MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
October 9, 2015

SUMMARY OF MINUTES

The first meeting of the 2015-16 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 1:00 p.m. on Friday, October 9, 2015, in Room 4401 of the Grant Sawyer State Office Building in Las Vegas, Nevada. The meeting was simultaneously videoconferenced to Room 3138 of the Legislative Building in Carson City.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:
Assemblyman James Oscarson, Chairman
Assemblyman James Ohrenschall
Senator David Parks
Senator Pete Goicoechea
Bruce Aguilera, Representing Business
Todd Leany, Representing Manufacturing
Mike Magnani, Representing Organized Labor
Randy Soltero, Representing Organized Labor

COMMITTEE MEMBERS PRESENT IN CARSON CITY:
E.K. McDaniel, Interim Director, Nevada Department of Corrections
Kimberlee Tarter, Deputy Director, Purchasing Division, Department of Administration

COMMITTEE MEMBERS ABSENT:
Allen J. Puliz, Representing Manufacturing

STAFF MEMBERS PRESENT IN LAS VEGAS:
Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division
James Penrose, Senior Principal Deputy Legislative Counsel, Legal Division

STAFF MEMBERS PRESENT IN CARSON CITY:
Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Donna Thomas, Committee Secretary, Fiscal Analysis Division

OTHERS PRESENT IN LAS VEGAS:
Brian Connett, Deputy Director, Industrial Programs, Nevada Department of Corrections
Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections

OTHERS PRESENT IN CARSON CITY:
Bill Quenga, Marketing Coordinator**,** Prison Industries, Nevada Department of Corrections

Lane Hanner, Supervisor, Prison Industries, Nevada Department of Corrections
Mary Byington, Supervisor of the Print Shop, Silver State Industries

EXHIBITS:
Exhibit A – Agenda and Meeting Packet
Exhibit B – Committee on Industrial Programs Members
Exhibit C – Overview of Relevant Provisions
Exhibit D – Equipment Request

I. ROLL CALL.

Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division, called the meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs to order at 1:05 p.m. The secretary called roll, Allen Puliz, Representing Manufacturing, was absent, and all other members were present.

II. PUBLIC COMMENT.

There was no public comment.

III. SELECTION OF CHAIRMAN AND VICE-CHAIRMAN – NRS 209.4817.

Ms. Coffman explained that NRS 209.4817 (page 3, Exhibit A) identified the composition of the Committee. Although not required by statute, it has been a tradition to select a vice chairman in addition to a chairman. The members of the Committee were appointed by the Interim Finance Committee (IFC) at its August 19, 2015, meeting. Ms. Coffman referenced NRS 209.4817 (Exhibit B) which identified the Committee members. The regular Committee members consist of Assemblyman James Oscarson, Assemblyman James Ohrenschall, Senator Pete Goicoechea, Senator David Parks, Mr. Bruce Aguilera, Mr. Todd Leany, Mr. Mike Magnani, Mr. Allen Puliz, and Mr. Randy Soltero. She added that Mr. E. K. McDaniel, Interim Director, Nevada Department of Corrections (NDOC) and Ms. Lisa Sherych, Acting Administrator, Purchasing Division, Department of Administration, were standing members of the Committee by virtue of the positions they held. Traditionally, the chairman and vice chairman have been selected from the legislative members of the Committee. Ms. Coffman asked for nominations for a chairman.

Senator Goicoechea stated that since the Committee was staffed by a Senate member during the 2013-14 Interim, it was the Assembly's turn to chair.

> SENATOR GOICOECHEA MOVED TO SELECT ASSEMBLYMAN OSCARSON AS CHAIRMAN OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.
>
> ASSEMBLYMAN OHRENSCHALL SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

IV. APPOINTMENT OF ALTERNATE MEMBERS OF COMMITTEE ON INDUSTRIAL PROGRAMS.

Ms. Coffman stated that NRS 209.4817 provided the appointment of alternate members to the Committee to serve a two-year term. The Fiscal Analysis Division of the Legislative Counsel Bureau received the names of three alternate non-legislative members: Greg Puliz for Allen Puliz, Rich Serlin for Bruce Aguilera, and Debra Miller for Mike Magnani. She noted that no other alternates have been identified; however, if any Committee member would like to nominate an alternate they could do so at this time.

Assemblyman Ohrenschall stated that he thought this Committee was very important and the programs that Silver State Industries offered were helpful to the community and to inmates seeking skills to move into the workforce after release. He said that Assemblyman Carrillo, Assembly District 18, agreed to be his alternate in case he was unable to attend a meeting. Senator Goicoechea recommended Assemblyman Settelmeyer as his alternate. Senator Parks stated that both Senator Segerblom and Senator Woodhouse have expressed an interest in participating in the Committee as his alternates.

Chairman Oscarson stated that, if needed, additional alternates could be requested at the next meeting of the Committee on Industrial Programs.

V. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR NOVEMBER 7, 2014.

Chairman Oscarson requested a motion for approval of the minutes from the November 7, 2014, meeting.

> SENATOR PARKS MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 7, 2014, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.
>
> MR. MIKE MAGNANI SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

IV. OVERVIEW OF THE COMMITTEE ON INDUSTRIAL PROGRAMS' STATUTORY AUTHORITY AND DUTIES.

James Penrose, Senior Principal Deputy Legislative Counsel, Legal Division, referred the Committee to the handout, Overview of Relevant Statutory Provisions (Exhibit C), and provided an overview of the handout.

VII. STATUS REPORT ON OUTSTANDING DEBT OWED TO PRISON INDUSTRIES.

Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections, summarized the status report on outstanding debt owed to Prison Industries, page 15 of the meeting packet (Exhibit A).

Assemblyman Ohrenschall stated that he was surprised to see the Legislative Counsel Bureau on the customer aging report for Silver State Industries. He asked if the debt owed by Alpine Steel was paid in full.

Brian Connett, Deputy Director, Industrial Programs, Nevada Department of Corrections (NDOC), stated that the receivables owed by Alpine Steel were not included on the aging report, and to date, have not been paid. He said that the NDOC was working closely with the Deputy Attorney General (DAG) in the Office of the Attorney General regarding the debt owed by Alpine Steel. He stated that the supervisor of the metal shop reached out to people in state and out of state for quotes on bids for the items left behind at High Desert State Prison (HDSP). Unfortunately, the price of steel has gone down; therefore, NDOC was not anxious to sell the steel at this time. He said that NDOC anticipated that the price of steel would rise at some point and the state would be able to get more money for the steel if they waited until that time.

Senator Goicoechea asked the amount of debt owed by Alpine Steel. In addition, he asked about the inventory left by Alpine Steel at HDSP.

Ms. Dastal replied that the summary judgement against Alpine Steel was $428,208, plus post judgement interest accruing at the rate of 1½ percent per month.

Senator Goicoechea asked if Alpine Steel filed for bankruptcy. Mr. Connett replied that according to the Attorney General's Office, Alpine Steel had shut down operations.

Senator Goicoechea asked Mr. Connett what the chances were of recovering the outstanding debt owed to the state by Alpine Steel. Mr. Connett replied that the chance of being repaid the outstanding debt was zero. He said that the state would recover some money when they were able to get rid of the implements and steel that was left at HDSP. Mr. Connett believed that, realistically, the state could recover approximately 15 percent of the debt owed.

Mr. Aguilera observed that based on the provisions of NRS 209.461, a private employer must provide a personal guarantee, bond, or other form of security to ensure the employer's performance of its obligations under the contract, which would help the state with the problem of outstanding debt.

Mr. Connett stated that most tax entities on the aging report as 30 days past due were because of the procedures to have receivers that needed to be checked, which normally

took over 30 days. He did not anticipate problems with any of the tax entities on the aging report.

Assemblyman Ohrenschall requested that a representative from the Attorney General's Office attend the next meeting to explain the efforts made to collect the outstanding debt owed by Alpine Steel. With the current price of steel, he thought that selling the steel at this time would be "throwing good money after bad."

Mr. Connett stated that he would ask a representative from the Attorney General's Office to attend a future meeting to explain the collection efforts regarding the debt owed by Alpine Steel.

Mr. Soltero stated that a bill was introduced during the 2015 Legislative Session to correct having another situation like Alpine Steel, which was damaging to Prison Industries. He noted that Prison Industries was a good program and the state does not support "bad actors" like Alpine Steel. Mr. Soltero was glad to see the new legislation that Mr. Penrose presented earlier in the meeting and the assurances that a similar situation would not occur again.

Mr. Leany asked if the loss for Alpine Steel was already written off for the previous periods, but still showing on the balance sheet as a receivable at full value. Mr. Connett replied that the loss has not been written off.

Ms. Dastal confirmed that Alpine Steel was still on the balance sheet at full value, since the amounts owed were not determined.

Mr. Leany informed the Committee that he was in the steel industry and that the price of steel continued to drop. He asked if the material left by Alpine Steel was stock or fabricated steel. Mr. Connett replied that most of the steel was stock, although some pieces were fabricated.

Responding to a question from Mr. Leany, Mr. Connett said that the supervisor of the metal shop at Prison Industries was in charge of the liquidation of the steel and familiar with pricing strategies.

Senator Goicoechea observed that if the Silver State Industries aging report included Alpine Steel (page 15, Exhibit A) the outstanding debt owed to the state would be approximately $700,000.

Bill Quenga, Marketing Coordinator, Prison Industries, stated that he has been obtaining quotes for approximately a year for the material left by Alpine Steel. He reiterated that the price of steel has gone down and continued to decrease, and recommended holding on to the material until the price increased. He stated that a Certified Mill Test Report, a quality assurance document for liability purposes, was required for structural steel beams; he was unsure if the steel beams could be used without the report.

Senator Goicoechea asked the value of the steel since some of it was scrap and unusable stock. Mr. Quenga replied that the most recent bid for the steel was around $45,000 to $50,000; approximately 50 percent of the bid was from clean steel that could be cut into different lengths offering a higher value for tonnage.

Mr. Leany clarified that without the Certified Mill Test Report the steel had to be sold as scrap. If the test reports were available, the value of the steel would be approximately eight to ten times the value of the scrap steel. He stated that it was possible to get the mill test reports if Mr. Randall Bulloch, president of Alpine Steel, was willing to pull the invoices and get the reports from the mills, which would add a significant increase to the sales price.

Mr. Connett stated that the DAG has reached out to Mr. Bulloch on numerous occasions without a response.

Mr. Leany stated that he personally knew Mr. Bulloch and wondered if it was appropriate to reach out to him. Mr. Penrose stated that he did not recommend getting in touch with Mr. Bulloch. Although the intentions were good, an argument could be made that Mr. Leany was using his position on the Committee to attempt to get Mr. Bulloch to perform. Mr. Penrose added that based on what he has experienced trying to collect uncollectable judgements, he did not know how much progress Mr. Leany would make with that approach.

Chairman Oscarson asked if the DAG was attending the meeting, in either Carson City or Las Vegas. Mr. Connett replied that the DAG was not present at the meeting. He said that the DAG and Prison Industries acted quickly and filed a summary judgement against Alpine Steel and attempted multiple times to collect on the outstanding debt. Mr. Connett thought that the efforts of Mr. Leany might interfere with the efforts of the Attorney General's Office. Mr. Connett stated that if it was the desire of the Committee, he could put Mr. Leany in contact with the DAG to discuss those issues.

Chairman Oscarson stated that upon advice of counsel he thought that the Committee should let the DAG handle the collection efforts, because the intent of the Committee was not to micromanage the process of collecting debt.

Assemblyman Ohrenschall recalled during the 2011-13 Interim, when he had the privilege of chairing the Committee on Industrial Programs, Mr. Bulloch swore that he would make good on the debt owed to the state by Alpine Steel. He understood that Mr. Bulloch had seen hard times, but was disappointed he was not staying in touch with the DAG and NDOC to arrange a payment plan to satisfy the debt. Assemblyman Ohrenschall was interested in the collection efforts the DAG had made to date on the summary judgement. He was aware that at some point, chasing debt was "throwing good money after bad" and it hinged on the amount of diminishing resources the state wanted to spend collecting the debt.

Chairman Oscarson requested an update from the DAG on the collections efforts of the summary judgement against Alpine Steel. Mr. Penrose added that the update should include whether there was a personal guarantee or security, if any, in connection with the contract between Mr. Bulloch and the state.

Senator Parks stated that Agenda Item X, Review Silver State Industries' Financial Statements for Fiscal Year Ending 2015, page 46 (Exhibit A) referenced the outstanding debt owed to the state.

VIII. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2013 THROUGH AUGUST 2015.

Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections, summarized the report on the number of inmates that worked from July 2013 through August 2015 (pages 17 through 20, Exhibit A).

Mr. Aguilera asked why the number of inmates working between July and August in FY 2016 decreased substantially. Mr. Connett responded that business fell off slightly for a private card sorting company in Prison Industries and inmate workers fluctuated in that industry to meet the business demands of the company. He anticipated the number of workers would increase because the company was working on obtaining additional contracts.

Senator Goicoechea asked if the inmates working in honor camps were included in the data for the number of inmates working, and Mr. Connett replied that the honor camps were not included in the data.

Responding to a question from Chair Oscarson, Mr. Connett replied that NDOC had a five percent goal for inmate population employed in FY 2016.

Assemblyman Ohrenschall asked how the five percent goal of inmates working compared to other states. Mr. Connett replied that it was hard to compare the employed inmate population nationally because of the ability of certain inmates to work in Prison Industries. If he tried to make an "apples-to-apples" comparison of employed inmates nationally, the State of Nevada would be ranked in the lower to middle states.

Assemblyman Ohrenschall asked how Nevada compared to other western regional states. Mr. Connett replied that he did not have a good feel for that currently, but could look into it and provide that information to the Committee.

Assemblyman Ohrenschall asked how long the waiting period was for inmates to get into a Prison Industries program, and if inmates were selected because of good behavior or no incident reports.

Mr. Connett replied that NDOC tried to incentivize inmates to be on their best behavior in order to work for Prison Industries. To work for Prison Industries, inmates had to

have a social security card, go through an application process, and be free of any disciplinary acts over a certain period of time. In addition, inmates were incentivized if they were working on their General Education Development (GED) or high school diploma, because education had a positive impact for working at Prison Industries. Mr. Connett said that how long the waiting period for inmates to work was different at each institution depending upon its workload. In addition, caseworkers had to classify inmates to make sure they were eligible to work in the industry, which could take anywhere from 15 days to two months before inmates could be employed by Prison Industries.

Assemblyman Ohrenschall asked if the inmates that were successfully working in Prison Industries were acknowledged when going before the Parole Board. Mr. Connett replied that the success of the inmates would be part of the inmate's record, which was considered when they went before the Parole Board.

Senator Goicoechea asked how many inmates were on the waiting list to work at Prison Industries. Mr. Connett replied that the jobs with Prison Industries where the most sought after jobs in the prison system because they were paid positions. The inmates were taught a work ethic, skill, and learned different manufacturing processes, depending upon the industry. The inmate population turned over often and moved from institution to institution, so inmates wanting to work at Prison Industries depended upon the type of work that was available. Mr. Connett stated that it was a difficult question to answer because it was different for each institution.

Senator Goicoechea commented that at one time Ely State Prison had a furniture and upholstery shop, and without those industries, inmates lost the ability to work and reimburse the state for their time incarcerated.

Mr. Connett stated that Ely State Prison had a drapery shop; however, due to the changing mission and capacity issues at the prison, the space for the drapery shop was needed for inmate housing and the drapery shop was consolidated with the garment shop at Lovelock Correctional Center (LCC). He said that the consolidation was a good move for Prison Industries, because the garment shop at LCC was located on a major interstate, which allowed better shipping capabilities for customers.

Chairman Oscarson asked Mr. Connett to provide an update to the Committee on the potential short-term or long-term opportunities to reopen those industries.

IX. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2014, FY 2015 AND FY 2016 YEAR-TO-DATE.

Ms. Dastal summarized the deductions from the inmate wages for room and board report starting on page 21 of the meeting packet (Exhibit A).

Sentor Goicoechea asked about the loss of an industry, Jacobs Trading Company, at the Florence McClure Women's Correctional Center (FMWCC).

Mr. Connett replied that the FMWCC had an industry, Jacobs Trading Company, which took in returns, similar to a liquidation operation, and the industry lost its contract with its largest national retail outlet. Operations were severely impacted at FMWCC, and also at other correctional institutions around the country because of the loss of the contract. Mr. Connett stated that through conversations with the liquidation company he anticipated that business would pick up because of changes being made at the corporate level at the liquidation operation. He said the loss of the contract had a huge impact because those inmate workers were paid $7.00 to $8.00 an hour, which reduced the revenue collected from inmate deductions.

Responding to a question from Senator Goicoechea, Mr. Connett explained that the conservation camps provided work for inmates; however, there were no industries at the conservation camps. He stated that Prison Industries does not oversee or account for the conservation camp inmates working on fire crews. He said that the NDOC and Division of Forestry had an agreement for inmate workers at the conservation camps and Prison Industries were not involved.

Senator Goicoechea said that a lot of revenue was used to fund the conservation camps. Inmates working in conservation camps were used for fire protection, in addition to fence maintenance and tree thinning. He asked if the revenue reflected in the charts (page 17, Exhibit A), included inmates working in conservation camps and Mr. Connett replied they were not included in the charts.

Ms. Coffman clarified that the institutional budgets, as well as the conservation camp budgets, provided for a percentage of room and board expenditures generated from the conservation camp and forestry service workers.

Senator Goicoechea said that it seemed inmates working on fire crews for the conservation camps generated a revenue source, similar to the revenue generated from inmates making license plates. He asked if the state could legally transport inmates to California and Oregon for fire protection. Mr. Connett replied that inmates from NDOC were transported to other states to assist with fire protection.

X. REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING 2015.

Ms. Dastal reviewed the financial statements from Silver State Industries starting on page 25 (Exhibit A).

Mr. Connett informed the Committee that the statements for Silver State Industries showed that there was a $976,000 net income (loss) in 2014. Normally, the Prison Ranch purchased a large quantity of hay toward the end of the fiscal year. However, in FY 2014, the hay did not get purchased, which would have been approximately

$200,000. The hay was purchased in the beginning of FY 2015 and had the timing been different for purchasing the hay, the $976,000 would have most likely been reduced by approximately $200,000.

Ms. Dastal continued the review of the financial statements on page 28 (Exhibit A).

Mr. Connett stated that Prison Industries worked tirelessly on the Nevada 150 Sesquicentennial events and obtained revenue based on that event. Since those events were over, Prison Industries was looking to supplant and sustain the same level of revenue by possibly obtaining more equipment and expanding industries, which would be discussed later in the meeting.

Chairman Oscarson asked from a marketing standpoint, if additional opportunities for Prison Industries was created through the Nevada 150 Sesquicentennial events. Mr. Connett replied that the Nevada 150 events provided Prison Industries with additional contacts for work.

Mary Byington, Supervisor of the Print and Bindery Shop located in Northern Nevada Correctional Center, stated that she made a lot of contacts at the Nevada 150 Sesquicentennial events, which were mainly from the merchandise sold at events across the state. She said that there were 21 events across Nevada and she was able to meet a lot of state and private agencies that have requested quotes for Prison Industries merchandise.

Chairman Oscarson said the Nevada 150 Sesquicentennial events offered great exposure for Prison Industries.

Ms. Dastal continued the review of the financial statement on pages 34 and 35 (Exhibit A).

Mr. Connett stated that the Auto and Upholstery Shop was located at the Southern Desert Correctional Center, which was just outside of Las Vegas. Both shops shared the same overhead and had the same officer and supervisor. He noted that there were two vehicles scheduled for completion in FY 2014, which would have been approximately $40,000 additional revenue. Both of the customers decided to have more work done on their vehicles, which pushed the revenue into FY 2015. Mr. Connett was pleased that it would cut the Auto and Upholstery Shop's individual loss from $55,000 to approximately $15,000, which was manageable. He said that customers for the Auto and Upholstery Shop often request additional work than originally intended. He stated that the intended goal was to get the work on the two vehicles completed in FY 2014, but because of the request for additional work, those two vehicles were not finished in FY 2014.

Responding to a question from Senator Goicoechea, Mr. Connett said that after the estimate was provided to the customer by the Auto and Upholstery Shop, a deposit was

required for the work to be done and the vehicle was held until final payment was received.

Ms. Dastal referred to page 36 (Exhibit A) and continued the review of the financial statement.

Assemblyman Ohrenschall asked Mr. Connett to compare the operation of the Garment and Drapery Factory, located at the Ely State Prison, to the current operations at the Lovelock Correctional Center.

Mr. Connett replied that the Drapery Factory was a struggling operation for Prison Industries and anticipated making a decision by the end of calendar year 2015 whether to keep the shop operational. If a decision was made to cease operations of the Drapery Factory, he expected to terminate production by the end of the first quarter of FY 2016. He noted that Prison Industries would be requesting additional equipment to move into another product line, which would increase revenue and provide opportunities for additional training on newer equipment. He reiterated that the Drapery Shop had always struggled even though Prison Industries reached out to current customers and were seeking new customers. He added that one of the accounts on the customer aging report was for the Drapery Factory.

Assemblyman Ohrenschall asked if the garment production would continue when the Drapery Factory closed, and Mr. Connett replied that garment production would continue operation.

Ms. Dastal concluded her review of the financial statement for the Silver State Industries, page 38 (Exhibit A).

Assemblyman Ohrenschall asked if the milk produced at the Prison Ranch was organic, hormone and antibiotic free, and if it was just sold internally to the dairy operations.

Mr. Connett explained that the Northern Nevada Correctional Center (NNCC) had a large ranch with an operation to board mustangs for the Bureau of Land Management (BLM). In addition, there was a dairy and crop operation, which was primarily for internal use. He added that Prison Industries was working with a private contractor to use the manure from the horse operation to produce manure to sell to local golf courses and other entities. He noted that most of the end products from the dairy operations were sold to the NDOC, and was packaged and sent to other institutions within NDOC for culinary. Part of the equipment request for Prison Industries, which would be addressed later in the meeting, was for a milk pouch machine to package milk into pint-sized containers allowing the institutions to take milk to the inmates unable to go to culinary.

Assemblyman Ohrenschall asked if the milk sold to other institutions in NDOC showed as a profit for Prison Industries, and if the revenue was from a different part of NDOC to Prison Industries. Mr. Connett replied that was correct.

Senator Goicoechea asked how many estray horses, which were wild horses from the state versus the federal BLM, were at the Northern Nevada Prison Ranch. He said the state was paying for estray horses, and under the estray animal law, the horses were only required to be held for 15 days. Mr. Connett replied that he thought there were less than 15 estray horses at the Prison Ranch.

Mr. Aguilera asked if the dairy, crop and horse operations were exclusively at the Prison Ranch in Northern Nevada, and Mr. Connett said that was correct. He added that there were approximately 1,200 acres of land at the Prison Ranch. Mr. Connett welcomed the Committee to tour the Prison Ranch and observe all the operations, and to talk to the inmate workers to learn the valuable lessons they have gained from working in Prison Industries.

Chairman Oscarson requested that staff look into having the Committee tour the Prison Ranch in Northern Nevada, either before or after a meeting.

Senator Goicoechea commented that the BLM wild horse-boarding program brought in a lot of revenue for the state.

Ms. Dastal referenced pages 40 and 41 (Exhibit A), and reviewed the Schedule of Interfund Sales.

Mr. Aguilera asked if it was true, the state was able to reallocate funding from NDOC's retained earnings to the State General Fund. Mr. Connett replied that during 2010, when the state was facing tax revenue issues, the state reallocated $976,000 from the Prison Industries Capital Improvement Project (CIP) account.

Senator Parks commented that revenue was reallocated from Prison Industries CIP account during the 2010 Special Session of the Legislature. He noted that during the 2015 Legislative Session, the Legal Division of the Legislative Counsel Bureau provided an opinion that those funds were restricted and not eligible for reallocation to the General Fund because of how the funds were generated.

XI. DISCUSSION OF DISCONTINUED PRISON INDUSTRY PROGRAMS, OTHER POTENTIAL PRISON INDUSTRY PROGRAMS, AND COMMITTEE RECOMMENDATIONS.

Chairman Oscarson began this agenda item by asking if Jacobs Trading Company was going to vacate Silver State Industries. Mr. Connett replied that Jacobs Trading Company, which took in returned items, operated at the Florence McClure Women's Correctional Center (FMWCC). He said there were still some optimistic viewpoints that this industry may continue, but will be vacated from FMWCC for the next 30 days or more.

Assemblyman Ohrenschall asked if there was an industry on the horizon that would provide the female inmates at the FMWCC an opportunity to work if the Jacobs Trading Company vacated the facility.

Mr. Connett explained that the FMWCC was the only women's prison in Nevada and it was important to get an industry inside the women's facility as soon as possible. He said that currently there was no industry "waiting in the wings," because he was still optimistic that Jacobs Trading Company would continue operations.

Assemblyman Ohrenschall asked what other type of industries were normally placed in women's facilities in other states, and the alternatives that might work for the State of Nevada.

Mr. Connett responded that he constantly looked at other states to see the types of industries that were in both their men and women's facilities. He said there were not many industries that he would place in a women's facility that he would not place in a men's facility.

Mr. Connett stated that through the efforts of Senator Parks, Senate Bill 96 was passed during the 2015 Legislative Session, which revised the legislation governing the Fund for New Construction of Facilities for Prison Industries. He said NDOC wanted to expand, relocate, upgrade or modify existing industries in Prison Industries to enhance or improve operations or security, or provide additional employment or training of offenders. In addition, NDOC wanted to purchase or lease equipment to be used for the training of offenders or in the operations of Prison Industries to pay or fund the operations of Prison Industries, including without limitation, paying the salaries of staff and wages of offenders if the cash balance in the Fund for Prison Industries fell below the average monthly expenses for the operation of Prison Industries, and advertise and promote the goods produced and services provided by Prison Industries. Mr. Connett said that there was concern with the state being able to reallocate funding from the Fund for New Construction of Facilities, which has happened in the past. Therefore, he asked every industry in Prison Industries to provide a list of equipment to purchase from the Fund for New Construction of Facilities to allow Prison Industries to expand existing industries or house new industries for additional employment of offenders. Mr. Connett summarized the requests from the Prison Ranch, Garment, Furniture, Mattress, Metal, Print and Auto industries – Equipment Request (Exhibit D).

Mr. Aguilera stated that there was a request for fencing at the Prison Ranch because of a housing development near the institution. He recalled a housing development in Las Vegas, Shadow Creek, located near a pig farm, and the residents in the area complained of the strong odor from the farm. He asked if the proposed housing development near the Prison Ranch had permitting to inform potential buyers that there was a composting operation nearby.

Mr. Connett replied that he was unaware of any permitting for the residential project. He said that Prison Industries was concerned about security and having inmates and

live animals at the ranch in close proximity to residential housing, which was the reason for the request for six-foot fencing between the Prison Ranch and the community.

Senator Goicoechea asked if the farming operations were only at the Prison Ranch in Carson City, and Mr. Connett replied that was correct. Senator Goicoechea said that the farming ranches had the right to continue farming operations even when housing developments moved nearby.

Mr. Connett continued with his review of the Prison Industries Equipment Request (Exhibit D).

Lane Hanner, Supervisor, Garment and Drapery Factory, stated that a lot of work and research has been put into the Garment and Drapery operation. He noted that the Drapery Factory only had a small number of inmates working and was getting ready to close. Mr. Hanner noted that there was a need for a t-shirt production line in Nevada, which would fit in perfectly at the Garment and Drapery Factory. Currently, t-shirts used for Prison Industries were manufactured by a company in Arizona. He found that each institution purchased t-shirts for the inmates through an initial issue program, and biannually through an exchange program from other states. He believed that the state could be competitive producing t-shirts.

Mr. Connett added that Prison Industries already made inmate garments at the Lovelock Correctional Center and t-shirt production would be a natural extension and fit within the facility. He said the actual equipment purchase was $56,000 for the initial material inventory.

Assemblyman Oscarson asked if there was there a possibility that the t-shirt production could be placed in a different correctional center to fill in the gap for an industry that was losing revenue, such as the operation in the FMWCC.

Mr. Connett replied that the facility at the FMWCC was too small for a t-shirt production. He said the Lovelock Correctional Center already had sewing machines, cutting tables, trained personnel and expertise, so the t-shirt production would be a natural fit.

Mr. Connett added that he encouraged the Committee to act as Prison Industries “eyes and ears,” because there was space available for a new industry as long as the correct processes were followed.

Bill Quenga, Marketing Coordinator, Prison Industries, stated that there was an equipment request for a laser engraver. Currently, there was an antiquated engraving system in the furniture operations and it cost more to produce retirement plaques, which were commonly provided for NDOC and other agencies. He added that with the new laser engraver more revenue could be generated, services could be expanded, and more products could be developed, produced and offered to state agencies requesting certain types of engraving products.

Mr. Connett stated that in the eight-and-a-half years he has been employed by Prison Industries rarely has a piece of equipment been purchased for the furniture industry to employ more inmates.

Mr. Quenga believed that the current engraving system was from the 1940s. He noted that the new laser engraver would provide inmates in Prison Industries skills that would help them find work upon release.

Mr. Quenga stated that the Mattress Factory provided institutional mattresses for NDOC and other governmental agencies. Currently, Prison Industries used lockstitch sewing for the seams of the mattresses, and with security being a large factor for prisons, jails and other juvenile facilities, Prison Industries wanted to enhance its mattress production with a radio frequency (RF) welder and corner welder sealer. The RF sealer would prevent offenders from tearing apart mattresses to stuff with contraband, which added additional costs for Prison Industries to replace the destroyed mattresses. He stated that the RF sealer welded the seams together so it almost impossible to tear open mattresses. In addition, the mattresses could be serialized so the warranties could be tracked and for restitution from inmates if the mattress was destroyed. He added that the RF sealer would help in developing other products for private customers that already conducted business with Prison Industries.

Assemblyman Ohrenschall asked Mr. Quenga to address how the RF welder would help with restitution from inmates. Mr. Quenga explained when mattresses were welded, as the material was pressed together with an RF weld, a brass tag with a serial number was placed on the mattress, which was not visible to the offender. The serial number indicated when the mattress was produced, as opposed to the labels on the outside of mattresses that could be removed by the inmate. The serial number on the tag allowed a better tracking system if there was an issue with the product and if an offender destroyed the mattress, it could be tracked from the serial label.

Continuing, Mr. Quenga said that a hydraulic bender and beam-cutting saw was requested for the metal operations. He said that there was a request for bench seating that was used for inmates in maximum prisons so they could be restrained while participating in educational classes. Currently, the metal operations used antiquated equipment, which made the processes slow and costly. If Prison Industries started producing products, such as benches for Nevada State Parks or the Department of Wildlife, the costs to develop and produce merchandise would be reduced with newer equipment and would maximize efficiency. In addition, the newer equipment would offer more services to other agencies within the state.

Mr. Soltero asked if the operations in the metal shop was contracted with private companies or was for in-state use only.

Mr. Quenga replied that the metal operations' develops and sells products to state agencies and outside contractors requesting steel fabrication. He indicated that the metal operations had eight U.S. certified welders. The shop fabricates steel beams for

structural cutting of beams and for making rails. Customers request quotes and then bid outside to their customers. The metal shop only fabricated steel and did not do the erecting of structural steel.

Mr. Soltero said that he did not want to see another situation like Alpine Steel. The equipment request was consistent with fabrication, metal shops and with companies that do private work. He was cognizant of what has happened in the past and was glad to be part of the Committee to keep an eye on the receivables.

Mr. Connett stated that there were not many past due receivables in the aging report for Prison Industries outside of Alpine Steel. He stressed that Prison Industries was very cognizant of what has occurred in the past and would stay on top of receivables so that a similar situation does not occur again.

Mr. Leany asked if the metal shop was certified as a Clark County approved fabricator, and Mr. Quenga replied that the shop was only certified in Northern Nevada.

Senator Goicoechea asked about the request of $45,000 for a used Center Pivot Irrigation Line for the Prison Ranch operations.

Mr. Connett replied that the Center Pivot Irrigation Line would allow the Prison Ranch to increase the output for irrigating crops. He stated that he would have the Prison Ranch Supervisor, Tim Bryant, meet with Senator Goicoechea to address his concerns and provide further clarification.

Mr. Connett stated that he needed the approval of the Committee to move forward with the equipment request (Exhibit D). Once approved by the Committee, he would also present the equipment request to the Interim Finance Committee (IFC) for approval. Prison Industries would start procuring the items on the equipment request as soon as they were approved by the IFC.

Responding to a question from Mr. Magnani, Mr. Connett said Prison Industries was required by law to ask for a bond or personal guarantee when acquiring a new industry. The bond or personal guarantee was what Prison Industries anticipated was 100 percent of the contract's annual revenue.

Assemblyman Ohrenschall asked if there were assurances that the new equipment for the metal shop would just be for internal use, and not another scenario where a private industry complained because they believed Alpine Steel got a "leg up" over another private industry.

Mr. Connett replied that the difference between the Prison Industries metal shop and what occurred with Alpine Steel was that Prison Industries was running the metal shop. He said that Mr. Quenga and his staff were overseeing the operations and seeking the training for inmates to get their welding certificates. Prison Industries ran the metal shop operations, controlled operating costs, and sought the revenue from state

agencies. Private companies requested quotes from Prison Industries, and it was a completely different type of an operation than with Alpine Steel.

Chairman Oscarson asked for a motion to approve the recommendations for the equipment request for Prison Industries. He said the recommendation would be approved knowing that the request still had to be approved at the January 2016 IFC meeting.

MR. AGUILERA MOVED TO APPROVE THE RECOMMENDATION.

THE MOTION WAS SECONDED BY MR. SOLTERO.

Mr. Connett informed the Committee that Nevada State Prison (NSP) was now on the historical registry, and through Assembly Bill 377 (2015 Legislature), would be setup as a museum. As a result of A.B. 377, two funds were created – the Silver State Industries Endowment Fund and the Endowment Fund for the Historic Preservation of the Nevada State Prison. He said that NDOC was asked to open a store in the museum to showcase prison-made goods and the revenue from the sale of merchandise would be deposited into the fund created for the museum.

Mr. McDaniel stated that the museum store would sell prison memorabilia, similar to the Nevada 150 Sesquicentennial merchandise, which were items that many tourists purchased. He explained that there were actually three funds, but Prison Industries was still responsible and supervised the other half of NSP, which would not be used as a museum or on the national historical registry. He said that there were many opportunities for Prison Industries to have other industries, or possibly correctional training for people from other states using the other half of the prison. He added that Prison Industries would be the controlling body to implement the new industries in the prison. Mr. McDaniel stated that the authority was in A.B. 377 (2015), and NDOC will have agenda items at the next meeting of the Committee that would need approval in regards to the processes to set up industries along with other provisions included in A.B. 377.

XII. DISCUSSION OF FUTURE MEETINGS.

Chairman Oscarson stated that in the interest of time, he requested that staff poll the members on possible dates for the next meeting. Returning to Agenda Item III, Chairman Oscarson stated that although not required by statute, it had been a tradition to select a vice chairman in addition to a chairman. He made a motion to select to appoint Senator Goicoechea for vice chairman.

CHAIRMAN OSCARSON MOVED TO SELECT SENATOR GOICOECHEA AS VICE CHAIRMAN OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

ASSEMBLYMAN OHRENSCHALL SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

XIII. PUBLIC COMMENT.

There was no public comment.

XIV. ADJOURNMENT.

The meeting was adjourned at 3:13 p.m.

Respectfully submitted,

_____
Donna Thomas, Committee Secretary

APPROVED:

_____
Assemblyman James Oscarson

Date:_____