

**Minutes of the Meeting of the
Nevada Legislature's Interim Finance Committee's
Committee on Industrial Programs
(NRS 209.4817)
September 8, 2004**

A meeting of the Interim Finance Committee's Committee on Industrial Programs was called to order by Chairman Marvel at 9:30 a.m., Wednesday, September 8, 2004, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was simultaneously broadcast via videoconference to Room 4401 of the Grant Sawyer State Office Building, Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblyman John Marvel
Senator Maurice Washington
Greg Smith, Administrator, Purchasing Division

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Raymond Rawson
Assemblyman Morse Arberry, Jr.
Bruce Aguilera, Vice President/General Counsel, Bellagio
Jackie Crawford, Director, Department of Corrections
Michael Mackenzie, Principal, Operations Improvement Company
Mike Magnani, Labor Union Representative
Howard Skolnik, Deputy Director, Prison Industries (non-voting member)

COMMITTEE MEMBERS ABSENT:

Al Puliz, Chairman, Puliz Moving and Storage

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Leslie Johnstone, Program Analyst, Fiscal Analysis Division
Mark Krmpotic, Senior Program Analyst, Fiscal Analysis Division
Yvonne Goodson, Deputy Legislative Counsel, Legal Division
Denise Larsen, Secretary, Fiscal Analysis Division

OTHERS PRESENT:

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Shane Chesney, Deputy Attorney General
John McCuin, Chief of Financial Services for Prison Industries
Deborah L. Reed, Budget Division, Department of Administration

EXHIBITS:

- Exhibit A: Meeting Notice and Agenda
- Exhibit B: Attendance Record
- Exhibit C: Copy of the September 8, 2004, meeting packet prepared and distributed by Legislative Counsel Bureau (LCB) staff

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 Larsen at (775) 684-6821.

I. CALL TO ORDER AND OPENING REMARKS BY ASSEMBLYMAN MARVEL.

- Chairman Marvel called the meeting of the Interim Finance Committee's Committee on Industrial Programs to order at 9:30 a.m. He instructed the secretary to take roll; it was determined that a quorum of Committee members was present.

II. APPROVAL OF THE MINUTES OF THE MAY 20, 2004, MEETING.

- Chairman Marvel questioned whether members had any additions or corrections to the minutes of the May 20, 2004, meeting. Being none, he called a motion for approval of the minutes.

SENATOR WASHINGTON MOVED TO APPROVE THE MINUTES OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS MEETING HELD MAY 20, 2004.

GREG SMITH SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairman Marvel requested that Howard Skolnik cover the potential industrial programs for Silver State Industries under agenda item III.

III. DISCUSSION OF POTENTIAL INDUSTRY PROGRAMS AND COMMITTEE RECOMMENDATIONS (NRS 209.4818):

A. Gambler's Store (RT Plastics) – Southern Nevada Women's Correctional Facility

Mr. Skolnik advised the Committee that the Gambler's Store (RT Plastics), a company that manufactures poker chips, owns the largest gambling supply store in Las Vegas. The industrial program, located at the Southern Nevada Women's Correctional Facility (SNWCF), entailed putting decals in the center of these poker chips that were then sold to the public. The industrial program employed four to five women who earned a salary on a piece-meal basis, which was averaging over minimum wage. Mr. Skolnik asked the Committee for formal

approval of the industrial program.

Chairman Marvel asked whether Committee members had any questions regarding the industrial program for the Gambler's Store. Hearing none, he called for a motion to approve the new industrial program.

SENATOR WASHINGTON MOVED FOR APPROVAL FOR THE PURSUIT OF THE OF THE GAMBLER'S STORE AS A PRISON INDUSTRIAL PROGRAM AT SOUTHERN NEVADA WOMEN'S CORRECTIONAL FACILITY.

DIRECTOR CRAWFORD SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

B. Thomson Equipment Company – Southern Desert Correctional Center

Mr. Skolnik informed the Committee that ITSAR had left the facility at Southern Desert Correctional Center (SDCC). Thomson Equipment Company, a previous customer of ITSAR, had approached Prison Industries to establish an industrial program that would refurbish water trucks. He explained that the tanks for the water trucks were being made in Thailand and shipped to SDCC where the tanks would be mounted on the refurbished tractors. Once completed, the water trucks would be sold at auction.

Mr. Skolnik advised the Committee that Thomson Equipment Company indicated that they had orders for over 300 trucks in the upcoming year. He noted that the industrial program would employ approximately 40 to 50 inmates at minimum wage.

Mr. Skolnik informed the Committee that certification for the replacement industrial program under the Prison Industry Enhancement Certification Program (PIECP) could be obtained with a simple name change.

Mr. Skolnik advised the Committee that there was a potential for additional industrial programs due to Thomson Equipment Company's ties to Thailand. He noted that Thomson Equipment Company had a partnership with the University in Bangkok that manufactured a biodegradable product, KU Green. He explained that KU Green, which was made with tapioca and plants, was manufactured into biodegradable dinnerware products such as plates or to-go boxes that could be used as animal feed or could be dissolved in water within three days after its function as dinnerware. Mr. Skolnik informed the Committee that Prison Industries intended to check with the Federal Drug Administration (FDA) to explore the legality of manufacturing the biodegradable product in the United States.

Chairman Marvel questioned whether Prison Industries required the Committee's approval for the Thomson Equipment Company since it was a replacement industrial program and whether the program would employ additional inmates. He further questioned if Shane Chesney, Deputy Attorney General, had an opportunity to review the contract.

With regard to Chairman Marvel's question on the approval, Mr. Skolnik affirmed he was asking for formal approval from the Committee for the Thomson Equipment Company as a replacement industrial program. He indicated that the contract was the same as the contract for ITSAR and that Thomson Equipment Company would employ the same number of inmates for the renovation of semi-trucks. He noted that Thomson Equipment Company was based in

Oregon and Thailand; whereas, ITSAR was based in Phoenix.

In reference to Chairman Marvel's question regarding the review of the new contract, Mr. Chesney indicated he had reviewed and approved of the contract with Thomson Equipment Company.

Responding to a question from Chairman Marvel regarding the temporary occupancy certificate for the building at SDCC and the fire-watch stipulation while manufacturing, Mr. Skolnik indicated these issues had been resolved with the Fire Marshall.

Chairman Marvel called for further questions on Thomson Equipment Company. Hearing none, he called for a motion to approve the replacement company as an industrial program.

BRUCE AGUILERA MOVED FOR APPROVAL FOR THE PURSUIT OF THE THOMSON EQUIPMENT COMPANY AS A PRISON INDUSTRIAL PROGRAM AT SOUTHERN DESERT CORRECTIONAL CENTER.

MICHAEL MACKENZIE SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

C. TREX (Polysort) – Lovelock Correctional Center

Mr. Skolnik informed the Committee that TREX (Polysort), a company with an industrial program located in the Idaho prison system, had toured the Lovelock Correctional Center (LCC) recently and had expressed interest in establishing an industrial program to sort recycled plastics at LCC. Mr. Skolnik noted that TREX also had an operation in Fallon, Nevada, which manufactured recycled plastics into products such as those used in playgrounds.

Mr. Skolnik advised the Committee that the industrial program for sorting plastics could be located in the 10,000 square-foot area vacated by the Pershing County School District's woodshop program previously at LCC. He noted that the industrial program for TREX would be labor intensive and could employ 20 to 30 inmates.

Chairman Marvel asked if Committee members had further questions on the potential program with TREX.

- Mike Magnani, Labor Union Representative, questioned whether the program would displace any Nevada workers

Mr. Skolnik answered that the TREX industrial program would not replace Nevada workers, as the plant in Fallon, Nevada, actually manufactured the sorted plastics. The industrial program would be an extension of that existing operation.

Responding to Chairman Marvel's question regarding the use of the recycled plastic, Mr. Skolnik advised that the Fallon operation utilized the sorted plastic to manufacture two-by-fours and other products, such as those used on playgrounds.

Chairman Marvel asked if Committee members had further questions of Mr. Skolnik on the

TREX Industrial Program. Hearing none, he called for a motion on the pursuit of the potential industrial program.

SENATOR WASHINGTON MOVED FOR APPROVAL FOR THE PURSUIT OF THE TREX AS A PRISON INDUSTRIAL PROGRAM AT THE LOVELOCK CORRECTIONAL CENTER.

GREG SMITH SECONDED THE MOTION; AND IT PASSED UNANIMOUSLY.

D. ADCOR – High Desert State Prison

Mr. Skolnik informed the Committee that Prison Industries had been contacted by both of the major contractors of concrete castings in the Las Vegas area. He advised that Prison Industries was working with one of the companies as a community-based program (see Trevi Manufacturing discussion below).

- The other company, ADCOR, was a new company that was working with established companies to manufacture concrete castings. ADCOR would construct a temporary building at High Desert State Prison (HDSP) and would employ approximately 24 inmates when fully operational to manufacture the concrete castings. Mr. Skolnik advised that ADCOR had indicated they would hire inmates employed in the industrial program upon their release if the industrial program was successful.

- Chairman Marvel asked whether there were further questions or discussion on ADCOR as a potential industrial program. Hearing none, he called for a motion on ADCOR as a potential industrial program.

SENATOR WASHINGTON MOVED FOR APPROVAL FOR THE PURSUIT OF ADCOR AS A PRISON INDUSTRIAL PROGRAM AT HIGH DESERT STATE PRISON.

GREG SMITH SECONDED THE MOTION.

- **THE MOTION PASSED UNANIMOUSLY.**

Chairman Marvel questioned whether there was further discussion under agenda item III.

Mr. Skolnik informed the Committee that Prison Industries was communicating with another company for an industrial program at HDSP that would be discussed under agenda item V. He noted that Prison Industries was involved with a North Las Vegas company, Trevi Manufacturing Company, for a community-work program. The company presently transports five female inmates from the Southern Nevada Correctional Center (SNCC) at Jean to North Las Vegas to manufacture concrete castings. Mr. Skolnik advised that Trevi had offered 100 percent post-release employment for the trained employees.

Chairman Marvel directed the Committee to proceed to item IV on the agenda.

IV. STATUS REPORT FROM PRISON INDUSTRIES AND COMMITTEE RECOMMENDATIONS REGARDING THE FOLLOWING PROPOSALS AND PRISON INDUSTRY ENHANCEMENT CERTIFICATON PROGRAM (PIECP).

A. ITSAR Truck Program – Southern Desert Correctional Center

Mr. Skolnik informed the Committee that ITSAR, the industrial program for the renovation of semi-trucks, had left Prison Industries at SDCC and returned to Phoenix, Arizona. Thomson Equipment Company had taken its place.

B. Garment Factory – Lovelock Correctional Center

Mr. Skolnik informed the Committee that the Garment Factory at Lovelock Correctional Center (LCC) was moving at slow progression. The industrial program presently employs 66 inmates. He said that due to the inmates' efficiency, inmates are able to produce the Nevada Department of Correction's (NDOC) annual requirements in three to four months.

- Mr. Skolnik advised the Committee that the State of Washington's Prison Industries had been ruled unconstitutional under Washington's state law. The State of Washington had given the companies involved in Prison Industries in its state a grace period to relocate their businesses, and some of these companies were looking for new work forces. Nevada's Prison Industries had received interest from a garment industry that was currently located in Washington's prison system, which produced outdoor clothing. He explained that the company could either rent space at LCC or have the Garment Factory manufacture its product.

- Chairman Marvel questioned whether Prison Industries had considered Mr. Smith's offer of the state's warehouse located in Sparks to store materials so that Prison Industries could buy in bulk to achieve lower material costs.

- With regard to Chairman Marvel's question on the warehouse, Mr. Skolnik indicated that Prison Industries did not require the storage at this time; however, Prison Industries may want to utilize the storage should they decide to purchase textiles from the company they were dealing with in Thailand. Expounding, Mr. Skolnik said that Prison Industries was considering filling the water tanks that they received for the Thomson Equipment Company with textiles to be utilized in the Garment Factory. He explained that receiving textiles in this manor would alleviate freight costs, which would give Prison Industries a competitive edge in the garment industry. Mr. Skolnik indicated that they were waiting for the company in Thailand to price Prison Industries' specifications for textiles for products that Prison Industries was presently manufacturing.

- Mr. Skolnik discussed differences in structure of the prison industries in the state of Washington versus the state of Nevada. He pointed out that the industrial programs for private industries were operated exclusively by the private sector in Washington; whereas, Nevada's prison industrial programs operated as a partnership with the private company. He informed the Committee there was a prohibition against contracting inmate labor in Washington's Constitution; therefore, the Supreme Court of the state of Washington had ruled that contracting inmate labor was unconstitutional.

- With regard to Chairman Marvel's concern for a similar ruling being issued by Nevada's Supreme Court, Mr. Skolnik indicated Nevada's Constitution contained no language that would

have a negative impact on Prison Industries' operations at this time; in fact, it was supportive.

- Both Mr. Chesney, and Yvonne Goodson, Deputy Legislative Counsel, Legal Division, concurred with Mr. Skolnik regarding the constitutional language concerning Nevada's prison industries.

- Responding to Chairman Marvel's question regarding the profitability of the Garment Factory at LCC, Mr. Skolnik indicated that the operation was profitable; however, it was not running at the capacity that it should be operating.

Answering Chairman Marvel's question regarding Mr. Boxer, Mr. Skolnik advised that Prison Industries was producing a new denim product called "Hard Timin'" that would be featured by Mr. Boxer if and when the store's planned expansion to a secondary site transpired.

In response to Chairman Marvel's question on the number of inmates employed at LCC, Mr. Skolnik answered there were 66 inmates employed in the Garment Industrial Program and 22 inmates employed with Somerset Industries, Inc.

Chairman Marvel requested that Mr. Skolnik continue with agenda item IV.

C. BLM Wild Horse Program – Northern Nevada Correctional Center

Mr. Skolnik apprised the Committee that Prison Industries' Wild Horse Program for the Bureau of Land Management (BLM) was housing approximately 500 to 550 wild horses. He related that the expansion of the program and building new corrals had been put on hold due to BLM's funding issues.

Indicating that the Wild Horse Program was profitable for Prison Industries, Mr. Skolnik noted that at the last horse auction, 100 percent of the horses were successfully adopted.

Responding to a question from Chairman Marvel concerning the operation for the horses at the Warm Springs Correctional Center (WSCC), Mr. Skolnik indicated that the majority of horses at WSCC were being held at the facility until the horses could be released back to their originating range once the drought ended and the land could again support them. He reported that Prison Industries had an unusual success rate with those horses that were selected for gentling or adoption at auction. Additionally, Mr. Skolnik reported that many horses that were adopted were brought back to Prison Industries for gentling purposes.

D. Jacobs Trading Company – Southern Nevada Correctional Center

Mr. Skolnik advised the Committee that Jacobs Trading Company was operating at the same level. He related that Jacobs Trading Company had approached Prison Industries with a request for the construction of a new building. Mr. Skolnik added that it was Prison Industries decision to wait on further construction until they have completed the building for Alwire Cable; therefore, Jacobs Trading Company would be held at its current level for a few more months.

E. Alwire Cable – High Desert State Prison

Mr. Skolnik advised the Committee that the contract for Alwire Cable had been signed and

approved regarding its new building. He further advised that Alwire Cable had hired an engineering firm for the proposed building at the Southern Nevada Women's Correctional Facility (SNWCF). Alwire Cable's representatives and the warden would be meeting with representatives from North Las Vegas in an effort to obtain building permits. Mr. Skolnik indicated that if all goes well, the pre-assembled building would be delivered to SNWCF at the end of October 2004.

Responding to Chairman Marvel's question regarding the overall cost of the proposed building for Alwire Cable at SNWCF, Mr. Skolnik indicated that cost estimates with the engineering and architect fees run from \$350,000 to \$500,000 for the finished package. He explained that Prison Industries would purchase the building back from Alwire Cable at the total cost of the building. Mr. Skolnik further explained that the building would be purchased with the initial payment of \$100,000 by Prison Industries and monthly rent deferment payment of \$6,000 from the vendor for the 30,000 square-foot building.

With regard to Chairman Marvel's question concerning the length of the contract, Mr. Skolnik indicated that the Alwire Cable contract was good for five years with two renewable five-year options. He explained that should Alwire Cable opt out, the new tenant of the building would take over the rent payment to Alwire Cable until the building was paid off. Should a new tenant not be found immediately, the state would not be responsible for the payment.

Answering Chairman Marvel's question regarding the amount of funds that would remain in the Prison Industries' Capital Projects account as a result of the agreement with Alwire Cable, Mr. Skolnik advised costs for the building would deplete the majority of the account. He added the account would quickly build back up with an increase in inmate employment.

Chairman Marvel questioned whether John McCuin, Chief of Financial Services for Prison Industries, could provide the Committee with an amortization of payments on the proposed building for Alwire Cable.

Mr. McCuin introduced himself for the record and indicated that although he did not have it with him, he had completed an amortization schedule for the payments. He advised the Committee that it would take approximately ten years to repay the total cost of the building. Mr. McCuin reiterated Mr. Skolnik's statement that payments for the building would cease until a new tenant could be found, should Alwire Cable opt out of the contract.

In response to Chairman Marvel's question regarding review of the contract, Mr. Chesney affirmed that he had reviewed the contract for Alwire Cable.

Chairman Marvel expressed concern regarding the building for Alwire Cable exhausting the majority of funds in the Prison Industries' Capital Projects account should another project present itself.

Addressing Chairman Marvel's concern, Mr. Skolnik related that with the expansion of Prison Industries' programs and more inmates employed, funds would build back up in the account. He advised the Committee that the Board of Examiners had approved the contract with Alwire Cable. Mr. Skolnik indicated that the purpose of the Capital Improvement account was to expand Prison Industries' programs and that the Alwire Cable building was consistent with that intent. He added that space for more industrial programs was limited until the Industrial Park at Indian Springs becomes available. He confirmed that the plan for the Industrial Park is to have the private sector complete the construction.

Chairman Marvel asked whether Committee members had any questions regarding the Alwire Cable Industrial Programs. Hearing none, he asked Mr. Skolnik to continue.

F. Industrial Park Land Acquisition – Indian Springs

Mr. Skolnik informed the Committee that Prison Industries had purchased the land and zoning had been approved for the proposed Industrial Center. He noted that Prison Industries was in the process of trying to obtain an extension on the zoning for the Industrial Park. Prison Industries hoped to have the Request for Proposal (RFP) out by the beginning of October 2004 regarding bids on the development of the park for the available 600,000 square-foot space.

In response to Chairman Marvel's question regarding the RFP, Mr. Skolnik explained that Prison Industries worked through the Nevada State Purchasing Division, utilizing its expertise in developing proposals for projects such as the Industrial Park and the Cook/Chill Program.

Greg Smith, Administrator, Purchasing Division, indicated that Kimberee Tarter had been working with Prison Industries on the RFP. He noted that the State Purchasing Division tries to work as a facilitator for such projects.

Regarding Chairman Marvel's question regarding the number of companies who have expressed interest in the proposed Industrial Park, Mr. Skolnik reported that three or four companies requested that Prison Industries forward the RFP to them.

For the record, Mr. Skolnik expressed his gratitude for being able to work with Kimberee Tarter from the State Purchasing Division. He indicated that Ms. Tarter was very professional and that working with her had been a pleasant experience. Mr. Skolnik requested that Mr. Smith extend his thanks to Ms. Tarter for her assistance.

With regard to Chairman Marvel's question regarding the number of businesses that the Industrial Park could accommodate, Mr. Skolnik advised that the area contained approximately 600,000 square feet of manufacturing space. He indicated that, depending on the developer, there could be one huge enterprise or many small companies. Mr. Skolnik speculated that the space would be developed in 2,000 to 3,000 square-foot increments.

Addressing Chairman Marvel's question regarding the RFP, Mr. Smith indicated that Ms. Tarter planned to meet with Mr. Skolnik to review and finalize the RFP, which should be out by the end of September 2004.

Chairman Marvel requested that the Committee be kept informed on the progression of the RFP and the Industrial Park. He asked if the Committee members had further questions or comments concerning the Industrial Park. Hearing none, he requested Mr. Skolnik discuss agenda item IV G.

G. Cook/Chill Process – High Desert State Prison

Mr. Skolnik informed the Committee that a Request for Qualifications (RFQ) resulted in two companies that qualified for the Cook/Chill program. He explained that variations in the bids submitted by the companies proved difficult to compare the bids; therefore, additional questions on the programs will be required from the vendors. Prison Industries intended to request further information regarding the menus, culinary, and components of the training academy for

both vendors. Mr. Skolnik advised the Committee that from the initial submission of the bids, it looked as if the Cook/Chill Program would work and be cost effective with either of the two vendors providing all the capitalization.

Responding to Chairman Marvel's question concerning the time frame of Prison Industries' additional questions and the vendors' responses, Mr. Skolnik advised that Prison Industries hoped to have the written replies from the vendors by the end of October 2004.

Responding to Chairman Marvel's question regarding the transportation of the product of the Cook/Chill process, Mr. Skolnik indicated that the transportation was subject to the final bid proposal. He further explained that if Prison Industries provided the transportation, the vendor would be required to pay Prison Industries to ship the product; whereas, if the vendor provided the shipping, the vendor would be paid for transportation costs.

With regards to Chairman Marvel's question concerning whether HDSP could accommodate the entire Cook/Chill Program, or whether a satellite facility such as LCC would be necessary, Mr. Skolnik explained that the processing could be all done at HDSP. He added that both proposals indicated it would be beneficial to have a kitchen in both the northern and southern areas. He advised the Committee that projections of capitalization costs and savings on transportation would determine whether or not there would be a satellite facility. Should a second facility be utilized for the Cook/Chill Program, it would be located at the Northern Nevada Correctional Center (NNCC) in Carson City as opposed to LCC. He noted that both vendors had toured all facilities in Nevada and had indicated that they could utilize NNCC's kitchen.

Jackie Crawford, Director, Department of Corrections (NDOC), related that although she was not an expert in the Cook/Chill process, she was concerned that the kitchen facility at NNCC would require upgrades prior to accommodating the Cook/Chill program. It was Director Crawford's opinion that retro-fitting the kitchen would be necessary, as NNCC had already requested expansion and upgrades for its kitchen.

Mr. Skolnik concurred with Director Crawford's opinion, noting that the vendors included retro-fitting NNCC's kitchen as part of their proposal for Cook/Chill. He added that he was unsure if vendors were proposing a full kitchen or a satellite kitchen that would accommodate taking bulk prepared foods and subsequently preparing them into individual meals.

Responding to Chairman Marvel's question concerning the shelf life of the Cook/Chill products, Mr. Skolnik related that the shelf life was approximately five days to three weeks. The Cook/Chill process had two components: the bulk processing that results in a 45-day food shelf life and the hot plate process that results a 5-day shelf life. He speculated that due to storage capability, Prison Industries would probably not store the product more than five days. Mr. Skolnik advised the Committee that the majority of the expense for the program would be in building required cooler space. He further advised that since freezer space would not be needed to store raw food, much of that freezer space could be converted to refrigerator space to store completed food. Mr. Skolnik advised that the required capital improvement issues and the amortization of their costs would be the responsibilities of the vendor in their bid. He expounded, saying that Prison Industries had made it clear to vendors that they would not subsidize, nor would the state expend money for the capital development or costs for conversions for the Cook/Chill project.

Chairman Marvel requested Mr. McCuin's opinion of the project.

Responding to Chairman Marvel's request, Mr. McCuin related that during the vendor's presentations for the Cook/Chill project, he was impressed with both companies. He confirmed that both vendors had specified HDSP as one kitchen and NNCC as the other kitchen. Mr. McCuin informed the Committee that he had specifically asked each vendor if NNCC's kitchen would be adequate without major modifications, and each vendor had affirmed it was. He advised that each vendor knew they would be responsible for any retro-fitting to kitchen facilities.

Mr. Smith added that Ms. Tarter was working with Mr. Skolnik regarding all of the aforementioned issues for the Cook-Chill Program.

Director Crawford suggested that Prison Industries consult with state officials while preparing further questions for vendors to ensure facilities adhere to all health code requirements. With regard to Director Crawford's suggestion, Mr. Skolnik related that at the time of actual capital change, the vendor would have to adhere to any health or safety or fire codes.

Director Crawford related that the Capital Improvement program through NDOC had informed her that upgrades are required at NNCC in order to meet health codes. Director Crawford reiterated that she wanted to ensure that any changes would stay within the required code.

Responding to Chairman Marvel's question regarding the time frame for an actual contract regarding the Cook/Chill process, Mr. Skolnik could not be sure about the time frame; however, he speculated that negotiations for the contract could be completed as soon as November 2004. With regard to and potential savings should the Cook/Chill process be establish for NDOC, Mr. Skolnik indicated the project looked promising and would be cost effective for the state. He added that the Cook/Chill Program would also be a substantial business for Prison Industries.

Chairman Marvel asked if Committee members had further questions or comments on the Cook/Chill process. There being none, he directed the Committee to agenda item V.

V. STATUS REPORT REGARDING CONSTRUCTION PROJECT AT HIGH DESERT STATE PRISON FOR PRISON INDUSTRIES BUILDING.

Mr. Skolnik informed the Committee that construction was ahead of schedule for the building for HDSP and it was nearly completed. He indicated that Prison Industries had received tentative commitments from interested companies for use of the 50,000 square-foot area, which could result in the employment of approximately 200 to 250 inmates at HDSP.

Addressing Chairman Marvel's questions regarding specific companies who had expressed interest in HDSP, Mr. Skolnik advised that Thomson Equipment was interested in utilizing 20,000 square feet of the area for mining equipment. He further advised that ADCOR, the concrete casting company, had expressed interest in expansion in addition to the 12,000 square-foot temporary space they presently occupied. Mr. Skolnik added that there was interest in a 10,000 square-foot space from a company in Sacramento, California, which manufactured sheets of cobblestone. Prison Industries had also considered keeping 10,000 square feet at HDSP for state use for assembly work.

Responding to Chairman Marvel's question regarding the completion date for HDSP's building, Mr.

Skolnik said the construction of the building should be completed by the end of September 2004 and the building could be occupied by the end of 2004.

Chairman Marvel asked for further questions regarding the construction project at HDSP. Hearing none, he directed the Committee to the next item.

VI. REPORT REGARDING CONTRACT WITH TREVI MANUFACTURING CORPORATION APPROVED BY THE STATE BOARD OF EXAMINERS ON AUGUST 17, 2004 – JEAN CONSERVATION CAMP.

Mr. Skolnik advised the Committee that the Board of Examiners had approved a contract for Trevi Manufacturing Corporation for a community-work program with Prison Industries. He pointed out that this was the first community-work program overseen by Prison Industries. Mr. Skolnik noted that Trevi Manufacturing Corporation had contracted with a private company to transport five inmates daily from the Jean facility to the community-work program in the North Las Vegas area. He related that it was Prison Industries' hope that the program would eventually move to the women's facility in North Las Vegas to reduce transportation costs and increase the number of inmates working.

Addressing Chairman Marvel's question regarding the contract for Trevi Manufacturing Corporation, Mr. Skolnik affirmed the contract had been approved and was implemented on September 3, 2004.

Responding to Chairman Marvel's question concerning the review of the contract for Trevi Manufacturing Corporation, Mr. Chesney stated that he reviewed the contract.

Chairman Marvel asked if Committee members had further questions on any of the industrial programs under agenda item IV. Hearing none, he directed the Committee to the next agenda item.

Mr. Skolnik informed the Committee that he had recently met with representatives from Tiberi Fence Company regarding utilizing Prison Industries to produce horse panels as a potential industrial program.

VII. REVIEW OF FINANCIAL STATEMENTS FOR QUARTER ENDING MARCH 31, 2004.

Directing the Committee's attention to Silver State Industries' Financial Statements beginning on page 36 under tab VII of the meeting packet, Exhibit C, Mr. McCuin noted that the charts provided by Leslie Johnstone, Program Analyst for the Fiscal Analysis Division, best depicted the individual shops. He pointed out that page 44 under tab VII of the meeting packet, Exhibit C, illustrated the best indication of operational statements by budget accounts. Calling attention to Budget Account, P I Capital Projects, Mr. McCuin explained the account was normally all revenue and no expenses. He said that the overall financial statement indicated that Prison Industries had lost \$9,000. Mr. McCuin pointed out that Budget Account 3727 had increased due to revenue from the Wild Horse Program and Budget Account 3719 was showing loss; however, it was less of a loss than a year ago.

Responding to Chairman Marvel's question regarding the Overhead Expense, Mr. McCuin replied that the Overhead Expense primarily consisted of institutional salaries such as shop supervisors, correctional officers, and administrative staff.

Chairman Marvel questioned whether Michael Mackenzie, Principal, Operations Improvement Company, had an opportunity to review the financial statements.

Mr. Mackenzie affirmed that he had reviewed the financial statements and noted that two operations (the Furniture and Auto Upholstery Shops) continue to have a negative financial impact on Prison Industries. Mr. Mackenzie advised the Committee that he had begun to work with the Auto Upholstery Shop to improve the layout and process flow of material in order to improve quality. He added that he was developing a training program with outside, certified trainers to teach the auto mechanics, technicians and painters with the intention that they obtain certification and improve their work quality. Mr. Mackenzie also recommended the development of a separate website for the Auto Shop to increase the volume of work.

Chairman Marvel expressed his gratitude to Mr. Mackenzie for the time he spent on improving the Prison Industries' operations for the state of Nevada. He opined that Mr. Mackenzie's efforts would be beneficial to the whole industrial program.

Concluding his review, Mr. McCuin asked if Committee members had further questions regarding the financial statements.

Noting that the financial statements depicted information ending March 31, 2004, Chairman Marvel asked if Mr. McCuin or Mr. Skolnik could update the Committee on the current trend concerning Prison Industries' financial operations.

Mr. Skolnik replied that the final statements for the fiscal year would reflect similar financial indications. He noted that due to an upcoming audit with an outside auditing firm for the purpose of American Correctional Association (ACA) accreditation, the financial statements would be delayed. Mr. Skolnik said that initial figures indicated that Prison Industries would break even in the fourth quarter. He speculated that Mr. Mackenzie's recommendations and work for the Auto Shop would be transferable and could be used to improve the Furniture Shop.

In response to Chairman Marvel's question whether the Furniture Shop was competitive; Mr. Skolnik opined the shop could even be under priced. He indicated Prison Industries did not manufacture nor compete with low-end furniture; however, they made quality products.

Chairman Marvel questioned if the timeliness had improved regarding the previous problem that Prison Industries had with purchase orders accumulating and not being processed appropriately. He also questioned how long it took for Prison Industries to fill an order.

Indicating that recently orders had been current, Mr. Skolnik replied that a standard order could be filled within two to three weeks, while custom orders could take six to eight weeks. He added that due to backorders, autos could take six to eight months.

Addressing Prison Industries' competitive pricing on products, Mr. Smith advised the Committee that he had purchased a new mattress set for approximately \$1,000 locally and later purchased a comparative mattress from Prison Industries for approximately \$300. Aside from the issue of delivery, he said that quality of the beds were comparable.

In response to Senator Washington's question regarding how Prison Industries accomplished marketing its products, Mr. Skolnik explained that Prison Industries had a website, a CD catalog and two marketing coordinators (one for each the northern and southern part of Nevada). He added that promotions for Prison Industries were done by local media, occasional shows, public speaking and involvement with the Chamber of Commerce. Mr. Skolnik requested Mr. McCuin to send one of Prison Industries' CD catalogs to Senator Washington.

Mr. Smith advised the Committee that Mr. John Woodburn, Marketing Coordinator for Prison Industries, was scheduled to meet with the Purchasing Division buyers to review Prison Industries' products and costs in order to make customers aware of Industries' products.

Chairman Marvel called for further questions or comments on the financial statements for Prison Industries. Hearing none, he directed the Committee to the next agenda item. Chairman Marvel reiterated his appreciation to Mr. Mackenzie for his efforts in helping to improve Prison Industries' operations.

VIII. REVIEW OF NUMBER OF INMATES EMPLOYED JULY 2002 THROUGH JUNE 2004.

Mr. Skolnik directed the Committee to page 59 under tab VIII of the meeting packet, Exhibit C, and pointed out that there had been a reduction in the number of inmates employed since May 2004; however, inmate employment had increased from the previous year. He explained that employment figures for August 2004 indicated another substantial decrease with the closing of ITSAR. He said that with the addition of ADCOR, Trevi Manufacturing Corporation, and Thomson Equipment Company, inmate employment should increase to approximately 700 in October 2004.

Chairman Marvel recalled it was Director Crawford's goal to employ approximately 20 percent of the inmate population.

Mr. Skolnik informed the Committee there would not be 20 percent of the inmate population employed by the Prison Industries until the Industrial Park had been completed. He advised that the industrial programs at the new facility at HDSP could raise the number employed to 10 percent of the inmate population.

In response to Chairman Marvel's question regarding the national rate for employment for inmates in prison industrial programs, Mr. Skolnik answered the rate of employment for the last 30 years had averaged approximately 6 percent. He added that the larger states were running 9 to 10 percent employment for industrial programs.

With regard to Chairman Marvel's question regarding whether the prison population had increased in Nevada, Director Crawford replied that Nevada's prison population had begun to spike. She related that the Nevada Department of Prisons (NDOP) was monitoring the population closely. Director Crawford explained that a portion of the increase in prisoners was due to the return of technical violators. She opined that part of the problem for the increase of return inmates was that inmates were not prepared for jobs upon release. Director Crawford indicated she looked forward to seeing the impact of the new policies on the return of violators. She informed the Committee that according to an ACA survey, it was established that with even six months with correctional industries experience, inmate recidivism had improved by at least 45 percent. Reiterating the importance of industrial programs, Director Crawford commended Mr. Skolnik and his staff for a good job regarding Nevada's industrial programs.

Concurring with Director Crawford, Chairman Marvel related he was an advocate of Nevada's industrial programs and noted it was a good investment of the state of Nevada. He questioned if the national intake for prisons was increasing.

Relating that there were "hot spots" nationally, Director Crawford informed the Committee

that due to the rapid growth of Nevada's population, Nevada's inmate population was spiking. She advised that NDOC's intake included an increase in gang members, which related back to drugs. Director Crawford said that studies and research showed that at the time most crimes were committed, criminals were under the influence of alcohol or drugs while they carried out the crime.

Regarding Chairman Marvel's question on how aggressive NDOC was in its alcohol and drug abuse programs, Director Crawford advised that in northern Nevada, Dorothy North with the WINGS Program was able to reduce the recidivism rate by 25 percent. She added that in southern Nevada, the OASIS Program, which involved 125 inmates, was starting to show positive impact. Director Crawford advised that since the relapse period for inmates in such programs is 30 to 90 days, it was of key importance to provide follow-up for such programs. Answering Chairman Marvel's question whether Casa Grande would help the relapse situation, Director Crawford replied Casa Grande would have a significant positive impact with technical violators. She anticipated that Casa Grande would open in October or November 2005.

Chairman Marvel asked if Committee members had any further discussion on inmate employment. Backing up to the agenda item on the financial statements, he questioned how the Ely Drapery Shop was progressing.

Mr. McCuin responded that the Ely Drapery Shop's figures were now positive, partially due to the final depletion of the depreciation for the Ely Drapery Shop. Mr. McCuin advised that due to the age of sewing machines, the budget for the Drapery Shop allowed for replacement of one machine per year. He added that old machines are retained in order to utilize parts to repair other sewing machines.

Mr. Skolnik interjected that Prison Industries was considering increasing prices in January 2005 for the Ely Drapery Shop, as it had been four years since its last price increase. He explained that components of the product such as steel hooks had increased. Answering a question from Chairman Marvel concerning the shipment of products, Mr. Skolnik related that freight was no longer a problem for the Ely Drapery Shop.

IX. STATUS REPORT AND PUBLISHED ARTICLES CONCERNING PROPOSED FEDERAL PRISON INDUSTRY LEGISLATION H.R. 1829 (HOEKSTRA) AND S. 346 (LEVIN).

Mr. Skolnik related that at the last Legislative Committee meeting of the ACA, Director Crawford was given kudos by associates in Washington, D.C., for the efforts made by her at the Governor's Office concerning federal legislation relating to prison industries. He said that during the last session; none of the bills passed that would have impacted Nevada's Prison Industries' service-oriented industrial programs in a negative manor. Mr. Skolnik opined that the bills are not dead; nor would Michigan's Congressman Hoekstra, a former vice-president of a contract furniture manufacturer, Herman Miller, who introduced H.R. 1829, abandon the issues. Mr. Skolnik advised the Committee that Prison Industries was categorically successful in removing all language reflecting the states and service industries from the bills.

Mr. Skolnik informed the Committee that he had recently read that service industry jobs are being lost to computers and that jobs are going off-shore. He said more managers are typing on their personal computers; thus, replacing clerical/secretarial jobs. He stated that he was not sure of the impact that would have on the service jobs performed by prison industries.

Concluding his discussion regarding federal legislation, Mr. Skolnik advised that Prison Industries needed to stay vigilant with regard to any federal legislation being considered in Washington, D.C., concerning prison industry programs that could negatively impact states' prison industry programs.

Responding to Chairman Marvel's question concerning who the main lobbyist working on behalf of Prison Industries was, Mr. Skolnik replied that the primary lobbyist force was the National Corrections Industries Association.

Chairman Marvel expressed his gratitude to Director Crawford in her lobbying efforts for Prison Industries. He asked for further questions or comments regarding potential federal legislation relating to prison industries. Chairman Marvel acknowledged Assemblyman Arberry's and Senator Rawson's presence in Las Vegas.

X. PUBLIC COMMENT.

Chairman Marvel called for public comment. There was no public comment provided.

XI. ADJOURNMENT.

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 10:51 a.m.

Respectfully submitted,

Denise Larsen
Secretary

APPROVED:

Assemblyman John Marvel, Chairman

Date