

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
November 7, 2014**

SUMMARY OF MINUTES

The fifth meeting of the 2013–14 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 2:00 p.m. on Friday, November 7, 2014, in Room 4401 of the Grant Sawyer State Office Building in Las Vegas, Nevada. The meeting was simultaneously video conferenced to Room 3137 of the Legislative Building in Carson City.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator David R. Parks, Chairman
Assemblyman John Ellison, alternate for Assemblyman Crescent Hardy
Robert Conway, Representing Organized Labor
Mike Magnani, Representing Organized Labor
Allen J. Puliz, Representing Manufacturing
Greg Cox, Director, Nevada Department of Corrections

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator Ben Kieckhefer

COMMITTEE MEMBERS ABSENT:

Assemblyman Michael Sprinkle
Tom Dickman, Representing Manufacturing
Bruce Aguilera, Representing Business
Greg Smith, Administrator, Purchasing Division, Department of Administration

STAFF MEMBERS PRESENT IN LAS VEGAS:

Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

James Penrose, Senior Principal Deputy Legislative Counsel, Legal Division
Cheryl Harvey, 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:

Mary Byington, Supervisor of the Print Shop, Silver State Industries

EXHIBITS:

[Exhibit A](#) – Agenda and Meeting Packet

[Exhibit B](#) – Great Basin Cooking Company testimony

I. ROLL CALL.

Chair Parks called the meeting of the Nevada Legislature’s Interim Finance Committee’s Committee on Industrial Programs to order at 2:10 p.m.. The secretary called roll, Assemblyman Sprinkle, Mr. Aguilera, Mr. Dickman and Mr. Smith were excused, and all other members were present.

II. PUBLIC COMMENT.

Mr. Richard Eide, Owner, Great Basin Cooking Company presented testimony ([Exhibit B](#)) to the Committee. Assemblyman Ellison inquired if Great Basin Cooking had to acquire a Dunn and Bradstreet number before it would be qualified as a vendor for the Bureau of Land Management (BLM). Mr. Eide confirmed that a Dunn and Bradstreet number was required. Great Basin Cooking Company had acquired all necessary documentation. In response to a question posed by Assemblyman Ellison, Mr. Eide explained the different levels of the incident command systems needed for the three types of wild fires. Type one fires required a large number of personnel and equipment. A national catering contract was used to feed the personnel working a type one fire. Type two fires utilized more than 225 people for more than three days. Type three fires were usually fast moving small fire, staff was 225 people or less and lasted 3-5 days. Great Basin Cooking Company would provide catering services for type three fires.

Mr. Conway stated he had the same plight with Prison Industries competing with the private sector. He said it was important to keep the residents and contractors working before employing the prisoners. He was in support of teaching the prisoners a trade, but was not in favor of the prisoners competing with the private sector.

Mr. Puliz said he sympathized with Mr. Eide; however, the catering provided by the Division of Forestry was not a Prison Industry, and as such, it did not appear the Committee could help him. Chair Parks stated this was an issue with the Nevada Division of Forestry, not the Department of Corrections. He appreciated Mr. Eide’s public comment.

Mr. Ellison said the Committee could not take action but suggested staff compose a letter signed by the Chair to the Nevada Division of Forestry (NDF) and the BLM addressing Mr. Eide’s concerns. Director Cox stated he had sent Mr. Eide’s letter to Leo Drozdoff, Director, Conservation and Natural Resources. Mr. Cox stated Sonoma Kitchens had been operated by inmates for years.

In response to questions posed by Mr. Conway, Director Cox informed the Committee the Department of Corrections ran conservation camps. Under statute the camps

provided for wildland fire protection. The conservation camps provided NDF fire protection labor.

Mr. Eide's commented that it was his understanding the NDF in the last year had added the Sonoma Kitchen in southern Nevada, which was his competition. Director Cox said he would provide that information to Director Drozdoff.

III. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR JUNE 27, 2014.

Chair Parks requested a motion for approval of the minutes from the June 27, 2014, meeting.

ASSEMBLYMAN ELLISON MOVED TO APPROVE THE MINUTES OF THE JUNE 27, 2014, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

MIKE MAGNANI SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

IV. REVIEW THE NEVADA DEPARTMENT OF CORRECTIONS' RESPONSE TO THE 2013 MONEY COMMITTEES' LETTER OF INTENT REGARDING THE PRISON INDUSTRIES' MISCELLANEOUS SALES AND RETAINED EARNINGS FOR THE YEAR ENDING JUNE 30, 2014, AND THE QUARTER ENDING SEPTEMBER 30, 2014.

Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections, directed the Committee to page 13 of the meeting packet ([Exhibit A](#)). She explained the letter of intent directed Prison Industries to report quarterly the miscellaneous sales and retained earnings. The sales did not include other revenue such as license plate charges, rental income, reimbursements, treasures interest, excess property sales and administrative fees. Ms. Dastal summarized pages 13 through 15 of the meeting packet ([Exhibit A](#)).

V. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2011 THROUGH SEPTEMBER 2014.

Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections, summarized pages 17 through 20 of the meeting packet ([Exhibit A](#)) regarding the number of inmates that worked from July 2011 through September 2014.

VI. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2013, FY 2014 AND FY 2015 YEAR-TO-DATE.

Ms. Dastal reviewed the deductions from the inmate wages for room and board, the Prison Industry Capital Improvement Fund (CIP), and the victims of crime on page 21 ([Exhibit A](#)).

Chair Parks asked how often the calculation for the inmate wage deduction was reviewed. Mr. Connett explained the 24.5 percent for room and board and the 5 percent for victims of crime and the CIP fund had been in existence since Prison Industries started. He said he could provide the Committee with an estimate that would demonstrate the implications of reducing or increasing the wage deduction.

VII. STATUS OF FUND FOR NEW CONSTRUCTION OF FACILITIES FOR PRISON INDUSTRIES – NRS 209.192.

Ms. Dastal reviewed the fund for new construction of facilities for Prison Industries. Chair Parks asked if there were any current projects that had been approved but not constructed. Mr. Connett said at the time there were no projects being constructed. Last year at Florence McClure Women's Correctional Center there was approval to spend approximately \$26,000 to put a door into the warehouse facility where an employer was located.

Mr. Ellison asked since the drapery program was shut down in Ely State Prison, how was that space being used. Mr. Connett announced the industry program was asked to vacate the Ely State Prison, since the prison needed that space to house inmates.

Mr. Magnani asked if there was any industry program in the Ely State Prison. Mr. Connett informed the Committee there was not.

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

Ms. Dastal reviewed the report on outstanding debt owed to Prison Industries on page 27 ([Exhibit A](#)). She informed the Committee that Prison Industries was working closely with the Attorney General's office to ascertain correct ownership of the equipment that Alpine Steel had left behind. There were some items that were returned to the owners that Alpine Steel did not own. She informed the Committee that they obtained price estimates from liquidators and other steel companies for the remaining equipment. Mr. Connett said only one piece of equipment remained at the institution that should be returned to its rightful owner. Prison Industries was making arrangements with the owner to have that piece of equipment removed. Mr. Connett said he would initiate discussions with a Las Vegas steel company that may be interested in purchasing the remaining equipment.

Mr. Conway asked how much equipment was left on the premises that was actually owned by Alpine Steel. Mr. Connett says they had isolated all the equipment that belonged to other companies. Unfortunately, a lot of the equipment was leased. There was not a lot of equipment left to help offset the debt. Mr. Conway asked if the majority of the equipment was leased from a reputable company. Mr. Connett responded that the Attorney General's Office was brought in to make sure that all leasing companies brought in the proof of ownership. The Attorney General had given permission to release the equipment back to the owners.

Mr. Magnani asked what the chances were of recovering any of the \$450,000 outstanding to the state. Mr. Connett said there was a judgement obtained against Alpine Steel. It was a long process before the state could obtain any of the equipment Alpine Steel owned. Mr. Magnani questioned if there was a way to expand the efforts of recovering the debt. Mr. Connett said the Attorney General's Office had been as aggressive as possible in collecting the debt. Mr. Magnani said for the record he felt Alpine Steel took full advantage of Silver State Industries and he wanted Alpine Steel to pay for its actions.

Director Cox thanked the Attorney General's Office for aggressively pursuing the judgement on behalf of the tax payers to recoup some of the money owed by Alpine Steel. Mr. Conway agreed with Director Cox.

Mr. Puliz commended the Prison Industry program for its efforts in maintaining its accounts receivable. Ms. Dastal respond the accounts receivable department worked very hard.

IX. DISCUSSION OF OTHER POTENTIAL PRISON INDUSTRY PROGRAMS AND COMMITTEE RECOMMENDATIONS (NRS 209.4818).

Mr. Connett reviewed potential Prison Industry programs. He informed the Committee he had contacted Shelby Automotive. Prison Industries had an 18 year relationship with the Shelby organization, before closing its shop at Southern Desert Correctional Center about two and a half years ago. Prison Industries had produced fiber glass hoods.

Mr. Connett further explained he had received leads from the Governor's Office on Economic Development. One lead was to assemble LED lights. Prison Industries had provided prototypes to a LED light company. Discussions with the company were ongoing. He also informed the Committee of an opportunity to produce metal keychains, but the negotiations were ongoing. Mr. Connett appreciated the Governor's Office of Economic Development for reaching out and providing potential customers to the Prison Industry program.

Mr. Connett continued to explain another potential company had approached Prison Industries for fulfillment services. The inmates would put together the parts of a urine test kits for drugs and alcohol. The company would send the parts, inmates would put

the different parts in a kit and then mail the kit out. No manufacturing was involved with the kit assembly. This company had no contracts in the northwest.

The Nevada Department of Agricultural inquired about the state lands around the Indian Springs facilities for agricultural use with the possibility of inmate labor to work the fields. The Department of Agricultural would take soil and water samples. This was in preliminary discussions.

Prison Industries was considering producing T-shirts for the Department of Corrections.

Mr. Puliz asked if additional equipment would be needed to produce the T-shirts. Mr. Connett said yes, it was part of a list of equipment needs estimated to cost about \$342,000. Mr. Connett suggested utilizing the CIP fund to support these expenditures. He would not draw the CIP fund down to zero, because if anyone of the before mentioned leads needed funding to assist in facility improvements, the funds needed to be available.

Mr. Ellison asked if the motorcycle program was completely dissolved. Mr. Connett said there were two motorcycles left for sale. The motorcycles had been marketed on EBay and Craigslist, displayed at the Harley's Café, and at our Casa Grande facility, but had been unsuccessful in selling them. Mr. Connett said once these two bikes were sold, he would consider building another bike. Mr. Ellison suggested to repaint and revamp the motorcycles for the Nevada's 150th Year Sesquicentennial celebration. Mr. Connett explained the bikes would be capped to bring in a minimum dollar amount, his desire was to profit on the motorcycles. Harley Davidson had built a bike exclusively for the Nevada's 150th Year Sesquicentennial celebration.

X. REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS FOR THE YEAR ENDING JUNE 30, 2014.

Ms. Dastal reviewed the financial statements from Silver State Industries starting on page 33 ([Exhibit A](#)).

Mary Byington, Supervisor of the Print Shop located in Northern Nevada Correctional Center, introduced herself to the Committee. Starting in October 2013, she worked on the Nevada 150 Sesquicentennial Committee, selling of the NV 150 merchandise to retail outlets, and servicing 20 of the booths at special events. Her involvement included the control of inventory for both north and south events, fulfilling retail orders in a timely matter so additional orders can flow quickly as merchandise was sold. The booth events required setting up tables to display the merchandise, staffing the booths for sales and disassembling the booths, inventorying and calculating registered sales. She stated the NV 150 Sesquicentennial sales would continue through Christmas. Silver State Industries staffed booths in southern Nevada by Diane Dastal, Melody March, Jackie Cooper and Synava McDonald. In northern Nevada the booths were staffed by Bill Quenga, Matt Brown, and Tim Bryant.

Mr. Connett informed the Committee Ms. Byington was involved at the NV 150 events. Ms. Byington worked with NV 150 Committee, at their request, to sell the merchandise. The staff from Silver State Industries would keep the booths open until the events were over. Silver State Industries contributed ten percent of the sales from the merchandise to the NV 150 Committee. Ms. Byington's worked on the Committee and events while still operating the print and bindery shops.

Chair Parks thanked Ms. Byington on behalf of the entire Committee on Industrial Programs for her hard work. He had toured the print and bindery facilities and was very impressed.

Ms. Byington thanked the Committee.

Ms. Dastal continued the review of the financial statements on page 42 ([Exhibit A](#)).

Mr. Connett explained grain hay had been purchased, which was less expensive. The ranch used 70 percent grain hay to 30 percent alfalfa which had saved money in feeding the horses. Due to a shutdown of Utah's horse program with BLM, their excess hay was sent to Prison Industries' horse program at no cost, reducing the per diem for the horses a small amount until the hay was gone.

Assemblyman Ellison asked if the program had looked into feeding the horses a grass hay instead of alfalfa hay since alfalfa hay was so expensive. Mr. Connett said he relied on the expertise of Tim Bryant, Ranch Supervisor. The ranch raised alfalfa hay that was used. Some of the purchased alfalfa was used to feed the dairy herd. Assemblyman Ellison said the cost of alfalfa was extremely high due to the lack of water. The ranch manager needed to be more aggressive. Maybe the ranch could use the same fields without having to reseed every year. Mr. Connett said the hay that was grown used water from Carson City's water treatment's reclaimed water.

XI. DISCUSSION OF REQUESTED LEGISLATION RELATING TO AUTHORIZED EXPENDITURES FROM THE FUND FOR NEW CONSTRUCTION OF FACILITIES FOR PRISON INDUSTRIES.

Chair Parks explained he had discussed with Director Cox and Mr. Connett about submitting a bill draft request (BDR) for next year regarding the operation of the capital improvement program. Mr. Connett reviewed the BDR on page 61 ([Exhibit A](#)).

Mr. Puliz questioned the historic solvency of the Prison Industries budget. He did not understand the rational of subsection 2b in the draft legislation. The reports to the money committees was assurance that Prison Industries was not using the retained earnings. Mr. Connett explained he wanted the funds available if the program needed to use the funds. Mr. Puliz stated he was not sure the backup funds were necessary. Mr. Connett responded if every one of the inmate workers filed grievances and lawsuits the resources would be tremendous.

Mr. Magnani said he was not concerned with the proposed changes in legislation, but he was more concerned with the way contracts were being handled. He believed Silver State Industries should look into the vendors assets to ensure the vendor was credible and capable of fulfilling the labor agreements. Mr. Magnani said the legislature took a big swipe out of the CIP fund not too long ago. He did not want to get lax with the vendors. Prison Industries had to do better job with the contracts.

Mr. Puliz commented that Prison Industries lost rent due from Alpine Steel, but not labor costs. It would not have been saved if Alpine Steel would have vacated eight months earlier. Mr. Connett said this could occur even if there were no private sector companies. As an example, the animals still need to be fed even if the dairy products were not profitable. From his prospective, Mr. Connett said he did not want to be in a position that Silver State Industries had to go find funding elsewhere, through the assistance of the Department of Corrections or some other resource, to help pay the bills when the funds were available in the CIP account.

Director Cox stated Chair Parks had put a lot of time and effort into the BDR. The BDR was written to make sure the Prison Industries had the authority, with approval from the Committee, and in compliance with the law that was passed last session. He thought the BDR would be introduced during the 2015 Session. The fact was the money from the fund was withdrawn by the legislature previously. Chair Parks reminded the Committee that it had been 13 years since the statute had been revised.

Mr. Conway stated that in regards to Alpine Steel there was additional utilities, social security and workers comp that was due to Prison Industries. Along with the cost of liquidating the equipment and researching the owners.

Senator Kieckhefer said he thought the language for the BDR needed to be revised. Paragraph three required all expenditures to be submitted to the Committee for approval prior to the submission to the Board of Examiners. It expanded sections one and two of the use of the funds. He had concerns of expending the source of revenue for ongoing operations, but if it was needed, he suggested to potentially look at it as an advance or a loan that would have to be paid back as resources become available.

Chair Parks said the BDR had been submitted to the Legal Division of the Legislative Counsel Bureau. It was not too late to change the language to include the monies would be a temporary advance.

MR. PULIZ MOVED TO SUPPORT THE RECOMMENDATION.

THE MOTION WAS SECONDED BY MR. CONWAY.

Senator Kieckhefer suggested the motion include the monies for the operations were required to be paid back. Chair Parks agreed with the requirement that it was a temporary loan.

THE MOTION CARRIED UNANIMOUSLY.

XII. PUBLIC COMMENT

There was no public comment.

XIII. ADJOURNMENT

Chair Parks thanked the members for the last two years of membership. The meeting was adjourned at 3:52 p.m.

Respectfully submitted,

Cheryl Harvey, Committee Secretary

APPROVED:

Senator David Parks

Date: _____