

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
November 22, 2013**

SUMMARY OF MINUTES

The second meeting of the 2013–2014 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 1:00 p.m. on Friday, November 22, 2013, 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 Cresent Hardy, Vice Chairman
Bruce Aguilera, Representing Business
Robert Conway, Representing Organized Labor
Mike Magnani, Representing Organized Labor
Allen J. Puliz, Representing Manufacturing
Greg Cox, Director, Nevada Department of Corrections
Greg Smith, Administrator, Purchasing Division, Department of Administration

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator Ben Kieckhefer
Assemblyman Michael Sprinkle
Tom Dickman, Representing Business

COMMITTEE MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT IN CARSON CITY:

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division
James Penrose, Senior Principal Deputy Legislative Counsel, Legal Division
Victor Salcido, 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

EXHIBITS:

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

I. CALL TO ORDER.

Chairman Parks called the meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs to order at 1:00 p.m.. The secretary called roll and all members were present.

II. PUBLIC COMMENT.

There was no public comment.

III. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR SEPTEMBER 20, 2013.

Senator Parks requested a motion for approval of the minutes from the September 20, 2013, meeting.

BRUCE AGUILERA MOVED TO APPROVE THE MINUTES OF THE SEPTEMBER 20, 2013, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

ASSEMBLYMAN HARDY SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

IV. REVIEW OF NEVADA DEPARTMENT OF CORRECTIONS' RESPONSE TO QUESTIONS FROM THE SEPTEMBER 20, 2013, MEETING RELATED TO:

Brian Connett, Deputy Director, Industrial Programs, Nevada Department of Corrections, introduced himself and reviewed the following items:

1. The Nevada Department of Corrections' operating capacity – Mr. Connett reviewed the operating capacity for each of the Nevada Department of Corrections (NDOC) facilities on page 15 of the meeting packet ([Exhibit A](#)).
2. Inmates employed by the Division of Forestry – Mr. Connett reviewed the number of NDOC inmates that worked for the Division of Forestry on page 16 of the meeting packet ([Exhibit A](#)).

Bruce Aguilera asked what the inmates duties were for the Division of Forestry. Mr. Connett responded the inmates were trained to fight fires. He further explained that the Division of Forestry trained male and female inmates to fight fires during non-fire season with controlled fires throughout the state. Mr. Aguilera asked if the inmates were involved in fighting fires in other states. Greg Cox, Director, NDOC, responded the inmates were allowed to go fight fires in other states such as California and Utah. Director Cox also informed the Committee that the inmates provided community service work in the rural areas of Nevada, such as, cutting wood for seniors and clearing walkways of snow.

Senator Parks asked if the inmates received formal training from the Division of Forestry to fight the fires. Mr. Connett said he was not specifically involved in the training.

Assemblyman Hardy noted inmates were working on the I-15 corridor. He inquired how the inmate program interacted with the Nevada Department of Transportation (NDOT). Director Cox explained the inmates picked up litter throughout the state, including on the I-15 corridor. Director Cox further explained NDOT was reimbursed by the county or city for the litter pick-up. While uncertain, Director Cox believed Republic Services of Las Vegas also reimbursed the state when inmates were used to pick up litter. Senator Parks asked Mr. Connett to confirm this information concerning the reimbursements from Republic Services and report his findings to the Committee at a subsequent meeting.

Senator Parks asked of the 819 inmates that worked with the Division of Forestry, what was the distribution across the state. Mr. Connett said he would provide that information to the Committee at a subsequent meeting.

3. Eligibility requirements for inmates to participate in Prison Industries programs – Continuing, Mr. Connett reviewed the inmates participation on page 16 of the meeting packet ([Exhibit A](#)).

Additionally, Director Cox noted Elko county school district would soon be educating inmates at Carlin Conservation Camp and Wells Conservation Camp, so the inmates would have the opportunity to earn their GED. Senator Parks asked if the GED program also applied for Ely Conservation Camp in White Pine County. Director Cox replied White Pine County already had been operating a GED program. The GED program was also available at the Jean Conservation Camp. Director Cox testified that Clark County School District was working very closely with the NDOC in educational services at the camps and facilities. The school district had provided the NDOC with modular classrooms in order to expand the GED program at Jean Conservation Camp.

Senator Parks asked if inmates convicted of violent crimes were precluded from participating in the industrial programs. Mr. Connett indicated that inmates convicted of violent crimes were not precluded from working in a prison industry; however, all inmates who wish to participate in prison industries must first seek approval from the classification committee before they can be considered for employment.

4. A comparison of the percentage of inmates working for prison industries in other states – Mr. Connett reviewed the comparison of inmates working in other states from page 16 of the meeting packet ([Exhibit A](#)).

Senator Parks asked if the 7.3 percent was inclusive of the inmates that worked in the culinary. Mr. Connett explained the total population included all the inmates, but the precluded inmates ineligible to work based on their classification.

5. An update on the Nevada Department of Corrections' progress in obtaining an appraisal of the equipment left behind by Alpine Steel – Mr. Connett reported on the progress made in obtaining appraisals for the equipment from page 17 of the meeting packet ([Exhibit A](#)). He further explained most of the equipment was leased by Alpine Steel. The lease contract holder's made claims on the property. The Attorney General's Office continued to work on the claims.

Responding to a question from Robert Conway, Mr. Connett informed the Committee no appraisals on equipment would be performed until it was determined what equipment was owned by Alpine Steel. Mr. Connett estimated that by the end of the year all claims would be submitted and reviewed. Mr. Conway asked how many claims had been submitted. Mr. Connett said he believed there were four companies that had submitted claims. Mr. Conway stated he hoped Prison Industries could recoup as much as it could from the amount Alpine Steel owed. Director Cox concurred, he hoped the claims would be concluded by the end of the calendar year so that an appraisal could be performed on the remaining equipment.

Mr. Aguilera asked if there would be an auction to sell the equipment and recoup some of the funds due to Prison Industries after the equipment was appraised. Mr. Connett responded that an auction would likely be held to liquidate the equipment. Greg Smith added the state contracted auctioneer, TNT actions, would assist in the appraisal process and it would conduct the public auction for the remaining property.

Mike Magnani asked if Alpine Steel had made any effort to refund the state the monies due. Mr. Connett replied all of the debt had been turned over to the State Controller's Office, and he did not know the status of the debt. Mr. Conway informed the Committee that a newspaper article reported that Alpine Steel had defaulted on its commitment to pay back the debt. It was also reported that Alpine Steel voluntarily surrendered its contractors license to the State Contractors Board. The article further indicated that Alpine Steel also owed the federal government back taxes.

Chairman Parks informed the Committee that in recent legislative sessions, statutes had been enacted that provided the State Controller the authority to pursue collection of debts on behalf of various state agencies, streamlining the process. Mr. Magnani said he understood that Alpine Steel had made an agreement to pay the debt owed to Prison Industries on a monthly payment. He wondered if that obligation was upheld. Mr. Connett confirmed that a forbearance agreement with Alpine Steel was drafted by the Attorney General's office. Alpine Steel made several payments, but eventually defaulted on the

agreement. After defaulting, the First Judicial District Court of Nevada awarded a summary judgment to the Attorney General's Office against Alpine Steel. Senator Parks stated the Attorney General's Office worked diligently on the judgment against Alpine Steel.

6. The cost of Prison Industries security-related expenditures for FY 2013 – Mr. Connett continued to inform the Committee about the security related expenditures in FY 2013 from page 17 of the meeting packet ([Exhibit A](#)).

V. REVIEW THE NEVADA DEPARTMENT OF CORRECTIONS' OCTOBER 4, 2013, RESPONSE TO THE 2013 MONEY COMMITTEES' LETTER OF INTENT REGARDING THE PRISON INDUSTRIES' MISCELLANEOUS SALES AND RETAINED EARNINGS FOR THE QUARTER ENDING SEPTEMBER 30, 2013.

Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections, reviewed the Department of Corrections response, on page 19 of the meeting packet ([Exhibit A](#)), to a letter of intent issued by the 2013 Legislature.

Chairman Parks said the amounts looked very good in comparison with the previous quarter. He asked what was driving the larger than anticipated retained earnings in FY 2014. Mr. Connett said Prison Industries had negotiated a new contract with the Bureau of Land Management (BLM) which changed the per diem rates to correlate with the price of hay.

Assemblyman Sprinkle asked if Prison Industries anticipated if retained earnings would continue to increase throughout FY 2014. Mr. Connett replied there was an anticipation that Prison Industries would be able to sustain its retained earnings, as long as the department of corrections, which is Prison Industries biggest customer, maintained its demand for Prison Industry products.

Assemblyman Sprinkle asked if the Prison Industries was going to increase its cash balance. Mr. Connett responded it was Prison Industries plan to increase its reserve. It had been very difficult in the past four years to increase profitability due to the recession. He wanted a comfortable reserve to help continue the operations of the Prison Industries programs. Assemblyman Sprinkle also asked what marketing strategies were used to attract new industries. Mr. Connett said there were no new program opportunities at this time.

Mr. Smith congratulated the Prison Industry Ranch program for working with the Purchasing Division to implement new guidelines for the purchase of hay. Mr. Smith further explained that the new hay contract was flexible so that more bidders were interested selling hay to Prison Industries at a competitive price. Mr. Connett added it was an extreme pleasure to work the Purchasing Division's staff.

VI. UPDATE ON THE CONSTRUCTION OF THE NEW LICENSE PLATE FACTORY.

Gus Nunez, Administrator, State Public Works Division, introduced himself and updated the Committee on the progress of the new license plate factory in Carson City. Mr. Nunez informed the Committee to date they were in the process of selecting an architectural engineer to design the new facility. There had been an interview with three firms, and a selection had been made. State Public Works Division (SPWD) had negotiated a contract which was pending the Board of Examiner's approval on December 3, 2013. Mr. Nunez estimated the construction documents would be completed by October 31, 2014. After the construction documents were completed, Public Works would advertise for companies to submit bids on the construction of the facility. The SPWD was scheduled to issue orders to proceed with the construction contract by March 12, 2015. Substantial completion of the project was anticipated by February 15, 2016. Mr. Nunez anticipated the agency would be moved into the facility by March 4, 2016. In the Executive Budget, some of the funding for the furniture, fixtures and equipment (FF&E) for the facility was included in the budget for Capital Improvements. However, the Legislature moved the funding for FF&E to the Department of Motor Vehicles' (DMV) budget. The SPWD would be coordinating the construction process, while the agency would assist in overseeing the design process. The FF&E should be in place as soon as construction was completed. The construction schedule for the facility was tentative; however, Mr. Nunez felt certain they would meet the provided schedule.

Addressing a question from Mr. Puliz, Mr. Nunez said he did not know the square footage of the proposed tag plant facility, but he could provide the Committee with the information at a later date.

Assemblyman Hardy asked if the inmate labor would increase upon completion of the project, or decrease with the DMV's use of more advanced technology. Sean McDonald, Division Administrator, Central Services and Records Division, Department of Motor Vehicles, introduced himself, and replied the DMV's plan was to have the same number of inmates working in the new facility. The vendor contract for existing equipment would expire around the same time as when the agency was projected to move into the new facility. Based on the new contract and type of equipment, the number of inmates working at the license plate facility may change.

Senator Parks asked if the DMV was planning to expand its services to other states. Mr. McDonald said there was interest in the past of producing personalized license plates for the State of California. The license plate factory in Folsom, California was running at capacity.

VII. REVIEW ACCOUNTS RECEIVABLE AGING REPORT ON OUTSTANDING DEBT OWED TO PRISON INDUSTRIES.

Ms. Dastal summarized the report on aging and outstanding debt (page 21, [Exhibit A](#)).

Senator Ben Kieckhefer said the report indicated a customer that owed \$11,721 was out of the country and Prison Industry still had the vehicle he brought in for repairs. He questioned how old was the debt. Mr. Connett explained the customer was back in the country, but there had been mechanical issues with the engine of the vehicle. The work on the engine work was contracted out to a third party. After receiving the engine back from the third party, it still did not perform correctly. The inmates had to remove the engine and send it back to the third party to repair the problem. The engine repair still had not been completed. Senator Kieckhefer questioned the job's inclusion as an accounts receivable if the work had not been completed. Mr. Connett respond it was an account receivable because the work from the body shop was complete.

VIII. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2011 THROUGH OCTOBER 2013.

Ms. Dastal summarized the report on the number of inmates that worked from July 2011 through October 2013 (page 23, [Exhibit A](#)).

Senator Parks asked which vendors purchased the furniture produced by the inmates. Mr. Connett said the wood furniture business was custom work that was based on outside orders. Most of business customers were cities, counties, and school districts. Mr. Connett also explained in the past, the inmates had refurbished furniture for court houses.

Mr. Aguilera said on page 16 ([Exhibit A](#)) there was an indication that the inmate population in Nevada was 12,748, while the percent employed in prison industries was 7.30 percent. However, on page 25 ([Exhibit A](#)), FY 2014 through October, the inmate population was 12,786 but the percent employed in prison industries was only 3.8 percent. Mr. Connett explained he would have to research why the numbers were inconsistent. Senator Parks wondered if the percent of inmates employed by prison industries reported on page 16 included the inmates who worked in the culinary or with the Division of Forestry.

IX. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2012, FY 2013 AND FY 2014 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 27 ([Exhibit A](#)).

Senator Parks asked if the inmate deductions were consistent month-to-month. Ms. Dastal replied most of the programs were consistent with exception of the furniture shop.

X. REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS FOR THE YEAR ENDING JUNE 30, 2013.

Ms. Dastal reviewed the financial statements for the year ending June 30, 2013 (page 31, [Exhibit A](#)).

Senator Kieckhefer asked what was included in the \$963,146, Other Income and Expenses category (page 32, [Exhibit A](#)). Ms. Dastal stated it included finance charges, interest income, rental income, and the revenue from the license plate factory. Ms. Dastal noted she would provide a detailed list to the Committee.

Assemblyman Sprinkle wanted to confirm that the 300 percent change in net income was primarily due to the BLM contract at the ranch. Mr. Connett said a large percentage of the funding increase was due to the contract with BLM.

Mr. Aguilera questioned the \$5,000 loss in freight charges on page 33, [Exhibit A](#). Mr. Connett said freight cost came in higher than what was charged to customers.

Mr. Puliz asked if Prison Industries had stopped billing Alpine Steel for rent. Ms. Dastal confirmed rent had stopped accruing from Alpine Steel.

Mr. Puliz asked if the drapery shop and garment factory financial statements should be consolidated, since the shops were located in the same facility and use the same resources. Mr. Connett replied the idea had been explored because both shops were under the same supervision.

Assemblyman Sprinkle was opposed to combining the financial statements of the garment factory and the drapery shop, since the garment factory was profitable and the drapery shop was not. It would be difficult to analyze the performance of the two programs on an individual basis. Mr. Connett responded both industries could be identified in a separate fashion. Assemblyman Sprinkle understood why combining the programs made sense, but he preferred to view the line items of the two programs separately, since he questioned if the drapery shop should stay open due to its poor performance. Mr. Puliz clarified that shared costs should be allocated to both programs. If the drapery shop was closed completely the management costs remained the same. Mr. Connett said the financial statements could be prepared both ways. Senator Parks said that would be helpful.

Senator Parks asked what was the department's plan of action to transition the drapery shop into a self-sustaining program. Mr. Connett said a past client was planning a large order; however the order had been delayed.

Mr. Puliz asked if there were other industries at Lovelock Correctional Center (LCC) besides the garment and drapery shop. Mr. Connett said those were the only two industries.

Senator Parks asked if any inmates were relocated when the drapery shop was moved from Ely State Prison (ESP) to the LCC. Mr. Connett said there were very few inmates that were moved with the industry because of the classification level of the prisons. It was the responsibility of the Department of Corrections to move the inmates. The industry manager at LCC was able to find new workers to work the drapery shop.

Senator Parks requested an update on the debt collection from Alpine Steel at the Committee's next meeting.

Assemblyman Hardy asked for clarification on the depreciation values for the equipment. Mr. Connett said Prison Industries reported a straight line depreciation based on the state's requirements. Most of the equipment was old and had been fully depreciated. Ms. Dastal directed the Committee to pages 48 – 49 of the meeting packet ([Exhibit A](#)). It showed what depreciation was applied to each program. Assemblyman Hardy said he would appreciate more detailed depreciation expenses for equipment. Mr. Connett responded he would be happy to provide more detail.

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

Mr. Connett said he was inquiring about a permit to expand the number horses boarded at the prison ranch. Currently, Prison Industries boarded 1,500 horses and would like to expand the operation to accommodate 2,000 horse.

Mr. Connett informed the Committee he had been advertising the products and services provided by Prison Industries on Craigslist and EBay.

Mr. Aguilera ask Mr. Connett to provide a report at the next meeting regarding prison industries operated by other states.

Mr. Aguilera had a follow-up question regarding the horses at the ranch. He asked who paid the veterinary bills for the horses. Mr. Connett said the veterinary bills were charged to the BLM.

Senator Parks asked if the motorcycles that the Prison Industries manufactured had been sold. Mr. Connett said he thought they had sold one, but the individual had not showed up. There were still two motorcycles for sale.

XII. PUBLIC COMMENT

No public comment.

XIII. ADJOURNMENT

The meeting was adjourned at 2:45 p.m..

Respectfully submitted,

Cheryl Harvey, Committee Secretary

APPROVED:

Senator David Parks

Date:_____