

**Minutes of the Meeting of the
Nevada Legislature's Interim Finance Committee's
Committee on Industrial Programs
(NRS 209.4817)
December 19, 2002**

A meeting of the Interim Finance Committee's Committee on Industrial Programs was called to order by Assemblyman John Marvel at 9:30 a.m., Thursday, December 19, 2002, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was simultaneously broadcast via video conference to Room 4401 of the Grant Sawyer State Office Building, Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator Lawrence Jacobsen
Assemblyman John Marvel
Jackie Crawford, Director, Department of Corrections
Al Puliz, Chairman, Puliz Moving and Storage
Bill Moell, Administrator, Purchasing Division

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman Morse Arberry Jr.
Bruce Aguilera, Vice President/General Counsel, Bellagio
Michael Mackenzie, Operations Improvement Company

COMMITTEE MEMBERS ABSENT:

Senator Raymond Rawson
Mike Magnani, Labor Union Representative

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Gary L. Ghiggeri, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Tracy Raxter, Program Analyst, Fiscal Analysis Division
Wil Keane, Principal Legislative Counsel, Legal Division
Yvonne Goodson, Deputy Legislative Counsel, Legal Division
Denise Nielsen, Secretary, Fiscal Analysis Division

OTHERS PRESENT:

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John McCuin, Chief of Financial Services for Prison Industries – CC
Dan Wong, Deputy Attorney General - CC
Darrel Rexwinkel, Department of Corrections - CC
Geoff Dornan, Nevada Appeal – CC
Cy Ryan, Las Vegas Sun – CC

Helen Green, Labor Union Representative, – LV
Suzanne Pardee, Prison Industries – LV
Barbara Beardsley, Friends and Family of Incarcerated Persons (FFIP) – LV
Pat Hines, Nevada Citizens United for the Rehabilitation of Errants (CURE) – LV

EXHIBITS:

- Exhibit A: Meeting Notice and Agenda
- Exhibit B: Attendance Record
- Exhibit C: Copy of the December 19, 2002, meeting packet prepared and distributed by Legislative Counsel Bureau (LCB) staff
- Exhibit D: Copy of letter dated November 26, 2002, from Howard Skolnik to Fred Ormiston, of Southwest Panel Products regarding possible contract and relocation of business to High Desert State Prison
- Exhibit E: Copy of handout for Silver State Industries provided by John McCuin regarding accreditation with the American Correctional Association dated November 20, 2002
- Exhibit F: Copy of handout of for Silver State Industries provided by John McCuin of the contract for ITSAR, Inc. (formally Bomax)
- Exhibit G: Copy of letter from Director Jackie Crawford to Senator Jacobsen dated December 5, 2002, expressing gratitude and retirement congratulations
- Exhibit H: Copy of letter of gratitude from Howard Skolnik, Assistant Director of Prison Industries, to Senator Jacobsen dated December 19, 2002

Because of their size, the exhibits are not attached to these minutes, however, upon request, may be reviewed in the Fiscal Analysis Division of the Legislative Counsel Bureau, Carson City, Nevada. You may contact Denise Nielsen at (775) 684-6821.

I. CALL TO ORDER AND OPENING REMARKS.

The meeting of the Interim Finance Committee's Committee on Industrial Programs was called to order at 9:30 a.m. by Chairman Marvel who welcomed members and staff at both Las Vegas and Carson City locations and wished them happy holidays. Chairman Marvel instructed the secretary to take roll; a quorum of committee members was present. Chairman Marvel indicated that agenda items might be taken out of order to accommodate voting on agenda items, as some members may have to leave the meeting early.

II. APPROVAL OF THE MINUTES FOR THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS JUNE 20, 2002, MEETING.

Chairman Marvel called for a motion for approval of the meeting minutes of June 20, 2002, for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs.

SENATOR JACOBSEN MOVED TO APPROVE THE MINUTES OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS MEETING HELD ON JUNE 20, 2002. BILL MOELL SECONDED THE MOTION.

Chairman Marvel called for any corrections or addition to the minutes. Being none, he called for a vote on the motion on the floor.

THE MOTION TO APPROVE THE MINUTES OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS MEETING HELD ON JUNE 20, 2002, PASSED

UNANIMOUSLY.

Helen Green, Labor Union Representative, at the Las Vegas meeting location introduced herself for the record. Chairman Marvel welcomed Ms. Green, relating he was pleased she was able to attend for Mike Magnani in a non-voting capacity.

Chairman Marvel requested that Director Crawford begin with the agenda items for Silver State Industries.

V11. REPORT FROM PRISON INDUSTRIES ON ATTAINMENT OF ACCREDITATION FROM AMERICAN CORRECTIONAL ASSOCIATION.

Jackie Crawford, Director for the Department of Corrections, informed the committee that she first wanted members to know that Prison Industries has been working intensely with their industry programs to obtain candidate status for accreditation with the American Correctional Association (ACA). She explained that accreditation is a certification of best practices. Referring to page 11 of the handout, "Accreditation's Visiting Committee Report" to Howard Skolnik, dated November 20, 2002, regarding accreditation for Silver State Industries from ACA (Exhibit E), Director Crawford pointed out that Prison Industries scored 97 percent, passing in all the mandatory categories. Director Crawford advised the committee that Silver State Industries is the second industrial program in the nation with accreditation.

In reference to Chairman Marvel's question on the requirements that Prison Industries must complete prior to the achievement of full accreditation, Director Crawford advised that Prison Industries would be required to go before a board of commissioners in North Carolina for a second level of interviews.

Bruce Aguilera, Vice President/General Counsel, Bellagio, questioned what the column with zeros labeled mandatory on page 11 of the accreditation handout (Exhibit E), actually represented.

Director Crawford explained that the mandatory column addresses controls of life-safety issues, such as flammable materials used in many of the industry programs. The zero scores indicate that Silver State Industries is meeting all life-safety standards.

Chairman Marvel asked if there were further questions on the accreditation achievement. He wished Director Crawford and the Prison Industries' staff well in continuing the accreditation processes.

IV. STATUS REPORT FROM PRISON INDUSTRIES AND COMMITTEE RECOMMENDATIONS.

A. BoMax– Southern Desert Correctional Center

Director Crawford ascertained that copies of the contract (Exhibit F) for ITSAR, INC., formally known as BoMax, had been distributed to the committee for their review. She advised that Public Works had required Prison Industries to hire an architect to approve plans for the "sprung building" that would house the industry program to convert truck chassis into dump trucks. Director Crawford indicated that the industry program would employ 50 inmates to start.

In response to Chairman Marvel's question on how soon the industry program would begin, Director Crawford said that she anticipated the program would start within 60 days.

Directing his question to Dan Wong, Deputy Attorney General, Chairman Marvel asked whether the Attorney General's Office had an opportunity to review the contract with ITSAR, INC. Mr. Wong indicated that he had reviewed the contract some time ago. Chairman Marvel asked committee members if they had further questions on ITSAR, INC.

Referring to the contract for ITSAR, INC (Exhibit F) Al Puliz, Chairman, Puliz Moving and Storage, remarked on the low amount charged for rental space of 20 cents per square foot. He questioned if that would be enough to cover the cost of the building. Mr. Puliz noted that the common rental charge in the Las Vegas area for warehouse rental space was approximately 50 cents per square foot.

Director Crawford explained to the committee that this lower charge for warehouse space is utilized for many industry programs throughout the state as an enticement to obtain new industry programs. It was Director Crawford's opinion that the rent payment of 20 cents per square foot would cover the cost of the "sprung building."

B. High Desert Rebuilders – Lovelock Correctional Center

Director Crawford informed the committee that the torque-converter company, High Desert Rebuilders, had withdrawn from negotiations a potential prison industry program at the Lovelock Correctional Center (LCC), as they were not able to secure funding to establish an industry at LCC. Chairman Marvel questioned if High Desert Rebuilders was the same company located in Sparks, Nevada. Director Crawford confirmed that the company was based in Sparks.

C. Garment Program – Lovelock Correctional Center

Director Crawford advised the committee that the Garment Industry Program was doing well with the quality of garments, exceeding those purchased by the Department of Corrections in the past. She noted that the Garment Industry Program at LCC now employs 60 inmates.

Bill Moell, Administrator, Purchasing Division, indicated that the Purchasing Division is very happy with the supply from the Garment Industry Program and discussed the possibilities for Prison Industries with regard to expanding the program to other entities such as the jails in Nevada.

Director Crawford agreed with the opportunities of expanding the program to generate revenue and provide jobs for inmates, once the Garment Industry Program has stabilized. She indicated that the product manufactured by the Garment Industry Program is the most durable she had seen in many years. In reference to Chairman Marvel's question on production, Director Crawford advised that the Garment Industry Program has perfected the manufacturing of shirts and is now manufacturing trousers.

Chairman Marvel informed the committee that his last visit to LCC had included a tour of the Garment Industry Program. He noted that during his tour, approximately 40 inmates were working at sewing machines. Chairman Marvel opined that it would be beneficial for the Garment Industry Program to expand to other entities of government.

Mr. Moell stated that, in his opinion, the Garment Industry Program and the proposed Cook-Chill Process Industry Program would be the most beneficial of all industry programs to the Department of Corrections.

Chairman Marvel inquired if there were any further questions on the Garment Industry Program. Being none, he requested that Director Crawford discuss the next agenda item, M-Truss & Components, LLC.

D. M-Truss & Components, LLC. - Southern Desert Correctional Center

Director Crawford noted that M-Truss & Components, LLC. located at the Indian Springs Conservation Camp (ISCC) is the first community-work program in operation and is doing well with 12 inmates employees. It is anticipated that the community-work program will expand to 20 inmates. Director Crawford advised that M-Truss & Components, LLC. is an all-metal truss manufacturing business and that inmate employees in the program are doing quality work. Director Crawford pointed

out that the inmates employed by this program have the ability to earn revenue and that the state benefits from the receipt of deductions from the inmate employees' wages that go toward the inmates' room and board.

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E. Ahern Rentals - Southern Desert Correctional Center

Director Crawford informed the committee that in light of economic issues, Prison Industries was not able to secure a contract with Ahern Rentals for an industry program.

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Chairman Marvel pointed out that the demands placed on Prison Industries by Ahern Rentals to obtain a contract for a prison industry were not realistic. Director Crawford agreed.

F. Manufacturing of Motorcycle Trailers - Northern Nevada Correctional Center

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Director Crawford advised the committee that Prison Industries received approval at the last meeting for the industry program of manufacturing motorcycle trailers. The industry program is in the startup phase and is moving slower than anticipated in perfecting manufacturing the trailers.

In reference to Chairman Marvel's question on the demand for the trailers, Director Crawford pointed out that due to lack of training in the area of manufacturing trailers and a high turnover of the manufacturing workforce, there is a shortage of skilled labor in the field of manufacturing of motorcycle trailers. She indicated that once inmate employees are trained in the industry program of manufacturing of motorcycle, Prison Industries would be able to fill that shortage.

G. Jacob's Trading Company - Southern Nevada Women's Correctional Center

Director Crawford informed the committee that Jacob's Trading Company is still active at the private prison at Southern Women's Correctional Center, Corrections Corporation of America (CCA), with their re-packaging program, which is contracted through Wal Mart. She advised the committee that she would like to see another industry program go into CCA or see the re-packaging industry program expand, as it presently employs only eight or nine women. In response to Chairman Marvel's question, if this was the only industry program available to women inmates, Director Crawford answered that this was the only industry program at the private prison. She indicated that Prison Industries is exploring other industry programs, as well as, community-work programs for the female offender.

Director Crawford advised the committee that approximately 110 women inmates have been removed from CCA and placed at the conservation camp located at Jean. Director Crawford explained that this move has expanded the forestry program. She explained that the forestry program not only provides training to the female offender, but also affords good time, which will accelerate their release.

In reference to Chairman Marvel's inquiry on the number of female offenders, Director Crawford advised that due to budget cuts and moving 110 female inmates to Jean, the population at CCA is down to approximately 410. She added that the minimum-security forestry program at Jean is going very well.

Chairman Marvel asked if the committee had further questions on Southern Women's Correctional Center's industry programs. Being none, he directed the committee's attention to the next agenda item, the Cook-Chill process.

H. Cook-Chill Process- High Desert State Prison.

Director Crawford advised the committee that Prison Industries appeared before the Interim Finance Committee (IFC) in reference to the industry program for the Cook-Chill process and that IFC had determined that Prison Industries should fund the study on the Cook-Chill process. Director Crawford

said that Prison Industries would be coordinating with the State of Nevada's Purchasing Division concerning the study. She indicated that Prison Industries hoped to have a contract released within the next month regarding the study. Director Crawford advised that Prison Industries would like to have a document with results from study on the Cook-Chill process to present to the Legislature during the 2003 Session.

Director Crawford informed the committee the Cook-Chill program had the potential of developing work skills for inmates for job opportunities upon release, as many of the larger hotels are utilizing the Cook-Chill process.

In reference to Chairman Marvel's question, if the military was also using the Cook-Chill process, Director Crawford affirmed that the military had been using the process for several years. She added that the Federal Bureau of Prisons and the state of New York have utilized the Cook-Chill process with savings due to the elimination of a considerable amount of waste in food preparation.

Responding to Chairman Marvel's question, if all institutions within the state would utilize the Cook-Chill process once it was running, Director Crawford affirmed that the goal was to have all institutions on the program. She indicated that the study would ascertain whether the Cook-Chill process at High Desert State Prison could handle institutions in the entire state, or if a Cook-Chill process satellite would be required in the northern part of the state. She clarified that the industry program for the Cook-Chill process would require refrigerated trucks for delivery. Director Crawford noted that the study would establish the logistics of implementing the Cook-Chill process and the equipment required.

Chairman Marvel questioned if Mr. Moell had observed any programs similar to the Cook-Chill process and if he knew the shelf life of food once it is processed by the Cook-Chill technique. Remarking that he could not comment on the shelf life of the food for the Cook-Chill process, Mr. Moell advised that, presently, food preparation for the Department of Corrections was a huge problem with distribution over vast areas for different prisons such as the Ely State Prison, Lovelock Correctional Center, High Desert State Prison, Southern Desert Correctional Center and the honor conservation camps. Since the Department of Corrections cannot use the same vendors for institutions separated by large distances, it creates inconsistency in quality of foods for the various institutions. Mr. Moell opined that the Cook-Chill process would solve this logistic problem. The solution of having one or two deliveries statewide instead of several deliveries and the ability to buy in larger volume will be beneficial to the Department of Corrections.

Responding to a question from Chairman Marvel, Bruce Aguilera, Vice President/General Counsel for the Bellagio in Las Vegas, confirmed that the Bellagio did utilize the Cook-Chill process. He agreed that the process eliminated a considerable amount of food waste. Mr. Aguilera concurred with Mr. Moell regarding the benefits that the potential Cook-Chill Process Industry Program could generate.

Chairman Marvel asked for any further questions on the Cook-Chill Process Industry Program. There were none. Chairman Marvel thanked Director Crawford for her input on the various industry programs. He requested that she cover item VI. on the agenda, Review of Number of Inmates Employed.

VI. REVIEW OF NUMBER OF INMATES EMPLOYED JULY 2001 THROUGH OCTOBER 2002.

Directing the committee's attention to page 59 in the meeting packet (Exhibit C), Director Crawford highlighted employment in the various shops and indicated that the total number of inmates employed in July 2002 was 728. Director Crawford informed the committee that it was Prison Industries' goal to employ 3,000 inmates within the next three years, which would generate approximately \$8 million in room and board.

Chairman Marvel asked the percentage of increase for inmate employment since Director Crawford had been the Director for the Department of Corrections. Director Crawford replied that employment for inmates had doubled since she had taken her position. She pointed out that TJ Wholesale, a card-sorting program, is not the most significant industry program; however, it is a beginning for inmate employment.

Chairman Marvel noted the presence of John McCuin, who was substituting for Howard Skolnik at the meeting. Chairman Marvel asked if Mr. McCuin had anything to add to the Census Report and if any committee members had questions on the inmates employed.

Referring to the column for December on the chart on page 59 of the meeting packet (Exhibit C), Mr. Moell questioned if the inmate employment started out with a total of 728 employed and was down to 697.

Mr. McCuin, Chief of Financial Services for Prison Industries, explained the figures for employment on the chart only went through October, and the formula indicated the change (+/-) in number inmates employed from the previous month. If no entries are depicted in a month, such as December, the formula still would show a difference; however, that formulated difference should be ignored as the chart depicts only information from July through October.

Asking for further clarification on the chart on page 59 of the meeting packet (Exhibit C), Mr. Moell pointed out that October's figures specified the number of 703 employed, and questioned if that indicated inmate employment was down from July's total of 728 by 25 inmates employed. Mr. McCuin agreed that was what the chart indicated.

Chairman Marvel asked if there were further questions on inmates employed. Being none, he asked Mr. McCuin to review the financial statements for the committee.

V. REVIEW OF FINANCIAL REPORTS BY DEPARTMENT OF CORRECTIONS FOR YEAR ENDING JUNE 30, 2002, WITH COMPARATIVE FINANCIAL STATEMENTS FOR YEAR ENDING JUNE 30, 2001.

Responding to Chairman Marvel's question on financial information for the last quarter of 2002, John McCuin related that he did not have the financial information prepared for the last quarter; however, it did not appear that Prison Industries' financial status had shown any improvement in the last quarter.

In reference to Chairman Marvel's question, if there had been changes in the Collection Restoration shop since the owner of the Imperial Palace Hotel and Casino had passed away, Mr. McCuin indicated that he did not expect to see consequences of the owner's passing for at least four or five months. He pointed out that the Collection Restoration shop did not do the business with Prison Industries as they had approximately four years ago when they employed approximately 35 to 40 inmates. Imperial Palace Hotel and Casino has decreased operations and presently employs approximately 13 to 15 inmates.

Michael Mackenzie, Operations Improvement Company, reminded the committee that he had expressed concern regarding the large amount depicted in inventory of approximately \$1,000,000 at the last committee meeting. He noted that Mr. Skolnik had indicated at that meeting that the inventory would drop \$300,000 to \$400,000. Mr. Mackenzie questioned if the inventory for Prison Industries had indeed dropped.

Responding to Mr. Mackenzie's question regarding the inventory, Mr. McCuin advised that the main reason for the high inventory was the finished goods for the Clark County Detention Center. He related that at the end of June 2002, approximately half of the goods were shipped to the Clark County Detention Center; therefore, the finished goods part of the inventory dropped \$100,000 in July 2002.

Chairman Marvel questioned if Mr. McCuin could provide the committee with the current total for inventory for Prison Industries.

In response to Chairman Marvel's question, Mr. McCuin pointed out that inventory now included material for the new Garment Factory. He said that while the Metal shop inventory was decreasing, Garment Factory inventory was starting to increase.

Mr. Mackenzie asked for clarification if Mr. McCuin was saying that the inventory has remained the same or had increased. He questioned Mr. McCuin's perception of where the inventory was at this time.

Indicating that he did not have the inventory figure with him, Mr. McCuin stated that he did not feel that the inventory had decreased by \$300,000 with the Garment Factory coming on board.

Mr. Mackenzie indicated he would be raising the same question regarding inventory at the next meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs. He observed that overall sales for Prison Industries have declined year-to-year, indicating degradation in the gross margin. Mr. Mackenzie added that general manufacturing expenses and general administration expenses have increased, while Prison Industries has experienced declining sales.

Agreeing with Mr. Mackenzie, Mr. McCuin noted that many of these expenses have to do with staff wages. He advised the committee that two people have been added to workshop staff and three new personnel have been added to General Administration.

Noting Prison Industries' declining sales and increases in costs in both Operations and in General Administration, Mr. Mackenzie opined that from a business perspective, if Prison Industries continues this course of action, Prison Industries would have bottom line degradation. Mr. McCuin agreed with Mr. Mackenzie's observation.

Chairman Marvel questioned if the increase in General Administration salary expense from \$82,000 in one year to \$133,000 was just the addition of two new staff. Mr. McCuin confirmed that part of the increase was due to new personnel. He added that a portion of the increase was due to the new accounting of the accrued compensated absence on the balance sheet for unused leave and sick time for industries to the General and Dairy budget accounts

Chairman Marvel questioned why the cost of sales for the Ranch was so much higher in 2002 than the previous year.

Noting that expenses fluctuate due to timing of crops, inventory and sales of cows on the Ranch, Mr. McCuin said that he would research the high increase.

Director Crawford interjected that the increase had to do with the considerable capital investment to start up the Horse Program.

Mr. McCuin agreed that \$200,000 of the increase was related to the capital investment for the Horse Program. He pointed out that on the bottom of page 45 of the meeting packet (Exhibit C), a loss of \$217,846 is depicted as expenses for the Bureau of Land Management (BLM) Horse Boarding Program. In response to Chairman Marvel's question on how Prison Industries was doing currently regarding revenue from the BLM Horse Boarding Program, Mr. McCuin indicated that a variable scale, which includes recovery for construction costs for the holding facility, is to be paid within a two-year period. At the higher per-diem rate for the first two years, Prison Industries is doing well. Prison Industries has increased their capacity for holding horses from 500 to 597 horses with charges of \$2.70 per horse based on a sliding scale. Mr. McCuin noted that Prison Industries is collecting revenue of \$60,000 per month for the Horse Boarding Program. Mr. McCuin advised the committee that there are expenses that will offset this \$60,000 per month revenue, such as the purchase of hay. He informed the committee that Prison Industries is harvesting hay for the University of Nevada Reno (UNR) and in turn, earns 50 percent of the hay that they harvest.

Chairman Marvel requested that Prison Industries provide the committee with a report on the BLM Wild Horse

Boarding Program as to the present profit and the anticipation of future profits from the program.

Addressing the \$107,000 loss on page 35 of the meeting packet (Exhibit C), Mr. McCuin pointed out that these expenses included two one-time expenses – (1.) relating to the buildings purchased from the Nevada test site and (2.) relating to the start-up costs for the Garment Factory. Mr. McCuin reiterated the expense of building the corrals for the BLM Wild Horse Boarding Program. He clarified that the Prison Dairy account included the Prison Ranch, livestock, crops, dairy, estray horses and wild horses.

Regarding Chairman Marvel's question, if any industry programs should be deleted, Mr. McCuin replied that Mr. Skolnik and he had discussed possible elimination of industry programs and had decided that no industry programs should be cut at this time.

In response to Chairman Marvel's question on the replacement of machinery for the Ely Drapery Industry, Mr. McCuin related that Prison Industries had replaced two machines and intended to replace two machines per year. He explained that since the machines are all similar, old machines are kept for parts to repair other equipment, resulting in savings for Prison Industries. Mr. McCuin noted that if the machines costs are not over \$5,000, the machines have been expensed on the financial reports, rather than capitalized.

Responding to Chairman Marvel's inquiry, if there were plans to add another industry program for the Ely State Prison, Director Crawford replied that due to the high-risk population at the Ely State Prison, the Drapery Program would remain the only industry at this time. She added that the Department of Corrections was looking into educational programs for Ely State Prison.

Continuing his presentation, Mr. McCuin reiterated that most of the losses for Prison Industries had to do with the decrease in sales or the expansion into new industries.

Chairman Marvel questioned the effect on Prison Industries once the revenue ceases from license plate fees, as the conversion of license plates from the old sheep-horn plates to the new sunset plates is near completion.

Mr. McCuin reported that the fees collected from reissue of plates helped with Prison Industries' expansion and new industries. He pointed out that the losses for Prison Industries would have been even greater had they not benefited from the higher revenue from the reissue of license plates. Mr. McCuin estimated that the revenue from the license plate fees would decrease by \$400,000. To help offset the loss of this income, Mr. McCuin said that Prison Industries is holding back on the purchase of any more equipment or buildings in the near future. He indicated the addition of the ITSAR program should help with Prison Industries' revenue by renting the building for the industry and by the employment of inmates.

Chairman Marvel addressed the issue of the need to seek out new industry programs in order to meet Director Crawford's goal of increased inmate employment.

Advising Mr. McCuin of the committee's previous discussion on the Garment Factory, Director Crawford questioned if Mr. McCuin knew if Prison Industries had been exploring plans to expand the Garment Factory to provide uniforms to the jail system once the Department of Correction's need for garments is met and the program has stabilized.

Mr. McCuin indicated that Prison Industries is considering outside contracts for the Garment Factory with the jail system and private sector industries. He informed the committee that Prison Industries has also made samples of uniforms utilized by hotel employees. Mr. McCuin advised that Prison Industry is exploring manufacturing a new belt fastened by Velcro. He indicated that current sales for the Garment Factory are not sufficient to sustain the Garment Industry Program.

Chairman Marvel directed the committee's attention to the letter on pages 23 and 24 in the meeting packet (Exhibit C) from Southwest Panel Products, a prospective industry program. Stating that the company was expecting a lot from Prison Industries to become an industry program, Chairman Marvel questioned if Prison

Industries was planning on pursuing the contract with Southwest Panel Products.

Mr. McCuin advised the committee that Mr. Skolnik had replied to Southwest Panel Products (Exhibit D) informing them that Prison Industries could not subsidize them in moving. He pointed out that Mr. Skolnik's reply offered assistance to Southwest Panel Products by providing alternate names of state and federal agencies that are involved with businesses who may be able to help with their move.

Chairman Marvel directed the committee back to item III on the agenda. He called for a vote to drop Southwest Panel Products for further consideration for an industry program unless further communications from them warranted renegotiations.

SENATOR JACOBSEN MOVED THAT PRISON INDUSTRIES DROP CURRENT NEGOTIATIONS WITH SOUTHWEST PANEL PRODUCTS AS A POTENTIAL PRISON INDUSTRY FOR HIGH DESERT STATE PRISON UNLESS FURTHER COMMUNICATIONS FROM THEM WARRANTED RENEGOTIATIONS. MR. MOELL SECONDED THE MOTION, AND IT PASSED UNANIMOUSLY.

In response to Mr. Moell's question regarding Prison Industry's policy on paying for a company's move to relocate as a Prison Industry, Mr. McCuin answered Prison Industries has never paid for relocation.

Chairman Marvel asked if there were further questions on the financial report for Silver State Industries. Being none, he directed the committee to the next item on the agenda.

VIII. INFORMATION ITEMS.

Commending Yvonne Goodson, Deputy Legislative Counsel, Legal Division, on her draft of the letters regarding proposed federal legislation designed to impact federal prison industry programs, Chairman Marvel reminded the committee that the letters, pages 60-67 of the meeting packet (Exhibit C), were sent on behalf of the Interim Finance Committee's Committee on Industrial Programs to the Congressional Delegation.

Director Crawford expressed her thanks to the committee for sending the letters of support for Prison Industries regarding the issues being brought before Congress that may have had a negative impact on Nevada's Prison Industry programs. In reference to Chairman Marvel's question on whether the legislation had passed, Director Crawford speculated that the legislation was still pending.

Chairman Marvel indicated that he had received⁵⁶ a phone call from Senator Reid's office indicating they would track the proposed legislation for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs regarding the issue. Chairman Marvel called for any further questions on the information items. Being none, he called for public testimony to come before the committee.

IX. PUBLIC COMMENT.

Pat Hines, Nevada Citizens United for the Rehabilitation of Errants (CURE), Las Vegas, Nevada, introduced herself for the record and indicated that she was representing herself. Directing the committee's attention to the inmate employment Census Report chart, tab VI. on page 59 of the meeting packet (Exhibit C), Ms. Hines questioned why the chart depicted FY 2003 and stated that she thought that the figures on the chart were projected figures. Indicating that she had been looking at these charts for the last five years, she stated that the form is never complete and questioned why.

Chairman Marvel questioned if Ms. Hines had written to Mr. Skolnik for an explanation of the Census Report chart. He suggested a letter to Mr. Skolnik might clarify interpretations of the chart.

Regarding Chairman Marvel's suggestion, Ms. Hines related that she had previously asked Mr. Skolnik about the Census Report chart and that she had other things to do rather than write a letter concerning the chart. Expressing that she felt that the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs meetings were intended to clarify issues such as the census chart, Ms. Hines indicated that a letter would do no good, as no one else would know what was in the letter.

Suzanne Pardee, Prison Industries, Las Vegas, informed Ms. Hines and committee members that Mr. Skolnik does respond to all written correspondence.

Chairman Marvel explained to Ms. Hines that she could send a copy of her letter to Mr. Skolnik to the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs, so that the committee could be aware of her requests.

Director Crawford volunteered to meet with Mr. Skolnik and Ms. Hines to personally address the issue of clarification on the inmate employment census chart.

In response to Chairman Marvel's question, if meeting with the Director Crawford and Mr. Skolnik would satisfy the issue for her, Ms. Hines indicated it would. She questioned if there was a place on the report (Exhibit C) that showed that gross and net amount that inmates earned, what is withheld from inmates' wages for room and board and capital improvements.

Directing Ms. Hines to page 56 of the meeting packet (Exhibit C), Mr. McCuin pointed out that deductions are depicted for the last two fiscal years for room and board, capital improvements, and the victims of crimes.

Ms. Hines stated that when she only got the meeting packet (Exhibit C) prior to the meeting it was difficult to locate information. She expressed her concern regarding the hay being harvested for the BLM Wild Horse Industry Program and questioned where Prison Industries was purchasing the hay locally. Ms. Hines inquired if consideration was given to inmates growing the hay since 570 horses are being boarded at a cost of \$2.70 per day.

Addressing Ms. Hines question regarding hay, Mr. McCuin explained that the federal government imposed specifications for hay. He explained that, currently, Prison Industries is not growing hay to meet these imposed specification requirements at the Carson City facility. Mr. McCuin reiterated that Prison Industries is harvesting the hay grown by UNR, which meets the quality of the federal specifications. Mr. McCuin reported that the agreement with Prison Industries and UNR allows Prison Industries to harvest UNR's hay. He indicated that Prison Industries receives 50 percent of the hay that is harvested. Noting that he was not an expert on hay, Mr. McCuin advised the committee that there are various cuts of hay such as first cut, second cut, third cut and so on. Prison Industries receives 95 percent of the second cut, which is the closest cut that meets the federal requirements. Mr. McCuin added that additional hay is purchased from the private sector to supplement the supply received from UNR.

Ms. Hines questioned if the BLM Wild Horse Boarding Industry Program was making a profit considering the expenditure for hay and if the inmates who are harvesting the hay are receive pay or good time credits for their work in harvesting.

Mr. McCuin indicated that in harvesting hay, more machinery is involved than manual labor and that an inmate crew of approximately three along with staff who do the harvesting are paid.

Ms. Hines questioned how much the inmates are paid for the harvesting hay; she requested gross and net pay.

Stating that he did not have a copy of inmates' wages with him, Mr. McCuin offered to look up a particular

inmates' annual wages for Ms. Hines. He explained that the wages earned for harvesting hay would depend on the length of time an inmate worked.

Addressing Ms. Hines' request for clarification on the percentages of inmates' wage deductions, Mr. McCuin clarified that deductions for room and board were 24.5 percent.

Chairman Marvel pointed out that top of page 56 of the meeting packet (Exhibit C) depicted the percentages of inmates' wages.

Ms. Hines repeated that when she only got the meeting packet (Exhibit C) prior to the meeting, it was difficult to absorb the information. She questioned if there were any annual figures for total amount of inmate wages paid in the report.

Addressing Ms. Hines question regarding total amount of inmate wages paid, Mr. McCuin explained that direct labor, which is inmate labor, is listed in each individual shop. He advised that the indirect labor is part of the overhead; therefore, it is difficult to view indirect labor. Mr. McCuin pointed out that since room and board does not vary in Nevada, it is possible to calculate wages.

Ms. Hines questioned if all private prison industry programs paid the inmates an hourly minimum wage.

Regarding Ms. Hines' question on minimum wages, Mr. McCuin advised that although it is not a requirement, when a new private industry program goes into effect, Prison Industries requests that inmates are paid a minimum wage. He indicated this does not include industry programs that work on a piece-meal rate such as card sorting.

Ms. Hines questioned if the \$2.50 per hour paid to inmates on the BLM Wild Horse Boarding Industry Program was due to the industry being a prison versus private industry program.

Mr. McCuin advised that Prison Industries is endeavoring to pay minimum wages in order to achieve the federal accreditation program. He noted that agricultural programs are excluded from the federal accreditation program; therefore inmates working agricultural programs are not paid minimum wage. In reference to Ms. Hines' question, who sets the \$2.50 per hour wage, Mr. McCuin answered the ranch manager sets the wage through concurrence with Mr. Skolnik. Addressing Ms. Hines' question, if inmates were working the Wild Horse Gentling Program at Warm Springs for good-time credit, Mr. McCuin advised if the inmate does not receive an hourly wage. He explained that if an inmate does not receive a payment from Prison Industries for work, there would be no deduction of for room and board, since the 24.5 percent of zero earned would equal zero. Mr. McCuin advised that on the Wild Horse Gentling Program inmates earn good-time credit and Prison Industries pays for the inmate's college programs associated with the Wild Horse Gentling Program.

Directing the committee's attention to the Total State figure of 572 inmates working for the state in the month of July 2002 on the Census Report at the bottom of page 59 of the meeting packet (Exhibit C), Ms. Hines questioned what percentage of these 572 inmates listed had a pay number.

Chairman Marvel pointed out to Ms. Hines that the Director of Corrections had offered to work with Howard Skolnik and Ms. Hines regarding her questions on the Census Report. Chairman Marvel thanked Ms. Hines for her attendance and questioned if there was further public comment. Chairman Marvel acknowledged the attendance of Geoff Dornan, Nevada Appeal.

With trepidation, Chairman Marvel revealed that this meeting would be the last official act and last meeting that Senator Jacobsen would attend as a member of the Committee on Industrial Programs. Chairman Marvel related that in 1985, Senator Jacobsen and he had started touring various prisons and industry programs in the United States. Chairman Marvel indicated that Senator Jacobsen had been a complete proponent of the entire prison and correction program with the honor camps, industry program, and the Department of Corrections. Chairman Marvel announced that the State of Nevada owed Senator Jacobsen a debt of gratitude for the unselfishness of

dedication to the Legislature and to the citizens of the State of Nevada. Chairman Marvel indicated that Senator Jacobsen would be sorely missed. He extended an invitation to Senator Jacobsen to attend the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs' meetings as an ex-official for as long as Chairman Marvel was the chair of the committee. He called on Director Crawford for a presentation to Senator Jacobsen.

Congratulating Senator Jacobsen on his retirement, Director Crawford read a letter of gratitude for his hard work and support (Exhibit G) and presented him with a plaque of appreciation from the staff and inmates of Prison Industries.

Director Crawford:

Dear Senator Jacobsen,

I would like to take this opportunity to congratulate you on your upcoming retirement and to personally thank you for all of the support that you have rendered to the Department of Corrections through the years. We are particularly grateful for the many hours of hard work that you put into making the Conservation Camp Program the viable enterprise that it is; no small feat considering the number and wide dispersion of camps throughout the State, and the independent infrastructure that is inherent to the operation of each. It is an understatement to say that you played a vital, "hands-on" role in cementing the relationship between the Department of Corrections and the Division of Forestry, a partnership that had enjoyed an extensive lineage of success. Your positive contact with offenders working on the various camp projects and your interest in preparing them for eventual reentry into society bespeaks your level of commitment to the tenets of the program. It goes without saying that such contact with inmates by a Legislator is uncommon and serves to illustrate the degree of importance that you placed in their welfare.

The Department, to include a substantial number of its inmates, is most grateful for your leadership on the Prison Industries Board. As you are very much aware, Prison Industries has experienced considerable growth with regard to both the number of inmates who have secured employment and the number of industries that serve as the capstone of the program. Not unlike the camp program, your efforts have contributed substantially to the success that has been enjoyed by the many now-ex-offenders who have "made it on the outside" due in large part to the vocational experience they received through Prison Industries.

Know, too, that the role that you played in identifying and procuring space at the Stewart Facility for the Department was of great import to its Executive and Administrative staff members. Your strong advocacy of both the Department's employees and inmates will not be soon forgotten, nor will your support of its numerous undertakings through the years. You will be sorely missed by those who have benefited from your wisdom and by those who have otherwise had the pleasure of knowing you.

My very best wishes are extended to you as you embark on your new "career", that of retirement. And again, thank you for your continued presence and unwavering support of the Nevada Department of Corrections.

With warm regards,
Jackie Crawford
Director, Nevada Department of Corrections

Senator Jacobsen indicated that he was thrilled to be recognized. He related that his endeavor of working with the inmates in the correction program, honor camps, and industry program over the last forty years had been a pleasure. Senator Jacobsen said that he was grateful to have the opportunity to travel the state, serve, and be a part the committee and the political process. He expressed his sincere thanks to committee members, wishing them happy holidays.

Chairman Marvel reiterated that Senator Jacobsen would be missed; John McCuin and committee members expressed their thanks to Senator Jacobsen for all his work for Prison Industries and the Correctional system.

Mr. McCuin indicated that Howard Skolnik regretted not being able to attend this meeting to personally thank Senator Jacobsen for all his support of the Prison Industries. Mr. McCuin read a letter of appreciation to Senator Jacobsen from Howard Skolnik (Exhibit H).

John McCuin:

Dear Senator Jacobsen:

I truly regret that I cannot be present for your last meeting as a member of the Committee on Industrial Programs. I still clearly remember that day in 1986 when I met you and the other legislative committee members on your trip to see the Illinois Correctional Industries program. Who would have thought that eighteen years later I would have had the privilege of working with you all of these years.

I am not sure that I ever actually told you how important your support has been to me over these last fifteen plus years. I have teased my colleagues around the country that with the level of support I have received, I will never be able to find anyone but myself to blame for any failures. But what success we have had. From a combined total annual depreciation of under \$5,000, and inventory measured in the tens of thousands of dollars and less than 250 inmates employed, we now have an annual depreciation of over \$85,000, inventories approximating \$750,000 and over \$700,000 in receivables. And most importantly, nearly 800 inmates employed.

These successes are in no small measure the direct result of you and your commitment to Prison Industries. It has been an extreme honor to have worked with you. I wish you all of the best in your retirement and want you to know that you will always be welcome at any of the operations that are so much a product of your commitment.

Very truly yours,
Howard L. Skolnik, Assistant Director
Department of Corrections

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Chairman Marvel called for any other business to come before the committee. There being none, Chairman Marvel thanked the committee members and staff for their attendance and adjourned the meeting at 11:10 a.m.

Respectfully submitted,

Denise Nielsen
Secretary

APPROVED:

Assemblyman John Marvel, Chairman

Date

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