease in rent revenue is due to the Bently Nevada Program leaving the Nevada Women's Correctional Center (NWCC) in Carson City. He pointed out that on September 30, 1997, receivables were only \$442,000 and explained they had done a lot of shipping in the last sixty days. In response to Chairman Marvel's question on license plate revenue being down, Mr. Skolnik replied that tag revenue is down approximately \$40,000 year-to-date due to a data entry issue which varies from quarter to quarter. In reference to Chairman Marvel's question on Prison Industries' projections for the budget, Mr. Skolnik answered that they already have work plans since sales are up.

(B) Annual Report for Year Ending June 30, 1997, with Comparative June 30, 1996, Financial Statements.

Referring to the Financial Comparison Fiscal Year 1996 vs Fiscal year 1997 reports (Pages 18 through 38 in the Meeting Packet, Exhibit F), Mr. Skolnik asked if the Board had any questions on the annual report. Chairman Marvel question the depreciation item of \$53,666. Mr. Skolnik explained that the depreciation for the irrigation system for the ranch is carried in the Central Administration Office account rather than the Ranch account as the irrigation system was donated by Carson City. He explained that the Controller allowed the depreciation to be carried on that account for a number of years. Chairman Marvel questioned why the land value of \$20,579 is such a low amount. Mr. Skolnik explained that Prison Industries does not

set this figure. The building and land value is provided to Prison Industries by either the Controller or Public Lands. Chairman Marvel requested that Mr. Skolnik find out who does set the figure and provide this information to the Advisory Board.

Mr. Skolnik pointed out to the Advisory Board that the difference in the Victims of Crime Fund and the Prison Industry Capital Fund figures. He explained that in 1996 deductions for Victims of Crime Fund were only taken out of salaries that earned over a certain level. In 1997, a policy change was implemented to assess all salaries for the Victims of Crime Fund. He said both funds now assess 5 percent of an inmate's salary so these figures are identical in 1997.

(C) Review of Schedule of Inmates Employed.

Mr. Skolnik reported that Prison Industries' work force is approximately 360 inmates. He pointed out that this before Lovelock of CCA come on line. In response to a question from Chairman Marvel, Mr. Skolnik replied is an increase of approximately 40 inmates employed.

6. Discussion of Silver State Industries' Website.

Mr. Skolnik related that Prison Industries had obtained paper work and authorization from the Department of Information Services (DIS) to attain a website. He passed out information to the committee on highlights of the future website, (Exhibit G). He explained the website will be an interactive website which will allow customers to order directly. Mr. Skolnik explained it is the same as their catalogue; and as they change the website, they can update the catalogue and visa versa. In reference to Chairman Marvel's question on the cost to support the site, Mr. Skolnik related that it would be approximately \$2,000. Referring to Chairman Marvel question on the website address, Mr. Skolnik related that Prison Industries had not yet obtained their address.

7. Discussion of Silver State Industries' Operational Procedures For Awarding Credit to Non-governmental Customers.

Referring to the sample of the credit application for Silver State Industries, (Page 49 in the Meeting Packet, Exhibit H), Mr. Skolnik informed the Advisory Board that Prison Industries now required a credit application for all non-governmental customers. He pointed out that the policy for credit is a limit of \$2,000 unless circumstances warrant a higher limit. Mr. Skolnik stated all customer credit accounts require a background credit check from Dun and Bradstreet Corporation and a bank reference. Chairman Marvel questioned if this credit procedure would satisfy the bonding requirement. Mr. Skolnik replied that the problem with requiring a customer to bond, is that customer can always shop at a company that does not require a bond. Mr. Skolnik pointed out that as long as Silver State Industries is going pursue business with non-governmental companies, there are risks involved.

Mr. Moell agreed the new credit application for Silver State Industries should work. He said that the bonding process he previously discussed is a legal process, not a revenue process.

8. Presentation from DMV & PS on Licence Plates Program and Revenues-NRS 482.268. Chairman Marvel announced that the reason the Advisory Board requested a presentation from the Department of Motor Vehicles and Public Safety (DMV & PS) was due to the difficulty in attaining a reconciliation of license plate revenues to what was actually sold. He welcomed Frank Adams, Chief of Administrative Services for DMV & PS and told Mr. Adams that he understood that DMV & PS was taking corrective actions in collecting the fees for Prison Industries.

Mr. Adams introduced himself for the record and stated that Bruce Glover, Deputy Director for DMV & PS, had requested he attend the meeting to bring the Advisory Board up to date on issues regarding the license plate sales. Mr. Adams provided the Advisory Board with a handout on license plate production for November 1, 1996, through September 30, 1997, (Exhibit I). He explained that his department was governed by NRS 482.267 (which requires DMV & PS to utilize the Tag Plant) and NRS 482.268 (which requires DMV & PS to collect a fee of fifty cent fee on each plate issued). Mr. Adams outlined four areas he would cover with the committee: a review of the accounting of the plates program from last year, an update of the accounting for this year, an update on the corrective actions taken in the department and consideration of the issue of souvenir and sample plates. Mr. Adams informed the committee that DMV & PS provided \$362,000 in FY 1996 and \$395,000 in FY 1997 to Prison Industries. Mr. Adams said this represented a 10 percent increase with prospects of even higher increase for this year. Mr. Adams pointed out that the study for last year's accounting was for a 16-month time frame, from July 1, 1995, through October 28, 1996. The number of license plates produced in the Tag Plant totaled 1,322,093 with fees collected totaling \$483,950 which represents approximately 967,900 license plates. He added that 56,370 souvenir/sample plates were produced during the same time. Mr. Adams explained that when an manual inventory was conducted, the department was short approximately 79,884; however, the 25 rural offices were not inventoried at that time.

Mr. Adams related that an update of the accounting for the time period of November 1, 1996, through September 30, 1997, denotes 1,008,753 license plates produced, with fees collected totaling \$331,637 for 663,273 plates. The number of souvenir/sample plates produced were 47,006. A full manual inventory was performed on all offices and 17,983 additional license plates were located over the total produced during this time frame. Mr. Adams stated that this figure accounted for a portion of the 79,884 discrepancy from the previous time frame. Mr. Adams stated that DMV & PS now has a better accounting of the license plates and better knowledge of production with only a 1.7 percent error factor. Mr. Adams stated that his agency is about two or three reporting periods behind in assessments due Prison Industries as he has lost staff in the revenue section at year-end closing.

Addressing the corrective actions implemented since last year by DMV & PS, Mr. Adams related that his department is now collecting the fee on exempt license plates issued to local government agencies, the Department of Transportation (NDOT) and Nevada Highway Patrol (NHP). In reference to Chairman Marvel's questions referring to the number of plates issued for NDOT and the difference in revenue for exempt plates, Mr. Adams responded that NDOT had approximately 1,500 license plates in 1996, and is utilizing approximately 800 plates at this time. He replied that there are approximately 2,500 exempt plates made each year, which will generate around \$600 in revenue per year as they go out. Mr. Adams informed the Advisory Board that training has been implemented for clerks to manually collect the 50-cent fee on license plates. He explained that DMV & PS has done programing changes to utilize their automation to collect the 50-cent fee;

however, testing of the new program revealed these programming changes created other calculation problems in the automation. He related that although they are still attempting to make changes to the antiquated system, the new automatized system, Genesis, would have the capability to handle the collection of the fee.

In reference to interpretation of NRS 482.268, Chairman Marvel announced that it would take enactment of a statutory change to enable collection of the fee 50-cent fee on souvenir and sample plates. He indicated that the committee would not be interested in doing this at this time. Mr. Adams asserted that DMV & PS's interpretation of the statute was that the fee applied to plates issued for a motor vehicle, trailer or semitrailer. He informed the committee that the souvenir plates go to souvenir shops and special projects; while sample plates are used for educational purposes for other states' law enforcement agencies. He related that approximately 50,000 souvenir/sample plates are being produced each year. Mr. Adams stressed that DMV & PS will make every effort to continue to collect the 50-cent fee on all other plates; however, due to the interpretation of NRS 482.268, fees will not be collected on souvenir/sample plates.

Mr. Adams informed the committee that the operating cost for the Tag Plant was \$966,974 for FY 1996 and \$982,465 for FY 1997 financed from the highway fund. He explained these cost include staffing, operating costs, inmate labor, utilities and materials. Mr. Adams informed the Advisory Board that the legislature approved \$239,000 for new equipment for the Tag Plant out of highway funds. Mr. Adams notified the committee that DMV & PS will be requesting funding of approximately \$1,000,000 out of the highway fund to replace the roof on the Tag Plant during the next legislative session.

In reference to Senator Jacobsen's question if the Tag Plant was at maximum production, Mr. Adams replied that with the new equipment there would be the capacity to produce more plates. Senator Jacobsen suggested that the equipment could be used to produce grave markers or street signs. Mr. Adams responded that if something could be stamped out, painted and processed the same as a license plate, it is an area of that could be explored.

Mr. Skolnik informed the committee that this operation was done in Illinois, and different equipment is required for the process than is available in the Tag Plant.

Senator Jacobsen stated the need for grave markers is getting greater every year. He said there are many unidentified graves in cemeteries. Senator Jacobsen stated that cemeteries are of historical importance for Nevada. Mr. Adams reiterated that if the Tag Plant equipment could be utilized for another process, they would consider the suggestions. He related that the Tag Plant produced the motorcycle plates and smaller medallions for taxi cabs.

Chairman Marvel asked if the cost of aluminum had increased considerably. Mr. Adams responded that the raw material had increased from \$81,000 to \$100,000. In reference to Mr. Moell's question if the new equipment would make it possible to utilize other raw material, Mr. Adams answered that it could. Mr. Adams said legislature had instructed DMV & PS to consider the reissue license plates in the year 2000 or 2001. He said if plates are reissued, the Tag Plant will be working at maximum production.

Senator Jacobsen noted that when he toured the Tag Plant as a guest with the Assembly Committee, newcomers grabbed license plates from the recycle bin as souvenirs. Senator Jacobsen opined this would be an item to promote at flea markets. Mr. Skolnik agreed this was an area that Prison Industries could jointly explore with the Tag Plant, as there are products made out of old license plates.

Chairman Marvel thanked Mr. Adams for attending the meeting and acknowledged that the Advisory Board had been concerned about the license plate reconciliation. Chairman Marvel continued, stating that with the growth in Nevada's population the Advisory Board had also anticipated growth in the revenues from license plates and were uncertain why the figures had remained approximately the same. Chairman Marvel expressed appreciation for the response from DMV & PS to better control the situation. Mr. Skolnik reiterated his appreciation for the response from DMV & PS.

Chairman Marvel requested that Scott Wasserman, Chief Deputy Legislative Counsel, comment on the issue. Mr. Wasserman stated that he had discussed the issue of fees with Mr. Adams. He said that the statute had been interpreted by DMV & PS for the last ten years to collect the 50-cent fee for plates issued for a motor vehicle, trailer or semitrailer. Should the committee wish to request the 50-cent fee for souvenir/sample plates, Mr. Wasserman indicated that the best approach would be a statutory change.

Mr. Adams offered to provide the Advisory Board with a yearly report on a fiscal year basis for license plate production. Chairman Marvel said that would be very advantageous for the Board and, again, thanked Mr. Adams for his attendance.

Chairman Marvel directed the Advisory Board to the next item on the agenda.

9. Discussion of UNR Economic Impact Study.

Mr. Skolnik provided the Advisory Board with a draft agreement and the letter of response to the University of Nevada (UNR) from Prison Industries, (Exhibit J). He pointed out that his letter concluded with "It is understood by us that the University of Nevada-Reno will prepare the Interlocal contract, obtain appropriate signatures and file completed contract with the Clerk of the Board of Examiners." Mr. Skolnik related that Prison Industries has been gathering information for UNR. He explained that two researchers have outlined the information they want and have started on the project. Mr. Skolnik stated that Prison Industries will not pay for the impact study until the agreement has been filed with the Board of Examiners. Chairman Marvel requested a copy of the contract for the Advisory Board when it is initiated. Mr. Skolnik pointed out that the handout contained all the information that will go into the contract. Mr. Skolnik explained that with an interlocal agreement, two agencies needed to sign and the agreement is then filed with the Board of Examiners.

Mr. Bayer stated that interlocal agreements for the Prison go to the Prison Board, not the Board of Examiners. He asked for clarification if the contracts for Prison Industries should be submitted to the Prison Board or the Board of Examiners. Mr. Skolnik responded that Prison Industries has been doing interlocal agreements with NDOT to work on conversions of their vehicles for over ten years by filing with the Board of Examiners. He stated that it would be cumbersome for Prison Industries to sell services to customers if they had to process contracts through the Prison Board due to time restraints. Mr. Bayer clarified that he wanted to assure that Prison Industries was using the correct board as this issue just surfaced this year. Mr. Skolnik reiterated that if Prison Industries needed to revise that procedure, they

may want to examine an alternative method as sales would be encumbered due to extent of time required to go before the Prison Board.

Mr. Wasserman stated that he would not be able to advise on this matter as the Attorney General's Office would have to examine the forms before determining which board would be presented with the agreement.

Gordon I. Fink, Senior Deputy Attorney General, introduced himself for the record and said he was filling in for Cameron Vandenberg, Deputy Attorney General. He said that he normally represented the Gaming Control Board, the Gaming Commission and the Athletic Commission. He related that Brooke Nielsen, Assistant Attorney General, is in charge of all interlocal agreements. He suggested that it might be appropriate is to have Ms. Nielsen provide Prison Industries with copies of whatever opinions the Attorney General has on this subject and to write a letter for the record to complete the Prison Industries' file. Chairman Marvel thanked Mr. Fink for this information. Chairman Marvel asked Mr. Skolnik and Mr. Bayer for confirmation if this method was agreeable to them.

Chairman Marvel questioned if any committee members had anything to add to the discussion on the impact study. There being nothing further, he proceeded to item 10 on the agenda.

10. Work Program Changes for Prison Industries.

Mr. Skolnik informed the Advisory Board that Prison Industries had submitted two work program changes in September. He said one work program was within the agency's budgetary percentage guideline and the other would require Interim Finance Committee's (IFC) approval. Mr. Skolnik related that the work program that would be coming up for informational purposes is for \$800 to update the automation accounting system. He explained that the current system will no longer be maintained by technical support without purchasing the upgrade. He informed the Board that the upgrade cost would be \$500 with the additional technical support at \$299. Mr. Skolnik added that Prison Industries had also requested \$893 to complete the computer set up for the dispatching and shipping division which would aid in monitoring and controlling orders. Prison Industries would require \$450 for Microsoft Office 97, \$400 for a printer and a transfer switch, and \$300 for installation and networking by a computer specialist. Mr. Skolnik continued, stating that they are requesting funds for the Standard Mattress, Linen and Vinyl. He explained that the first request is simply to get Prison Industries from closing the shops until the next IFC meeting when they can ask for more significant increases.

Chairman Marvel questioned when the date of the next IFC was scheduled. Assemblyman Arberry replied that the date is not yet confirmed by Senator Raggio, but the tentative date is November 25, 1997.

Chairman Marvel asked if the November date for the IFC meeting would be timely for Prison Industries's needs. Mr. Skolnik said that the present inventory at the Mattress, Linen and Vinyl shop plus approval of the other work program would carry them until the November IFC meeting. Mr. Skolnik reported that Silver State Industries' sales for Mattress, Linen and Vinyl are far ahead of last year. He continued, stating that assuming problems with open orders are corrected in the furniture shop, there would be additional work program requests for furniture.

Mike Nolan, Principal Budget Analyst, Department of Administration, stated his name for the record and informed the Board that he would have Prison Industries' work program for the computer equipment the following day. He noted that the work program has been written up and is in route to the Legislative Counsel Bureau for the next IFC meeting. Chairman Marvel thanked Mr. Nolan for his information.

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

(A) Skidmore Roth.

Mr. Skolnik informed the Board that Skidmore Roth is no longer a potential program, however, operational with 33 inmates working the program. He related that Prison Industry billed Skidmore Roth \$6,600 for services the first month and \$5,800 for the second month. Mr. Skolnik explained that Prison Industries is structured on a 5 percent commission with 3.75 percent of the sale going to the inmate and 1.25 percent going to Prison Industries. He said the lag on confirmation of orders is substantial. Mr. Skolnik explained the process for sales: an inmate calls and receives an order for medical books; a call is made from Skidmore Roth's Denver Office to confirm the order; the books are then shipped with Prison Industries in Nevada to typeset their books for the publishing company. He explained that they would not be doing the printing due to printing laws in Nevada. He said that learning typesetting would afford inmates a good skill. He explained that the current program operates with 16 cubicles with inmates working in four hour shifts to alleviate burn out that often occurs in the telemarketing business. Mr. Skolnik informed the Board that Ms. Roth may want to increase the current program to employee an additional 33 inmates.

Chairman Marvel questioned the location of this program. Mr. Skolnik replied that the program is currently in the Southern Nevada Correctional Center at Jean. He said the area above the gym which was previously a pool hall has been sound proofed and sectioned into cubicles for the program. Chairman Marvel inquired if there was adequate room for expansion of the program at Jean. Mr. Skolnik indicated there was office space at the Southern Desert Correctional Center at Indian Springs that would accommodate the possible program expansion.

Mr. Skolnik asked if the Board needed to take any action on the Skidmore Roth program. Gary L. Ghiggeri, Principal Deputy Fiscal Analyst, pointed out that (Page 8 of the Meeting Packet, Exhibit K) the Board had approved this program at the last

Board Meeting. Chairman Marvel asked if there were further questions on the Skidmore Roth program. Being none, he directed the committee to the next item on the agenda.

(B) Prison Industry Capital Fund Use for Building to House Transaction Repair Shop.

Mr. Skolnik informed the Advisory Board that the program for the 2,000 square foot concrete building at Southern Desert Correctional Center (SDCC) at Indian Springs was dropped. He related the individual involved in this project now is interested in gun trigger locks. Mr. Skolnik said they have not been able to locate anyone who can make the concrete block plant functional in compliance with the standards required for that type of an operation.

(C) Corrections Corporation of America (CCA).

Mr. Skolnik informed the Advisory Board that he had met with Loy Hayes, Warden of the Southern Nevada Women's Correctional Facility (SNWCF), Corrections Corporation of America (CCA), to initiate discussions with Vega Enterprises regarding the manufacturing of sandwiches and other food items for vending machines and for 7-11 markets.

In reference to a question from Chairman Marvel on feasible programs for SNWCF, Mr. Skolnik replied food services would be a feasible program. Mr. Skolnik stated he was not sure why item C 2, Inmate Crews, was on the agenda as it is under the Division of Forestry. He said that manufacturing of gun trigger locks is a new program submitted to Prison Industries.

Mr. Skolnik provided the Advisory Board with a copy of the latest letter from CCA (Exhibit L). He asked for clarification from the Board as to how to set industries up for CCA, a private company. Mr. Skolnik questioned if they should set programs up under the umbrella of Prison Industries, designate CCA as Prison Industry Enhancement (P.I. E.) program operating their own programs, or a combination of both methods. Mr. Skolnik stated there is not a clear definition of how to accomplish this from the Department of Justice. He informed the Board that Ellen Palmer, Manager of Business Development for CCA, who runs an industry program out of Minneapolis was in the audience.

Chairman Marvel welcomed Ms. Palmer and invited to explain her program to the Board.

Ms. Palmer introduced herself for the record and stated that one of the programs that CCA implemented was with the Jacobs Trading Company out of Minneapolis, Minnesota. She informed the Board that their facility in Appleton near South Dakota operates a P.I. E. program that specializes in taking return merchandise that may be overstocked, broken, or have parts missing and revamps the items. Ms. Palmer indicated Jacobs Trading Company handles a great deal of merchandise and this was one of the programs under consideration for the new Southern Nevada Women's Correctional Facility. Chairman Marvel interjected that this sounded like an excellent program and questioned how many inmates it would employ. Ms. Palmer indicated the program is presently only in the Minnesota facility, employing approximately 100 inmates. Chairman Marvel questioned if this program would be in competition with the private sector in the area. Ms. Palmer replied that according to her research and Mr. Skolnik's advice, it would not be in competition with private enterprise.

Mr. Skolnik requested direction from the Board concerning guidelines in dealing with CCA & Silver State Industries programs at the SNWCF facility. He mentioned possibilities of Silver State Industries operating the programs at the SNWCF facility, designating CCA to operate as part of Prison Industries Program, or combining efforts.

Mr. Bayer informed the Board that controlling the document in this matter would be the contract signed with CCA and the State of Nevada. Although he did not have a copy with him, Mr. Bayer recalled that the contract addresses the issue and gives CCA the ability to operate under the guidance of the Advisory Board on Prison Industry just as the Prison does. Mr. Bayer stressed that other concerns the Board must consider is how the contract is constructed in terms of real property that is developed; for example the construction of a new building.

Mr. Skolnik informed the Board that Warden Hayes has looked into leasing industrial space near the SNWCF available for work programs versus construction of a new building on facility grounds. Mr. Skolnik noted that one limitation existing under the federal guideline is room and board or any benefit to CCA in terms of its operation at the SNWCF must benefit taxpayers in Nevada. He explained that CCA would not be able to retain any room and board payments from a project; however, they would be able to retain any realized profit from a project.

Ms. Palmer provided the Board with information on how CCA handles projects. She explained that in Minnesota the Department of Justice approved CCA to operate under the umbrella of the Department of Corrections although they have inmates from four different jurisdictions. This umbrella allows CCA to retain earnings and pay for any expenses. She stressed that earnings do not go through any corporate bookkeeping or extend to any other P.I. E. programs. She explained that audit procedures assured that earnings are marked only to support the unique program of that particular site. Ms. Palmer stated that CCA had contacted the Department of Justice and they suggested that the Director of Prisons provide a letter acknowledging the Department of Prisons understood the method CCA's operation. Such a letter, she explained, would satisfy the Department of Justice. Ms. Palmer stated that CCA also works simply through the umbrella process, working through the Correctional Industries Department. She said CCA is open to whatever will work best for the State of Nevada.

Directing his question to Mr. Skolnik, Chairman Marvel questioned if these methods had been discussed with the Attorney General. Mr. Skolnik replied he had not discussed it with the Attorney General's Office, as he first wanted the direction of the Advisory Board. He said that whatever method the Advisory Board decides on, CCA needs to put the inmates to work soon. He requested the ability to finalize the program. Chairman Marvel stated that, in his opinion, the program should be pursued. Chairman Marvel indicated that Prison Industry no longer has a program for the women's prison since the Bently Nevada program did not move to the new facility. He indicated that the Chair would entertain a motion to give authority for Mr. Skolnik to pursue working out an umbrella arrangement with CCA.

ASSEMBLYMAN ARBERRY MOVED TO AUTHORIZE MR. SKOLNIK TO PURSUE WORKING OUT AN UMBRELLA ARRANGEMENT WITH CORRECTIONS CORPORATION OF AMERICA. THE MOTION WAS SECONDED BY MARY FOSTER. MOTION CARRIED.

Chairman
Marvel
thanked
Ms.
Palmer
for her
comments
and
attendance.

(D) Room Systems, Inc.

Mr. Skolnik reported that production representatives from Room Systems, Inc. had toured some of the southern Nevada facilities. Mr. Skolnik indicated that Prison Industries is now waiting for a decision from Room Systems, Inc. on a program to assemble automated safe/refrigerators to be placed in motel/hotel rooms. Chairman Marvel indicated he would accept a motion for Mr. Skolnik to pursue negotiations.

SENATOR RAWSON MOVED TO AUTHORIZE PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH ROOM SYSTEMS, INC. THE MOTION WAS SECONDED BY BILL MOELL. MOTION CARRIED.

(E) Potential Lovelock Programs.

1.) P & S Metals.

Mr. Skolnik provided the committee with a copy of a letter dated October 3, 1997, from P & S Metals & Supply Company, (Exhibit M). He informed the committee P & S Metals is considering manufacturing metal dumpsters by Prison Industries as they have maxed out in their production capacity in Las Vegas. He advised the Board that P & S Metals and Supply Company is a heavy metal operation who also make medal grates that cover the sidewalks for freight elevators and grates for electrical boxes.

Directing his question to Mike Magnani, Labor Union Representative, Chairman Marvel asked his opinion on potential problems with industry or labor with this program. Mr. Magnani indicated he first needed clarification on approvals for authorization by the Board to "look into" a program. He questioned if "look into" meant the program was approved to be implemented, or simply to be explored to provide information back to the Advisory Board. He expressed concern that the Advisory Board was not receiving enough information to make decisions to meet the obligations that the law requires of board members. Mr. Magnani mentioned that several states have implemented programs in their prison systems that have caused a great deal of grief, including this committee. He noted that, for a number of years, the State of California had taken a great deal of heat and had backed off several prison industry programs. Mr. Magnani said that, as a committee member, he did not wish to have his name flashed in front of his constituents as approving something blanket and open. When authorization is given to look into a program, he emphasized, the program should be explored and pertinent information should be reported to the committee for their final approval. He suggested approval could even be given via a phone survey.

Chairman Marvel stated that Mr. Magnani's comments voiced the concern of many of the committee members. He reiterated that the committee would not want to partake in approving programs without enough relevant information.

Agreeing with Mr. Magnani's concern, Mr. Skolnik said that a phone follow-up approval makes sense. Mr. Skolnik stated that is how the procedure for approval should be; however, since the last meeting was October 1996, had he not taken action on his own initiative based on the approvals he thought he had, there would be no new programs. Mr. Skolnik stated that in many cases the committee does not meet on a quarterly bases, leaving programs tied up. He informed the Board that Lovelock was due to open next month with 40,000 square feet of industrial space. He said the Lovelock facility would have no Prison Industrial program, as there has been no final approvals for the facility. Unless some kind of action is taken, Mr. Skolnik said, there will be no program prior to the next meeting for the Lovelock site.

Chairman Marvel announced that, now that session is over, the Advisory Board could be meeting more frequently at the convenience of the committee and Mr. Skolnik's needs.

Ms. Foster asked Mr. Magnani for clarification if one issue on approval is making sure that the approved programs are not competing with existing business and the other is that the board members understand explicitly what they are approving. Mr. Magnani agreed these were the issues. Ms. Foster questioned the methods used to determine whether there is an existing competitive industry within the state where there may be a potential conflict.

Mr. Skolnik replied that Prison Industries requires the company with potential programs to provide written documentation that there is no significant displacement of workers that will occur in Nevada as a result of their program being implemented in a facility. He said Prison Industries also contacts the Employment Security Division (ESD) who review potential programs for displacement of employment. Mr. Skolnik agreed that the committee did need enough information to know what is being approved, as the ultimate determination if a program is acceptable

in the state is the Advisory Board. He continued, stating that the Advisory Board's approval is used in audits which require the notifications of Business and Labor prior to the beginning of an industry operation. The issue of non-displacement at the federal level is determined by the ESD. Mr. Skolnik explained that when a program is certified, Prison Industries sends ESD a letter with a list of description of titles for the employed inmates and a located site. In turn, ESD sends weight structure for that location with a certification that there is no displacement of workers.

Chairman Marvel announced that in order to expedite implementation of programs the Advisory Board may have to utilize telephone conferencing for follow-up meetings. He asked if the Board was agreeable with this possibility. Chairman Marvel emphasized that the committee did not want to make a casual mistake that would upset the Prison Industries' program.

Mr. Magnani stated that, as a labor representative, he has presented some of the potential Prison Industry programs in the past some to his constituents. He continued, saying that had the Advisory Board approved implementation of these programs, the committee would have provoked public criticism and bad press. Mr. Magnani expressed his concern that a potential company, utilizing the Prison system, making a profit, would be paying the inmate less than minimum wage. Chairman Marvel interjected that he had no qualms with inmates making a minimum wage when consideration is given to what the inmates cost the taxpayers. Mr. Magnani concluded, stating the more wages a inmate makes, the more that goes back into the system.

Mr. Skolnik informed the committee that with the exception of the Skidmore Roth program (a program that works on commission), all other potential programs on the agenda for consideration will be brought in at a no less than minimum wage.

Mr. Bayer informed the committee that he was instrumental in writing the contracts for Prison Industries. He said that during this process, he was cognizant of the sensitivity to issue of using inmate labor for private industry from moral and legal standpoints. He explained that for adequate oversight, the contract encompasses all Prison Industry statutes. He acknowledged that it is important that all committee members have a clear understanding of any proposals for potential programs. Mr. Bayer agreed that after everyone has a complete packet with all information necessary on a potential program, phone conferencing could be utilized.

Mr. Wasserman added that, in his opinion, the motion on the floor was to explore the industry. He said that in the past, more detailed advice was provided by Mr. Skolnik when authorization was given to pursue a potential program. Mr. Wasserman said that at this point this program could not be approved, as it is tangentially related to the item but not detailed. Mr. Wasserman indicated that Mr. Skolnik would have to come back to the Advisory Board with more specifics on the program. Mr. Wasserman said, in his opinion, the Chairman was indicating that the Board would meet on this issue at a properly notified meeting to hear these details. He continued, stating the meeting could be by phone conference or otherwise as long as there is a location the public can attend. Referring to whether or not the program would be under the umbrella of Prison Industries or run as a private industry, Mr. Wasserman said the Attorney General's Office would have to review the contract with CCA for agreements and statements regarding how industries would be run and make a determination.

Mr. Skolnik asked for clarification on if the Board was considering CCA or P&S Metals for Lovelock. Chairman Marvel informed him the Board was discussing CCA. Mr. Skolnik confirmed that he had no problem with notification with specifics regarding industries for any program.

Senator Jacobsen asked Mr. Magnani if the Labor Union had a blanket policy to use as a guide as to the type of work an inmate does.

In reference to Senator Jacobsen's question, Mr. Magnani replied they did not have a written policy. He explained that they focus on state law and common sense. Mr. Magnani said by serving on the Advisory Board for Prison Industries the members have a fiduciary and legal obligation. Mr. Magnani expressed that, in his opinion, saying "to explore" did not give carte blanche approval to implement a program. He emphasized that the Advisory Board pays a price by approving a program before finding out the number of people to be employed, the wages, the cost of structures, the type of security necessary, the need for managers or security guards, what the state will be paid, and the bonding arrangements of the prospective company.

Chairman Marvel stated that as a program officer, if he did not feel a program had potential, he would not ask for a motion from the Board to explore the program. He assured Mr. Magnani that he intended for Mr. Skolnik to come back before the Board with the necessary information for the Board to make a decision on a proposed program.

Mr. Skolnik confirmed that he would present the necessary information to enable the Board to make an intelligent determination on a specific program. He reminded the committee that he had originally requested the Board to furnish guidance in how to proceed in the role of the Advisory Board for Prison Industries in the future with CCA. Mr. Skolnik indicated that he clearly understands that with CCA the committee requires the same information they get for any other potential industry program. He assured the committee that they would receive this information on CCA programs.

Mr. Skolnik asked for approval for a program with P & S Metals. He said P & S Metals would require half of a building (approximately 10,000 square feet) with intentions of expanding to the full building. P & S Metals would ultimately employ 60 to 110 inmates to manufacture heavy metal products. Mr. Skolnik noted that the security will not be provided by the company. He said the company would be supplying the equipment as Prison Industries can not find federal surplus equipment to meet their requirements. Mr. Skolnik explained that the standard charge for

rental on buildings is now 20 cents per square foot with the Las Vegas area renting at 29 cents per square foot. Since the Lovelock facility is in a rural area and freight costs are incurred by a new company, Mr. Skolnik requested that negotiations be the building rate be reduced to 15 cents per square foot for the Lovelock facility.

Chairman Marvel stated that the 15 cents per square foot fee should be attractive to potential industries. In reference to Chairman Marvel's question if the committee is required to approve the price per square foot, Mr. Skolnik answered the Board does not; however, he wanted them informed of the intentions.

Directing his question to Mr. Bayer, Chairman Marvel questioned if this reduction in cost of footage rental is acceptable. Mr. Bayer stated that he had yet to analyze the figures, but Mr. Skolnik's assessments are normally correct.

Mr. Wasserman questioned if the cost reduction pertained to just a specific project, as it was not on the agenda. Mr. Skolnik answered it applied to the P & S Metal program and he would ask the same on the other programs for Lovelock as the committee evaluated them.

Al Puliz, President, Puliz Moving and Storage agreed that 15 cents per square foot was enticing to potential companies considering programs. He questioned the price of 29 cents per square foot that Mr. Skolnik quoted for the Las Vegas area. He indicated, in his opinion, the Las Vegas lease cost was higher than 29 cents per square foot for the newer buildings. He agreed that the values in the rural area of Lovelock are much less than Las Vegas or Reno.

MARY FOSTER MOVED TO APPROVE THE LEASE COST FOR P & S METALS AT 15 CENTS PER SQUARE FOOT IN THE LOVELOCK FACILITY. THE MOTION WAS SECONDED BY SENATOR RAWSON.

Chairman Marvel called for further discussion on the motion. Mr. Ghiggeri questioned who would be responsible for utilities on the building space. Mr. Skolnik answered that P & S Metals would pay all utility costs.

THE MOTION ON THE FLOOR TO APPROVE LEASE COST AT 15 CENTS PER SQUARE FOOT IN THE LOVELOCK FACILITY FOR P & S METALS CARRIED.

Chairman Marvel said he would entertain a motion for approval for negotiations on a final agreement with P & S Metals.

SENATOR JACOBSEN MOVED FOR APPROVAL OF PRISON INDUSTRIES PURSING NEGOTIATIONS WITH P & S METALS FOR A FINAL AGREEMENT FOR AN INDUSTRIAL PROGRAM. THE MOTION WAS SECONDED BY SENATOR RAWSON. THE MOTION WAS CARRIED. MIKE MAGNANI VOTED AGAINST THE MOTION.

2.) Tripp Plastics.

Mr. Skolnik informed the Advisory Board that Tripp Plastics is a large Reno Company that is marginal as a possible industry. He explained that they manufacture all plastic articles for gaming from face plates to racks that hold dollar tokens. Mr. Skolnik notified the committee that Tripp Plastics was seeking additional building space and had been misinformed that Prison Industries was providing building space and utilities free of charge. Mr. Skolnik related he would again request the 15 cent charge for leasing on this industry. Mr. Skolnik requested authority from the committee to further explore (not finalize) negotiations with Tripp Plastic.

Chairman Marvel stated the chair would accept a motion for an approval to explore a program with Tripp Plastic.

SENATOR RAWSON MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO EXPLORE NEGOTIATIONS WITH TRIPP PLASTICS FOR AN INDUSTRIAL PROGRAM. THE MOTION WAS SECONDED BY SENATOR JACOBSEN.

Chairman Marvel called for further discussion. Mr. Skolnik added that the information he would provide to the Board after negotiations with Tripp Plastics would be contestant with the requirements previously requested by Mr. Magnani.

THE MOTION ON THE FLOOR CARRIED UNANIMOUSLY.

3.) Collins Construction (Modular Housing).

Mr. Skolnik informed the Board that Collins Construction is a local business that is exploring a process for new modular housing. He said that the initial market area for the processed modular housing may be in China. Mr. Skolnik said he is again asking for approval to explore the possibilities of the program. He explained that due to past experience, the representative from Collins Construction is hesitant to be involved with government. Mr. Skolnik indicated that the location of the program may be more conducive to Clark County. Mr. Skolnik said that Collins Construction has a process with patent pending to make walls for the outside structure of a house in under three days.

Chairman Marvel expressed concern for a potential conflict with existing industries. Mr. Skolnik said since it was a new process, he did not see how there would be a conflict. He said there may be a conflict in the area of employment construction as no one would be needed to put up the walls.

Chairman Marvel announced the chair would accept a motion to further investigate a program for Collins Construction and Prison Industries.

SENATOR JACOBSEN MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO EXPLORE NEGOTIATIONS WITH COLLINS CONSTRUCTION FOR AN INDUSTRIAL PROGRAM. THE MOTION WAS SECONDED BY MARY FOSTER. THE MOTION CARRIED UNANIMOUSLY.

(F) Streetcar Rebuilding.

Mr. Skolnik advised the committee that streetcar rebuilding is not a new program, however, an information item on part of an existing program at the metal shop. He explained there was news article featuring the streetcar. Mr. Skolnik said Prison Industries was reconstructing a single vehicle for an individual to demonstrate the potential of rail travel in the Tahoe area.

In reference to Chairman Marvel’s question on if there would be a profit on the project, Mr. Skolnik replied not much; however, it was a fun project with the benefits of a minimum wage and keeping inmates busy. In reference to Chairman Marvel’s question on the cost of the restoration, Mr. Skolnik answered that the expenses thus far for Prison Industries were approximately \$12,000. Chairman Marvel mentioned there were many streetcars in the area of Carson City in need of restoration.

(G) Wildhorse Program.

Referring to the draft contract (Page 97 of the Meeting Packet, Exhibit M) between Prison Industries and the Division of Agriculture for the Wildhorse Program, Mr. Skolnik said that the Division of Agriculture would be going before IFC with the program. Mr. Skolnik notified the committee he had sent a number of questions back regarding the contract. He said that Tim Bryant informed him these questions are being addressed by the Division of Agriculture for a revision of the agreement. Mr. Skolnik explained the proposal is to gather horses that are impinging on residential areas in the Washoe County, bring them to the Prison, brand them, administer necessary veterinarian care and release them back into the wild. Mr. Skolnik said if the same horses were to be rounded up a second time in residential areas, they would be retained for adoption. Mr. Skolnik said that the purpose of branding is to monitor if the same horses go back to the residential neighborhood. In reference to Chairman Marvel’s question on the number of horses the Prison Industries could handle, Mr. Skolnik replied not more than thirty at a time. He explained that corrals would be paid for by either the Division of Agriculture or Washoe County and constructed by prison inmates on the Prison Industries’ Ranch.

Mr. Bayer related that when he was approached on the program, he was not notified of the intent to release portion of the project. He questioned when this aspect of the program came into fruition. Chairman Marvel agreed with Mr. Bayer that the point of having the horses at the Prison Industries’ Ranch would be to adopt the horses out. Mr. Skolnik conveyed he was informed of the release portion by Tim Bryant late last week. He advised the committee that he had informed the Division of Agriculture that Prison Industries would not break the horses, simply hold them.

Senator Jacobsen indicated he had reservations about the proposal. Reflecting on programs under private enterprise at Lovelock, Senator Jacobsen expressed his concern for the expense of the necessary veterinarian care and burial service for the horses and for interference at the Prison Industries’ Ranch by "animal lover" advocates. Senator Jacobsen stated that he was not sure the program would be worth the headaches as this could be a very emotional issue.

Mr. Skolnik assured the committee that this would not be a permanent Prison Industries’ program, but would only be implemented as a service to the local community of Washoe County to remove the horses from the residential areas.

Chairman Marvel related that the reason Washoe County wants to be rid of the wildhorses is they are a tremendous liability problem. He voiced concern that even if the state has an open range policy, the potential exists for the horses going into someone’s yard and injuring someone. Mr. Skolnik agreed, stating that eight or nine years ago a program was presented which

was not in the best interest of the state or Prison Industries and declined by Prison Industries. Chairman Marvel questioned if the insurance cost would go up on the Prison Industries Ranch.

Mr. Bayer said when he was approached with this project he was viewing it as a service to eliminate the danger in a situation. He said he was not advised that the horses would be released back to the range. Mr. Bayer indicated he was aware of the sensitive issue of ranchers and the balance of the range. Mr. Skolnik responded that Prison Industries still had control of the situation and could specify the horses would be placed for adoption, not release.

Chairman Marvel questioned if this would be an item on the agenda for the next IFC meeting. Mr. Skolnik acknowledged that the item would have to go before IFC at some point, as there is currently not a budget for the program.

Chairman Marvel reiterated that this situation has been a serious problem for Washoe County. He said this program with adoption would alleviate some of the difficulty in the most humane fashion. He stated, in his opinion, to turn them back to the range without a specific available grazing area would be a waste of time as they would return to the residential areas. Chairman Marvel and Senator Jacobsen both expressed their concern for an adequate, upgraded corral system to accommodate the wildhorses.

Mr. Skolnik related the corral would be approximately a \$45,000 investment in materials by Washoe County and the Division of Agriculture. He explained that the corrals would then be constructed by inmate labor. Mr. Skolnik suggested that if it is the committee's will that the horses are adopted out and not released, Prison Industries could stipulate it in the agreement.

Chairman Marvel said the chair would accept a motion for the program including the stipulation of adoption verses release.

SENATOR RAWSON MOVED FOR APPROVAL FOR PRISON INDUSTRIES TO PURSUE NEGOTIATIONS WITH THE DIVISION OF AGRICULTURE FOR THE POTENTIAL PROGRAM WITH THE STIPULATION WILDHORSES WOULD BE ADOPTED OUT AND NOT RELEASED TO THE RANGE. THE MOTION WAS SECONDED BY BILL MOELL.

Mr. Bayer interjected that it may be possible to release them outside the State of Nevada in a state that would like to have the wildhorses. Chairman Marvel responded that the idea is to get rid of the wildhorses, as they are a potential hazard.

THE MOTION ON THE FLOOR CARRIED UNANIMOUSLY .

Mr. Skolnik asked for clarification on motions. Chairman Marvel confirmed that authority to pursue programs was given on P & S Metals, Room Systems, Inc. and the Wildhorse program. Authority to explore only was given on all other programs discussed.

12. Information Items.

(A) AFL-CIO Paper Concerning Use of Prison Industries.

Referring the section (Page 102 in the Meeting Packet, Exhibit O), Mr. Skolnik said that the information is self-explanatory. He pointed out that Gwyn Smith Ingley is the Director the Correctional Industries Association who supplied Prison Industries with the newsletter, *Issues & Answers*. Mr. Skolnik reported that there seems to be zero tolerance for correctional industries at the national level of AFL-CIO. He expressed he was appreciative that this attitude did not exist in Nevada.

Chairman Marvel suggested that the committee members review the information presented in the packet regarding the AFL-CIO and prison labor.

Senator Rawson stated that the committee has tried to foresee some of the pitfalls in correctional industries in the state and structure around them. He pointed out that Nevada is not running a chain gang with forced labor nor is it a great profit venture.

Mr. Skolnik offered to pass any comments the committee members may wish to express on to the Correctional Industries Association, Inc.

(B) Report on Dairy Barn.

Mr. Skolnik informed the Advisory Board that on September 3, 1997, a spark from a welder smoldered in a manure pile and ignited in the middle of the night causing a fire. He related they lost the barn (insured for \$23,621) and contents (insured for \$1,320). Mr. Skolnik said that they may not have enough insurance to cover the replacement barn. He said Prison Industries has spoken with three different local metal contractors regarding standard sizes, dimensions, materials and doors. Mr. Skolnik noted preliminary drawings are ready and, as soon as the information from the contractors is available, Prison Industries will approach the Public Works Board regarding the replacement. In reference to Chairman Marvel's question on the size of the lost building, Mr. Skolnik replied it was approximately 40 X 32. He indicated all the rubble from the fire had been cleared and hauled to the dump. Mr. Skolnik said the barn is a necessity to provide shelter in the winter.

Mr. Bayer related that the Board had questioned in the past the reason inmate labor is not used more often in construction projects. Mr. Bayer stated that this is one project that they could perhaps utilize the inmate and some materials that are on the property.

Senator Jacobsen added that he is working on a proposal for the metal barn for a replacement. He explained the barn that

burned was not the regular barn where the dairy cows were miked. In reference to Mr. Bayer’s comments on inmate labor for the reconstruction, Senator Jacobsen said, in his opinion, an honest worker should not be displaced; however, there are times when the expertise of inmates labor can be utilized to benefit the system without making a profit.

In reference to the review of industrial programs, Chairman Marvel questioned if there were any programs that needed to be withdrawn from Prison Industries. Mr. Skolnik replied that there were not longer any Industry Programs that needed to be eliminated. He stated the Ely had the only program that had not profited in the last three years. He added that modifications were implemented to revise the program at Ely to be more profitable.

13. Public Testimony.

Chairman Marvel acknowledged Carole Vilardo, Nevada Taxpayers Association, as present in the audience. He asked for any comments from the audience to come before the board. There was no Public Testimony given.

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

Chairman Marvel related that the committee would be meeting more often at the discretion of the chair and the staff. He indicated that if there was a the need for any expeditious action the Board would be meeting again during the quarter.

15. Adjournment.

Chairman Marvel asked for any other business to come before the committee.

Senator Jacobsen informed the committee that he had visited a Veterans’ Home in Barstow, California. He indicated a Veterans’ Home had been approved in Nevada for Clark County. Senator Jacobsen related that 90 percent of the furniture in the Barstow Veteran’s Home had been supplied by the California’s Prison Industries. Senator Jacobsen suggested that Prison Industries could provide some service and should be in on the planning stages for the home in Clark County. He said the home would be small, accommodating 188 beds. In reference to Senator Jacobsen’s comments, Mr. Skolnik related that Silver State Prison Industries in Nevada was substantially less expensive than California’s Prison Industries.

Chairman Marvel thanked the committee members for their attendance. There being no further business to come before the committee, the meeting was adjourned at 12:35 p.m.

Respectfully submitted,

Denise Nielsen

Fiscal Analysis Division Secretary

Assemblyman John Marvel, Chairman
Prison Industry Advisory Board

Date