

NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS

(NRS 209.4817)



**Friday, September 20, 2013
1:00 p.m.**

*Grant Sawyer State Office Building
Room 4401
555 East Washington Avenue
Las Vegas, Nevada*

Videoconference to:

Legislative Building
Room 3137
401 South Carson Street
Carson City, Nevada

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE COMMISSION (775) 684-6800
MARILYN K. KIRKPATRICK, *Assemblywoman, Chairman*
Rick Combs, *Director, Secretary*

INTERIM FINANCE COMMITTEE (775) 684-6821
DEBBIE SMITH, *Senator, Chairman*
Mark Krmpotic, *Fiscal Analyst*
Cindy Jones, *Fiscal Analyst*

CARSON CITY OFFICE:
Legislative Building, 401 S. Carson Street
Carson City, Nevada 89701-4747
Fax No.: (775) 684-6600
RICK COMBS, *Director* (775) 684-6800
BRENDA J. ERDOES, *Legislative Counsel* (775) 684-6830
PAUL V. TOWNSEND, *Legislative Auditor* (775) 684-6815
DONALD O. WILLIAMS, *Research Director* (775) 684-6825



LAS VEGAS OFFICE:
555 E. Washington Avenue, Room 4400
Las Vegas, Nevada 89101-1049
Fax No.: (702) 486-2810
BRIAN L. DAVIE, *Legislative Services Officer* (702) 486-2800

MEETING NOTICE AND AGENDA

Name of Organization: NEVADA LEGISLATURE'S INTERIM FINANCE
COMMITTEE'S COMMITTEE ON INDUSTRIAL
PROGRAMS (NRS 209.4817)

Date and Time of Meeting: September 20, 2013 – 1:00 p.m.

Place of Meeting: Grant Sawyer State Office Building
Room 4401
555 East Washington Avenue
Las Vegas, Nevada

Note: Some members of the committee may be attending the meeting and other persons may observe the meeting and provide testimony through a simultaneous videoconference conducted at the following location:

Legislative Building
Room 3137
401 S Carson Street
Carson City, Nevada

If you cannot attend the meeting, you can listen to it live over the Internet. The address for the legislative Web site is <http://www.leg.state.nv.us>. For audio broadcasts, click on the link "Listen to Meetings Live on the Internet."

Note: Please provide the secretary with electronic or written copies of testimony and visual presentations if you wish to have complete versions included as exhibits with the minutes.

A G E N D A

Note: Items on this agenda may be taken in a different order than listed. Two or more agenda items may be combined for consideration. An item may be removed from this agenda or discussion relating to an item on this agenda may be delayed at any time.

I. ROLL CALL.

II. PUBLIC COMMENT.

(Because of time considerations, the period for public comment by each speaker may be limited, and speakers are urged to avoid repetition of comments made by previous speakers.)

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

*For
Possible
Action*

*For
Possible
Action*

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

*For
Possible
Action*

V. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR SEPTEMBER 28, 2012.

*For
Possible
Action*

VI. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR OCTOBER 22, 2012.

*For
Possible
Action*

VII. OVERVIEW OF SENATE BILL 478 APPROVED BY THE 2013 LEGISLATURE.

*For
Possible
Action*

VIII. OVERVIEW OF LETTER OF INTENT ISSUED BY THE 2013 MONEY COMMITTEES REGARDING PRISON INDUSTRIES' REPORTING REQUIREMENTS TO THE COMMITTEE ON INDUSTRIAL PROGRAMS AND THE INTERIM FINANCE COMMITTEE.

*For
Possible
Action*

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

*For
Possible
Action*

X. PROGRESS REPORT ON THE CAPITAL IMPROVEMENTS FUNDED BY THE CAPITAL IMPROVEMENTS PROJECT FUND FOR FLORENCE MCCLURE WOMEN'S CORRECTIONAL CENTER APPROVED BY THE INTERIM FINANCE COMMITTEE AT ITS JANUARY 25, 2013, MEETING.

*For
Possible
Action*

XI. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2011 THROUGH AUGUST 2013.

*For
Possible
Action*

XII. 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.

*For
Possible
Action*

XIII. REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS FOR THE NINE-MONTHS ENDING MARCH 31, 2013.

*For
Possible
Action*

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

XV. PUBLIC COMMENT.

(Because of time considerations, the period for public comment by each speaker may be limited, and speakers are urged to avoid repetition of comments made by previous speakers.)

XVI. ADJOURNMENT.

Note: We are pleased to make reasonable accommodations for members of the public who are disabled and wish to attend the meeting. If special arrangements for the meeting are necessary, please notify the Fiscal Division of the Legislative Counsel Bureau, in writing, at the Legislative Building, 401 South Carson Street, Carson City, Nevada 89701-4747, or call Cheryl Harvey, Management Assistant at (775) 684-6872 as soon as possible.

Notice of this meeting was posted in the following Carson City, Nevada, locations: Blasdel Building, 209 East Musser Street; Capitol Press Corps, Basement, Capitol Building; City Hall, 201 North Carson Street; Legislative Building, 401 South Carson Street; and Nevada State Library, 100 Stewart Street. Notice of this meeting was faxed for posting to the following Las Vegas, Nevada, locations: Clark County Office, 500 South Grand Central Parkway; and Grant Sawyer State Office Building, 555 East Washington Avenue. Notice of this meeting was posted on the Internet through the Nevada Legislature's website at www.leg.state.nv.us.

Supporting public material provided to Committee members for this meeting may be requested from Cheryl Harvey, Committee Secretary, Fiscal Analysis Division of the Legislative Counsel Bureau at 775-684-6872 and is/will be available at the following locations: Meeting locations and the Nevada Legislature's website at www.leg.state.nv.us

SELECTION OF CHAIRMAN AND VICE-CHAIRMAN – NRS 209.4817

NRS 209.4817 Committee on Industrial Programs: Creation; members; terms of appointed members; appointment of alternate members; payment of compensation, allowances and travel expenses.

1. The Committee on Industrial Programs is hereby created.
2. The Committee consists of the Director of the Department, the Administrator of the Purchasing Division of the Department of Administration and eight regular members appointed by the Interim Finance Committee as follows:
 - (a) Two members of the Senate.
 - (b) Two members of the Assembly.
 - (c) Two persons who represent manufacturing in this State.
 - (d) One person who represents business in this State.
 - (e) One person who represents organized labor in this State.
3. The regular members of the Committee shall select a Chair from among their membership.
4. Each regular member of the Committee appointed by the Interim Finance Committee must be appointed to a term of 2 years and may be reappointed.
5. At the first meeting of the Committee following each regular session of the Legislature, the Chair of the Committee may appoint eight alternate members to serve in the place of regular members who are unable to attend a meeting or perform their duties, as follows:
 - (a) Two members of the Senate, each of whom may serve in the place of a member of the Senate appointed pursuant to paragraph (a) of subsection 2.
 - (b) Two members of the Assembly, each of whom may serve in the place of a regular member of the Assembly appointed pursuant to paragraph (b) of subsection 2.
 - (c) Two persons who represent manufacturing in this State, each of whom may serve in the place of a person appointed pursuant to paragraph (c) of subsection 2.
 - (d) One person who represents business in this State, who may serve in the place of the person appointed pursuant to paragraph (d) of subsection 2.
 - (e) One person who represents organized labor in this State, who may serve in the place of the person appointed pursuant to paragraph (e) of subsection 2.

➔ Each alternate member appointed by the Chair must be appointed to a term of 2 years and may be reappointed.
6. Except during a regular or special session of the Legislature, each Legislator who is a regular member or an alternate member of the Committee is entitled to receive the compensation provided for a majority of the members of the Legislature during the first 60 days of the preceding regular session for each day or portion of a day during which the Legislator attends a meeting of the Committee or is otherwise engaged in the work of the Committee. Each nonlegislative regular member or alternate member appointed by the Interim Finance Committee or the Chair of the Committee on Industrial Programs is entitled to receive compensation for the member's service on the Committee on Industrial Programs in the same amount and manner as the legislative regular members or alternate members whether or not the Legislature is in session. Each nonlegislative regular member or alternate member of the Committee is entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally. Each Legislator who is a regular member or an alternate member of the Committee is entitled to receive the per diem allowance provided for state officers and

employees generally and the travel expenses provided pursuant to [NRS 218A.655](#). All compensation, allowances and travel expenses must be paid from the Fund for Prison Industries.

(Added to NRS by [2001, 2390](#); A [2007, 26](#))

V.

MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S
INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS
FOR SEPTEMBER 28, 2012

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
September 28, 2012**

SUMMARY OF MINUTES

The fifth meeting of the 2011–12 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 3:06 p.m. on Friday, September 28, 2012, in Room 4401 of the Grant Sawyer State Office Building in Las Vegas, Nevada. The meeting was simultaneously videoconferenced to Room 3137 of the Legislative Building in Carson City, and in Room 137 of the Great Basin College, High Tech Center, Elko, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman James Ohrenschall, Chairman
Assemblyman John Ellison
Senator David R. Parks, Vice Chairman
Allen J. Puliz, Puliz Moving and Storage
Mike Magnani, Labor Union Representative
Bruce Aguilera, Vice President/General Counsel, Bellagio
Greg Cox, Director, Nevada Department of Corrections

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

None

COMMITTEE MEMBERS PRESENT IN ELKO:

Senator Dean Rhoads

COMMITTEE MEMBERS ABSENT:

Michael Mackenzie, Principal, Operations Improvement Company
Greg Smith, Administrator, Purchasing Division

STAFF MEMBERS PRESENT IN LAS VEGAS:

Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

Nicolas C. Anthony, 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

EXHIBITS:

Exhibit A – Agenda and Meeting Packet

I. CALL TO ORDER.

Chairman Ohrenschall called the meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs to order at 3:06 p.m. The secretary called roll. Mr. Mackenzie and Mr. Smith were absent, and all other 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 JUNE 25, 2012.

Chairman Ohrenschall requested a motion for approval of the minutes from the June 25, 2012, meeting.

ASSEMBLYMAN ELLISON MOVED TO APPROVE THE MINUTES OF THE JUNE 25 2012, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

MR. AGUILERA SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

IV. REVIEW OF NEVADA DEPARTMENT OF CORRECTIONS RESPONSES TO QUESTIONS FROM THE JUNE 25, 2012, MEETING RELATING TO:

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

- A. Silver State Industries accounts receivable aging report – Mr. Connett reviewed the aging report on page 19 of the meeting packet (Exhibit A). Mr. Connett introduced a letter from Randy Bulloch, owner of Alpine Steel. Alpine Steel had generated sales of \$9.3 million in 2008, \$5.6 million in 2009, \$3.5 million in 2010, and \$2.8 million in 2011. Through August 2012, sales generated were \$3.0 million with expectations to generate more than \$4.0 million by the end of the year. Alpine Steel experienced difficult times in the past due to the economy. Mr. Bulloch expected Alpine Steel would generate sales of \$12 million from the Skyview Ferris Wheel project in 2013.

Mr. Connett indicated Alpine Steel had a large amount of steel at High Desert State Prison (HDSP) in anticipation of commencing the construction of the Skyview Ferris Wheel project. However, peer reviews required by the project's engineers were causing delays in the commencement of the project. Despite the delay, Mr. Connett anticipated that Alpine Steel would still be the awarded contractor for the project. Mr. Bulloch said the revenue from the Skyview Ferris Wheel project would be used to pay in full the debt owed to Silver State Industries.

Chairman Ohrenschall asked if Alpine Steel had been able to make any payments toward the balance due to Silver State Industries. Mr. Connett stated Alpine Steel had slowly been making payments to pay off the inmate wages. Alpine Steel was behind in paying inmate wages, as Mr. Bulloch had stated in the past. Mr. Bulloch anticipated that Alpine Steel would be current in its inmate wages owed within the next 35 days. Chairman Ohrenschall wanted to make clear that Mr. Bulloch had pledged inmate wages would be paid in full within 35 days. Mr. Connett confirmed that was correct.

Chairman Ohrenschall asked if the rears of inmate wages due reflected in the aging report of \$401,876. Mr. Connett said the inmate wages were not included in the outstanding amount shown on the summary report (beginning on page 19 of the meeting packet, Exhibit A). Chairman Ohrenschall asked if Mr. Bulloch had given any indication about the progress he planned to make on reducing the outstanding debt. Mr. Connett said it was heavily dependent on the Skyview Ferris Wheel project.

Assemblyman Ellison stated he had several concerns with Alpine Steel. His primary concern was with the \$401,000 in debt owed to Silver State Industries. In his experience with construction projects, he had to guarantee that his suppliers were paid pursuant to the Nevada contractor's license law. He asked if any precautions had been taken by Silver State Industries to become a lien holder on the project. Mr. Connett replied Silver State Industries did not have a guarantee. Mr. Connett was working with Mr. Bulloch to establish certain guarantees before work on the Skyview Ferris Wheel project started.

Mr. Aguilera asked if Alpine Steel had any assets available that Silver State Industries could pursue legally if the debt owed was were not paid back. Mr. Connett replied he had not performed any asset searches.

Chairman Ohrenschall asked if Mr. Connett knew the amount in inmate wages that Alpine Steel owed to Silver State Industries. Mr. Connett said the amount of inmate wages owed was approximately \$78,000. He expected Alpine Steel to make a \$40,000 payment in the following week, and become current with inmate wages by the end of October 2012.

In response to a question posed by Assemblyman Ellison, Mr. Connett confirmed that Alpine Steel owed \$78,000 in inmate wages and \$401,000 in lease payments and correctional officer wages that had not been paid over the last two years. He said none of the debt owed was from raw materials. Alpine Steel purchased the raw material and brought it into the prison for the inmates to manufacture.

Mr. Puliz asked if Alpine Steel had signed a note for the outstanding debt and questioned if there was interest being charged on the debt. Mr. Connett stated interest was being charged on the debt at the state mandated interest rate. He further indicated he would discuss with Alpine Steel the possibility of establishing a note.

Chairman Ohrenschall asked if the \$401,000 included the compounded interest charges. Mr. Connett confirmed the amount due included interest. Chairman Ohrenschall asked if there were other Prison Industry entities that had outstanding inmate wages due. Mr. Connett said Alpine Steel was the only company that was overdue in its inmate wages.

Chairman Ohrenschall asked if Alpine Steel had incurred any other debt. Mr. Connett answered Alpine Steel had an account with Ahern Equipment Rental, but he was not aware of any other outstanding debt owed by Alpine Steel.

- B. The cost of an appraisal performed on Nevada State Prison – Mr. Connett informed the Committee that the Division of State Lands estimated an appraisal on the institution would cost approximately \$20,000. He said Division of State Lands indicated it would conduct the appraisal, funding had not been allocated in the budget for an appraisal of Nevada State Prison (NSP).
- C. The liquidation of abandoned vehicles at the Auto/Upholstery Shop – Ms. Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections, reviewed the list of abandoned cars listed on page 17 of the meeting packet (Exhibit A). She informed the Committee that the Deputy Attorney General had identified certain legal requirements associated with disposing of abandoned vehicles. There was not a time limit to dispose the vehicles. Since Prison Industries was a licensed body shop, it was allowed to process a lien sale. Each vehicle must undergo a DMV appraisal. Once the appraisal was completed a demand letter would be sent to the legal owner of the vehicle giving notice of the place and time when the vehicle would be auctioned. Sixty days' notice must be given before a vehicle could be auctioned. The auction must be held close to the place where the vehicle was abandoned, and advertised in the newspaper for three consecutive weeks. The auction must be open to the public, and notice of the sale must be sent to the legal owner and DMV.

- D. The possibility of inmates cultivating hay on state property outside the confines of prison – Mr. Connett said the Prison Industry's supervisor of the ranch identified state properties in close proximity to Northern Nevada Correctional Center (NNCC). The land identified did not have good access to irrigation or agricultural water rights. They would continue to investigate other state land parcels that could possibly be used to cultivate hay.

At the last Committee meeting, Assemblyman Ellison recalled that Mr. Connett mentioned he would look into using grass hay instead of alfalfa. Mr. Connett said he had worked closely with state procurement to purchase a combination of both products. For example, if Prison Industries needed 1,000 tons of hay, someone could provide 750 tons of one type of hay, combined with 250 tons of another to help reduce the costs. Prison Industries tried to utilize the most inexpensive hay that met the minimum specifications required of the BLM project.

At the last meeting Mr. Allen Puliz recalled that Mr. Connett stated that BLM would tie the price of hay to the rate charged by Prison Industries for boarding the wild horses as part of the new signed contract. Mr. Connett informed the Committee that a ten-year contract had been signed with BLM that had a variable pricing structure that allowed the rate to increase or decrease based on the price of hay and the quantity of horses boarded. The revised contract stipulations would protect Silver State Industries from the volatility of hay prices. Prison Industries increased its rate charged per horse by over \$1.

V. STATUS REPORT FROM PRISON INDUSTRIES AND COMMITTEE RECOMMENDATIONS REGARDING THE FOLLOWING ITEMS:

- A. Alpine Steel – Mr. Connett reminded the Committee that the engineering crew had delayed the process, but anticipated the Skyview Ferris Wheel project would start by mid to late fall. Alpine Steel had seen an upward trend in its demand based on the number of bids it had experienced. Alpine Steel currently had several projects in process that they had been awarded. One was the Skyview Ferris Wheel. Other jobs included a car dealership, and a hospital.

Mr. Greg Cox, Director, Nevada Department of Corrections (NDOC), informed the Committee that he was aware of Alpine Steel's promise to pay \$40,000 in inmate wages as discussed earlier. He would inform the Committee members when the money was received by Alpine Steel. In the event that the money was not paid, NDOC would take appropriate actions to resolve the issue. Alpine Steel had raw materials and equipment inside the prison. The materials cannot be removed by Alpine Steel without clearance from the NDOC. Mr. Cox explained he would have a discussion with the Deputy Director and the Warden concerning a way to insure that the materials would remain inside the facility.

Chairman Ohrenschall assumed Silver State Industries would try to get some monetary value from the equipment if Alpine Steel did not pay. Director Cox concurred, adding that he would work closely with Mr. Connett regarding the \$40,000 that was owed by Alpine Steel.

Chairman Ohrenschall asked if any company that worked with Silver State Industries ever filed bankruptcy. Mr. Connett explained when he first started with Silver State Industries there was a company that did card sorting. The owner left the country, leaving a debt owed to Silver State Industries. Prison Industries increased the price charged to the current owners of the card sorting business in order to recoup the debt.

Assemblyman Ellison said he had been in business for 20 years and he had always established contracts with entities that conducted business with him. He explained if he was awarded a state job he had to have a bond and a financial guarantee. Chairman Ohrenschall asked if other states required a bond to be posted with private entities participating in Prison Industries, and if Mr. Connett thought that would dissuade the efforts of getting more inmates into job training programs by requiring a bond. Mr. Connett responded it would dissuade companies if they had to provide financial instruments. Most of the states across the country have a situation where private companies operate inside prisons. The amount paid to Prison Industries depended on the companies process. The companies pay for the rent or lease of the facility and the inmate wages. Sometimes Prison Industries do ask the companies to provide bonding. A bond was a less expensive avenue to avoid these financial issues. He would discuss with Alpine Steel the possibility of establishing a guarantee.

- B. Diamond Mountain Distributors – Mr. Connett explained Diamond Mountain Distributors was the card sorting company. The company lost its account with the MGM hotel in Las Vegas. Silver State Industries had seen a huge increase in the number of inmate workers. Diamond Mountain established relationships with a number of retail companies across the country that would increase there need for special projects.

Chairman Ohrenschall asked if Mr. Connett thought the card sorting company may expand to other prison facilities. Mr. Connett replied Diamond Mountain Distributors had reopened at Southern Desert Correctional Center facility.

- C. Auto/Upholstery Shop – Mr. Connett explained the auto shop continued to struggle financially. Chairman Ohrenschall said in 2008 there were 52 inmates working at the auto/upholstery shop, present date there are 29 inmates working. He asked if there were any plans to increase the business at the auto shop. Mr. Connett said he was always trying to increase the revenues.

- D. Big House Choppers – Mr. Connett informed the Committee the three remaining motorcycles had been advertised on eBay and Craig's list but not yet sold. The motorcycles were displayed on Russell Road in Las Vegas in front of the offices.

Mr. Allen Puliz suggested auctioning the motorcycles on eBay. Mr. Connett said an auction had been conducted on eBay with a minimum bid amount which had not been successful. Prison Industries has lowered the price of the motorcycles.

Assemblyman Ellison asked if the casinos had been solicited as they sometimes buy motorcycles for street vibrations and other events held throughout the state. Mr. Connett said he had contacted the New Orleans and they expressed an interest, but never followed through with the purchase. Mr. Connett had also approached the Grand Sierra Resort in Reno about the motorcycles.

Senator Parks asked Mr. Connett if the three remaining motorcycles could be placed on consignment at a motorcycle shop. Mr. Connett said the bikes were placed on consignment in the past but were not sold. Mr. Connett informed the Committee that the motorcycles were located at Southern Desert Correctional Center (SDCC) and Casa Grande Transitional Center.

VI. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2010 THROUGH JULY 2012.

Ms. Dastal summarized the number of inmates that worked July 2010 through July 2012 on page 23 of the meeting packet (Exhibit A).

Ms. Dastal further explained that Opportunity Village had contracted with Silver State Industries to sort the cards. They had an agreement to sort the cards for MGM properties. Opportunity Village marks the cards and then ships the cards to SDCC to be sorted.

Chairman Ohrenschall asked if there was a goal Prison Industries would like to meet in the next three years relating to the number of inmates employed. The Committee would like to see the program grow. Director Cox stated he was starting to see an increase in employment for inmates. He said Mr. Connett had been working to increase inmate employment.

VII. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2011, FY 2012 AND FY 2013 YEAR-TO-DATE.

Ms. Dastal reviewed the inmate deductions from page 27 of the meeting packet (Exhibit A).

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

Mr. Connett indicated there was a recycling company interested in participating in Prison Industries. He presented the Committee with a video of the processes the company would perform at Prison Industries if the program were approved, [http://www.youtube.com/watch?v= GP3JuiX5BY](http://www.youtube.com/watch?v=GP3JuiX5BY). The company had told Mr. Connett that they would build the building and install the equipment at no cost to the state. If approved, the facility would be located near SDCC. Mr. Connett assured the Committee that the proposed recycling facility would not displace private sector employees in the local economy. The program would reduce material going into the landfills. Initially, the company estimated it would employ about 50-75 inmates and eventually expand its operation to employ 100 – 125 inmates. In return, the company would require an exclusive three-year arrangement with Silver State Industries. Mr. Connett felt comfortable entering into this agreement, and he urged the Committee to move forward with its approval. The company planned to meet with the major players in the garbage business.

Mr. Puliz asked if the location of the proposed recycling facility was the land next to SDCC that was previously slated to be the industrial park, and if this company was going to buy the land or sign a long-term lease with Prison Industries. Mr. Connett was looking at a number of options for the facility in regards to space and availability based on security needs. The company would sign a long-term lease of the land. Mr. Puliz informed the Committee that the industrial park previously proposed would have offered long-term leases to bring in industries of this type.

Mr. Magnani pointed out his concerns that the employment of inmates at the proposed recycling facility may displace Nevadans in the private sector performing the same job. He indicated that Republic Services, a Las Vegas waste management company, offered the same jobs and the employees were paid good wages, and provided health insurance and a pension. He did not want to displace private sector jobs so a company could pay inmates minimum wage to perform the same jobs. He supported the idea of growing the prison industry. Teamsters were currently sorting garbage for Republic Services, and he was aware of other organizations in town who offered the same services. Mr. Magnani stated he would like to meet with the new company so that he could ensure that private sector jobs would not be taken from Nevada citizens. Director Cox and Mr. Connett indicated they had meetings with this company and were assured by the company that it would not take any jobs away from Nevadans. The company would be fulfilling a surplus in demand not being met by the industry.

Director Cox acknowledged there were a number of people in the community currently working in the recycling field. He indicated he would not approve of any prison industry program that would put the jobs of citizens in Nevada in jeopardy.

Mr. Aguilera asked if this company would take the garbage from another company, or if they would go collect the garbage from the residents. Mr. Connett stated the garbage would be delivered to the facility, however, he was unaware of the process prior to its arrival at the facility.

Chairman Ohrenschall asked if the company would pay for the cost of building the facility. Mr. Connett said the company would pay all of the costs for the capital improvements. Director Cox suggested the Committee members speak with the representatives of the company.

Chairman Ohrenschall asked Nicolas C. Anthony, Senior Principal Deputy Legislative Counsel, Legal Division, if this Committee could meet with this company privately, or if the discussion had to take place in a public meeting. Mr. Anthony advised the Committee if they were to consider a meeting with the company at a later time, it should be posted on a public agenda for discussion at a future meeting.

Assemblyman Ellison asked what the timeline was to initialize the program if the Committee approved of the program. Mr. Connett responded the company would begin meeting with the major garbage companies and form partnerships. This program was not something that could be implemented tomorrow.

Mr. Connett informed the Committee that the company they would like to have an exclusive contract with NDOC. Assemblyman Ellison asked if this company was the only company in town that performed the kind of recycling proposed. Mr. Connett said he did not have much knowledge of the industry, but he thought there might be another recycling organization locally.

Mr. Aguilera asked if this type of recycling was being performed by prison industry programs in any other states. Mr. Connett said he was not aware of this type of program operating in any other state.

Senator Parks asked if security could be maintained in such a facility. Mr. Connett explained security was always an issue when dealing with inmate workers. The NDOC has discussed all of these issues with the company.

Chairman Ohrenschall asked if this company envisioned processing recyclables from other areas. Mr. Connett stated they anticipated starting in southern Nevada and expanding to other areas of the state.

Chairman Ohrenschall asked how southern Nevada currently processed its recyclables, and how many people were employed in the industry. Mr. Connett responded he did not know.

Chairman Ohrenschall asked NDOC if the company would be willing to have a discussion with the Committee at its next meeting regarding the proposed recycling facility. Mr. Connett said they would be more than willing to come to a Committee

meeting. Director Cox stated, that by continuing the discussion to the next Committee meeting, the Committee members would have time to look at other recycling companies and come up with more questions about the proposed program. Director Cox knew there was a number of companies in Las Vegas that recycle from the major resorts. He said the company wanted to expand recycling in Las Vegas to a single line process where all the recyclables were thrown in one can. He also stated other states required recycling but not in Nevada.

SENATOR PARKS MOTIONED FOR THE COMMITTEE ON INDUSTRIAL PROGRAMS TO ISSUE THE SUPPORT OF FURTHER INVESTIGATION OF A POTENTIAL INDUSTRY TO RELOCATE AT ONE OR MORE OF THE PRISON INDUSTRY FACILITIES.

ASSEMBLYMAN ELLISON SECONDED THE MOTION.

Mr. Magnani asked to amend the motion to include the approval be subject to the Committee meeting with the company and providing some type of proof that the facility would not displace workers in the private sector.

SENATOR PARKS AMENDED HIS MOTION TO SUPPORT NDOC TO FURTHER INVESTIGATE THE POSSIBILITY OF CONSULTING A PRISON INDUSTRY RECYCLING FACILITY SUBJECT TO THE COMMITTEE MEETING WITH THE COMPANY AND THE COMPANY PROVIDING PROOF THAT IT WOULD NOT DISPLACE ANY PRIVATE SECTOR JOBS.

Chairman Ohrenschall asked who decided if the facility gets built. Mr. Connett responded it would be the participants that would decide whether they were going to put up the capital for the facility. After that point, it would be subject to the approval of the Interim Finance Committee and the Board of Examiners.

Mr. Anthony stated according to the statutory duty of this Committee under NRS 209.4818, the Committee was charged with reviewing any new industrial program before it was established by the director, and submitting to the director its recommendation concerning the proposed program. Based on the motion today, the NDOC would go forward with its negotiations and ongoing discussions with this business entity. Ultimately, this Committee must provide recommendations to the director to establish any new program.

Director Cox said Mr. Anthony was correct, he would not proceed with the new program without the Committee's recommendation to move forward.

Mr. Aguilera confirmed that the motion did not provide the Committee's approval to move forward with the program, it simply approved the NDOC to continue discussing the possibility of moving forward with the company. The Committee had some concerns about displacing jobs.

Chairman Ohrenschall asked Mr. Anthony if the motion was making a commitment to the company. Mr. Anthony said he believed the motion was only to go forward with the preliminary negotiations and the Committee expected a full report at the next meeting, at which time, the Committee could consider its options. By statute, you are required to look at whether a new program would cause individuals to be displaced out of the private sector. At this point the Committee had not made such recommendations.

THE MOTION PASSED UNANIMOUSLY.

IX. Public Comment.

There was no public comment.

X. ADJOURNMENT.

Chairman Ohrenschall informed the Committee the next Committee on Industrial Programs meeting would be held prior to the November elections so Senator Rhoads could participate. The meeting was adjourned at 4:51 pm.

Respectfully submitted,

Cheryl Harvey, Committee Secretary

APPROVED:

Assemblyman James Ohrenschall

Date:_____

MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S
INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS
FOR OCTOBER 22, 2012

VI.

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
October 22, 2012**

SUMMARY OF MINUTES

The sixth meeting of the 2011–12 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 2:05 p.m. on Monday, October 22, 2012, 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, and in Room 124 of the Great Basin College, High Tech Center, Elko, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman James Ohrenschall, Chairman
Assemblyman John Ellison
Senator David R. Parks, Vice Chairman
Allen J. Puliz, Puliz Moving and Storage
Mike Magnani, Labor Union Representative
Michael Mackenzie, Principal, Operations Improvement Company
Bruce Aguilera, Vice President/General Counsel, Bellagio
Greg Smith, Administrator, Purchasing Division, Department of Administration
Greg Cox, Director, Nevada Department of Corrections

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

None

COMMITTEE MEMBERS PRESENT IN ELKO:

Senator Dean Rhoads

COMMITTEE MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT IN LAS VEGAS:

Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

Nicolas C. Anthony, 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

EXHIBITS:

Exhibit A – Agenda and Meeting Packet

Exhibit B – Proposed pay back plan from Alpine Steel

Exhibit C – Brochure of Wild Horse Program

I. CALL TO ORDER.

Chairman Ohrenschall called the meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs to order at 2:05 p.m. The secretary called roll. All members were present.

Chairman Ohrenschall announced that public comment would be taken after each agenda item.

II. OVERVIEW OF THE COMMITTEE ON INDUSTRIAL PROGRAMS' STATUTORY AUTHORITY AND DUTIES PURSUANT TO NRS 209.4818.

Nicolas C. Anthony, Senior Principal Deputy Legislative Counsel, Legal Division, summarized the statutory authority and duties of the Committee on Industrial Programs. Mr. Anthony stated by way of history, the Committee on Industrial Programs had existed in Nevada for a number of years, and was an advisory committee only. The Committee contains both members of the Legislative Branch and the Executive Branch due to separation of powers. Since the Committee only functions as advisory in nature, any recommendations made by the Committee have no official capacity. The duties of the Committee were established in NRS 209.4818 and were read in conjunction with internal reference to NRS 209.461.

Mr. Anthony read the specified duties of the Committee. Pursuant to NRS 209.4818 the Committee was charged with being informed on issues and developments relating to Industrial Programs and must submit a semi-annual report to the Interim Finance Committee (IFC) on the status of current and proposed industrial programs, and may report to the legislature on any other matter relating to Industrial Programs that were deemed appropriate. Beyond those duties, the Committee duties were spelled out in paragraphs F and G of subsection one of NRS 209.4818. Paragraph F stipulates, before any new program was established by the director, this Committee was to review the program for compliance with subsections 2, 3 and 4 of NRS 209.461 and submit to the director its recommendations concerning the new program. Pursuant to subsection 2 of NRS 209.461, each new program must employ the maximum number of offenders, reduce the cost of maintaining offenders in the institution, and have an insignificant effect on the number of jobs available to residents.

Continuing, Mr. Anthony said pursuant to paragraph G of NRS 209.4818, the Committee shall review each program to determine if it was operating profitably after three years. If the program was not operating profitably then the Committee should

recommend to the director whether the program should be continued or terminated. Final programs and contracts, including leases of space, were established and entered into by the director of the Nevada Department of Corrections (NDOC) pursuant to statute, which was a function of the Executive Branch and not a function of this Committee. This provision was also pursuant to the separation of powers doctrine found in the Nevada Constitution.

Mr. Anthony reiterated this Committee functioned solely as an advisory committee. It may make recommendations to the IFC, and to the director of the NDOC in limited circumstances regarding new programs or the termination of existing non-profitable programs.

Senator Parks said under NRS 209.461 subsection 2C, it stated programs for the employment of offenders must have an insignificant effect on the number of jobs available to the residents of this state. Senator Parks asked if that was considered the anti-competition provision protecting private industries. Mr. Anthony replied yes, that was one of the provisions the Committee reviewed when considering a new program. Mr. Anthony clarified that the statute did not specifically say that a program shall not enter into any competition with private industry. Nevada Revised Statute 209.461 indicates that a program must have an insignificant effect on the number of jobs available to residents of this state.

In response to Mr. Ohrenshall's inquiry as to what entity the Committee advised, Mr. Anthony replied the Committee made recommendations to the IFC in a semi-annual report concerning existing and new programs. It also had a statutory duty to report to the legislature on any other matter it deemed appropriate. In addition, it made recommendations to the director of NDOC in the limited areas of establishing a new industrial program or subsequent review of a program within its first three years of operations to determine if it is profitable.

Assemblyman Ellison asked if the recommendations were made to IFC through a motion by this Committee. Mr. Anthony said he believed in the past recommendations had been made during each meeting and those recommendations had been compiled into the semi-annual reports prepared by staff and submitted to IFC.

Deputy Director Brian Connett presented Senator Rhoads with a plaque, manufactured by Prison Industries, commemorating his many years of dedicated services to the Committee on Industrial Programs.

Chairman Ohrenschall asked for public comment.

Senator Richard Bryan, testified on behave of his client, X L Steel Inc. His client was a structural steel contractor and erector that had been in business for five years. The owner of the Company also had 20 years of experience in southern Nevada. His client had no quarrel with the Prison Industries program. The reason he chose

this particular agenda item to speak on behalf of his client was because he wanted to comment on the two statutory references. Prison Industries must be operated on a profitable basis. He thought the Committee members took this provision very seriously. The second factor, the programs must have an insignificant impact on the number of jobs available in the private sector.

Senator Bryan stated that everyone in the Committee understood Nevada had been hit harder economically than any other state in the United States. No sector in the economy had been hit harder than the construction industry. He explained that Jeremy Aguero, Principal Analyst, Applied Analysis, said two out of three construction jobs in southern Nevada had been lost. Estimates provided by Applied Analysis indicated the unemployment rate in construction was between 30 to 60 percent. That was the highest unemployment in any sector. As you know Prison Industries allowed contractors to pay minimum wage to inmate workers plus other expenses for rent and the necessary security. Senator Bryan continued to say his client had bid on a couple of different contracts that were awarded to a contractor who had engaged in the employment of prison labor. Twenty jobs had been lost. To those 20 people in the private sector who did not get hired, the impact on them and their families would not be insignificant.

Senator Bryan further stated that at least one of the vendors working with prison industries owed the state substantial amount of money. He thought of this obligation as an indirect subsidy to the company that owed the money. Those in the private sector do not have the luxury of not paying their debt. Going forward, he indicated it was very important for the Committee to reach out to companies involved in the private sector before contemplating the approval of new Prison Industry programs. For many years nobody paid much attention to the Prison Industries, as there was more work than most contractors could perform. Very few people know about the operation of the Prison Industries subcommittee. There were a lot of people that perhaps did not know the importance of this Committee.

Assemblyman Ellison said he was concerned with the lack of securitization required by the private companies contracting with Prison Industries. He asked Senator Bryan if the company he was representing had to place a bid and performance bond when bidding projects. Mr. David Stevens, President of X L Steel Inc., said no bonds were required with these types of contracts.

In response to a question asked by Mr. Aguilera, Mr. Stevens said the general contractor of a project X L Steel Inc. bid on told him he would be awarded the project if he could do it for the price Alpine Steel quoted. Mr. Stevens said the price was 20 to 30 percent lower than X L Steel Inc.'s original bid, and Mr. Stevens was not able to complete the project without losing money.

Mr. Mike Magnani stated he was concerned there was no assurance the monies owed by Alpine Steel would be paid back. He was also concerned about the loss of Nevada jobs. The Nevada jobs that were lost were jobs that paid taxes to the state

and federal government, which helped keep the industrial program running. The state had seen the worst foreclosures in the nation and highest unemployment. He said he would urge the Committee not to endorse this program.

Mr. Allan Puliz asked Mr. Stevens if he was manufacturing the steel or if his company bought it pre-manufactured. Mr. Stevens replied their process was the same as Alpine Steel's operation at the prison. He used local labor and had a long list of labors waiting to work. He has not been awarded the contracts that Alpine Steel had been awarded so the inmates were doing the work instead of the laborers.

Mr. Puliz said the relationship between Prison Industries and Alpine Steel started about six years ago. There did not seem to be an issue at that time. Mr. Stevens said as he recalled no one informed him that such a program was established at the prison. He certainly would have come out to voice his opinion. Once the program was started, it slowly deteriorated his business through the use of inmate labor.

Chairman Ohrenschall asked for confirmation from Mr. Stevens that six years ago, when Alpine Steel was awarded the prison industry lease, he did not know about it. Mr. Steel indicated that at the time there were numerous steel businesses, and jobs were plentiful.

Mr. Aguilera pointed out that the bulk of the \$347,909 owed by Alpine Steel was incurred prior to June 2009 (page 13, Exhibit A). The relative amounts for each year after that were around \$12,000 to \$16,000, with the exception of 2008, which was \$24,000. He did not know if this was interest accumulated on existing debt, or newly accrued debt. Mr. Connett explained to the Committee that he did not know how much of the amount owed consisted of accumulated interest.

Assemblyman Ellison confirmed that Alpine Steel was being charged interest. He asked if the state purchased the raw steel used by Alpine Steel. Mr. Connett replied Alpine Steel purchased all of its raw materials.

Chairman Ohrenschall asked how many inmates were working at the steel shop presently. Mr. Connett said there were 15-17 inmates working at the steel shop 40 hours per week.

Chairman Ohrenschall asked Mr. Stevens if he knew how many workers in Nevada were working in the same trade. Mr. Stevens responded there were 3,000 – 5,000 steel workers.

Chairman Ohrenschall asked Mr. Connett if workers compensation was an issue with the inmates. He wondered if it was covered by Alpine Steel. Mr. Connett said workers compensation was covered by the state and Alpine Steel reimbursed the state for the cost.

Mr. Magnani asked if there was any assurance the debt was going to be paid by Alpine Steel. He thought some kind of bond guarantee should have been signed by the two entities. Mr. Connett replied they had been working with Alpine Steel and had attempted to make sure that the debt would be paid. He knew that Alpine Steel had gone through difficult times. He had contacted the Deputy Attorney General and had received advice on options to proceed with the debt collection.

Chairman Ohrenschall asked if Alpine Steel had been able to make any payments on the account. Mr. Connett said Alpine Steel had made all the payments necessary to bring all of the inmate wages up-to-date. Chairman Ohrenschall asked if the balance due was related to the rent on the shop. Mr. Connett said the amount owed was a combination of rent owed and unpaid correctional officer salaries. Alpine Steel owed Prison Industries \$414,909.

Mr. Michael Mackenzie asked if Alpine Steel had a structured settlement in place for the Internal Revenue obligations. Mr. Connett responded through his discussions with Alpine Steel they do have a settlement with the IRS.

Senator Bryan was appreciative of the opportunity to appear before the Committee and he did not want his comments, or those of Mr. Stevens, to be critical of the Committee. He was interested in prospectively making sure there was a level playing field with those in the private sector that compete with this program and to make sure there was adequate notice provided when a new program was being proposed.

IV. STATUS REPORT FROM PRISON INDUSTRIES AND COMMITTEE RECOMMENDATIONS REGARDING ALPINE STEEL.

This agenda item taken out of order.

Mr. Connett stated that Alpine Steel had made payment of all outstanding inmate wages. Three or four years ago he had met with X L Steel Inc. and offered the company the same deal that was provided to Alpine Steel. Chairman Ohrenschall asked if he met with other steel companies. Mr. Connett did not recall meeting with any other steel companies. He stated X L Steel Inc. was not interested in working with the prison industry program.

In response to a question asked by Assemblyman Ellison, Mr. Connett stated he had been promoting prison industries through the chamber of commerce.

Assemblyman Ellison asked Mr. Connett to explain the business advantages to operating a business with prison industries versus the private sector. Mr. Connett said prison industries provided a large stable work force willing to learn a trade. Upon release the inmates had a skill set that provided them with the ability to get a job and become tax paying citizens rather than a tax burden to society. The mission of Prison Industries was to provide inmate workers with a marketable skill that could be used for employment upon their release.

Mr. Connett introduced Mr. Randy Bulloch, owner of Alpine Steel, to address the Committee's questions regarding his plan to pay back prison industries. Mr. Bulloch recognized he was in the arrears with the prison industries. He was fighting to stay in business. He said the competitive advantage that competitors thought he had through the Prison Industry program was not so great because of the logistics associated with working in a prison. He summarized a letter of proposal (Exhibit B) for Alpine Steel to payback o Silver State Industries.

He advised the Committee that Alpine Steel had paid back the inmate wages previously in arrears. The proposal to pay back rent and officer salaries involved three scenarios, one involved Alpine Steel being awarded the steel fabrication of the Skyvue Ferris Wheel. He apologized if he missed communicated that Alpine Steel had been awarded the project for the Skyvue Ferris Wheel.

Mr. Puliz asked who the general contractor and developer were of the Skyvue Ferris Wheel. Mr. Bulloch stated Ledcor Construction was the general contractor, and the developer of the project was Compass Investment, a company owned by Mr. Bulloch's brother. He explained that even though the developer was related to him, Alpine Steel had to provide a competitive bid or the project would have likely gone to a firm in China.

Mr. Puliz asked if the developer had his financing in place for this project. Mr. Bulloch responded he was a subcontractor and he understood there was financing in place but he was not aware of all of the details. Even though the developer was related to Mr. Bulloch, Alpine Steel had to work through the same chain of command as other companies. Any work performed by Alpine Steel was reported to Ledcor Construction, who then reported to the developer.

Chairman Ohrenschall asked Mr. Bulloch if Alpine Steel currently had a contract to work on the Skyvue Ferris Wheel. Mr. Bulloch responded he had been told he was the low bidder and would be awarded the project; however, a written contract was never drafted. As of today, he did not have a written contract with Ledcor Construction to build the wheel. Last time Mr. Bulloch met in front of the Committee things were moving quickly, steel was ordered for the project and Mr. Bulloch had been told he would be getting the contract. Ledcor Construction had given Mr. Bulloch a draft copy of the contract to review, but a written contract had not been issued.

Mr. Puliz asked if the pay back proposal had a personal guarantee or a guarantee from Alpine Steel. Mr. Bulloch said it was strictly a guarantee from Alpine Steel. Mr. Puliz stated he was a businessman and constantly provided personal guarantees. He asked if Mr. Bulloch was willing to do a personal guarantee on the debt owed to the state. Mr. Bulloch stated he was not prepared to provide a personal guarantee, but he would have further conversations with Mr. Connett to discuss other options.

Assemblyman Ellison said at its last meeting, the Committee discussed requiring a personal guarantee or a bond to secure the debt that was owed to the state. He asked where Mr. Bulloch was on securing the debt. He also asked how Alpine Steel planned to pay off its debt if the steel operation at HDSP were temporarily suspended and Alpine Steel was not awarded the Skyvue Ferris Wheel contract. Mr. Bulloch replied that he had a shop in Las Vegas where most of his work was performed.

Mr. Connett said the bonding has been discussed with the Deputy Attorney General. She suggested to turn the debt over to the controller's office, or go through a formal process with a mechanics lien. She thought the mechanic lien could be used to secure the promise to pay for rent, utilities and security. She also suggested entering into a security agreement with Alpine Steel and adding the security agreement to Prison Industries' current contract with the company as an amendment. Prison Industries would agree not to sue Alpine Steel as long as the company signed a forbearance agreement and complied with the terms of the agreement.

Mr. Mackenzie agreed that the state should not sue Alpine Steel. He explained that mechanic liens and lawsuits tend to result in the demise of the company being sued. If we want to get the money back, we need to ensure the company survives; therefore, we should pursue the money owed by Alpine Steel in such a manner that we do not hamper the business and cause them to fail.

Assemblyman Ohrenschall stated he was fearful that Alpine Steel would not survive. He said he had received many emails about Alpine Steel going through rough financial times.

Mr. Puliz asked Mr. Bulloch to clarify his issues with the Internal Revenue Service (IRS) . Mr. Bulloch said he had been current with the IRS over the last year.

Mr. Puliz asked if he had seen a copy of the IRS lien that had been distributed. The amount on the lien was at \$668,000. He asked if that number was correct. Mr. Bulloch responded that number included penalties and interest. There was no settlement in place yet, but he hoped it could be negotiated. Mr. Bulloch informed the Committee that amount due was approximately \$300,000 to \$400,000 without the penalties and interest.

Assemblyman Ohrenschall asked if Mr. Bulloch intended on settling the IRS liens of \$300,000 to \$400,000. Mr. Bulloch hoped that would be the case, as he did not have anything in writing from the IRS.

Mr. Magnani suggested the state not proceed with private sector prison industry programs without assurances in place, guaranteeing money due to the state would be paid. He was frustrated to see how far behind Alpine Steel fell behind in its debt owed to the state.

Senator Parks asked Mr. Connett if he could share the letter he received from the Attorney General's office. Mr. Connett agreed to provide a copy of the letter to the Committee members. Senator Parks seemed to remember that there was similar debt issues a few years back with the card sorting program. It concerned Senator Parks that the Prison Industry program was in a similar situation. He was informed that the structure steel work on the Fifth Street bridge was a contract that was performed at HDSP. Mr. Bulloch informed the Committee that was correct. Senator Parks asked if the state had paid Alpine Steel for the structure. Mr. Bulloch said he had not been paid in full, but had received a majority of the payments. Senator Parks asked how much of the debt owed by Alpine Steel to the state was contributed to the payments owed by the state on the Fifth Street bridge. Mr. Bulloch said he completed hundreds of jobs each year; it would be difficult to isolate the debt associated with one job.

Senator Parks asked if the Committee would like to take action on agenda item IV.

Chairman Ohrenschall said whatever motion was made must be within the scope of the Committee. The Committee was a legislative subcommittee of the Interim Finance Committee (IFC) of the Nevada Legislature. There was a clear doctrine of separation of powers. We cannot try to micromanage the executive branch of government; however, the Committee can make certain recommendations through the IFC to be reviewed by the next session of the Nevada Legislature.

Assemblyman Ellison said there were three payback scenarios (Exhibit B) agreed to by Alpine Steel. He said that Alpine Steel must follow one of the three recommendations or Alpine Steel's operation at HDSP should be immediately suspended.

Mr. Magnani was concerned that nothing was in writing to protect the state. He could not support a program that might result in Alpine Steel owing additional debt to the state. He would like to see the project succeed in order for the state to get its money back. He asked for an amendment to the motion requiring some type of assurance that Alpine Steel would pay back the state.

Assemblyman Ellison agreed with Mr. Magnani. He too, would like Alpine Steel to provide a personal security note or bond. Assemblyman Ellison summarized the three proposed payback options. He reiterated his belief that a guarantee should be established with the proposed payback options to secure the debt.

Chairman Ohrenschall asked if Assemblyman Ellison had any concerns about Alpine Steel having a significant effect on other private sector companies. Assemblyman Ellison said he did have concerns, but at this point, the state needed a guarantee from Alpine Steel. If no guarantees were established, Alpine Steel's operation at HDSP should be suspended.

Mr. Magnani stated he still had a concern with the project being in the prison system, since he was a labor representative on the Committee and these jobs could be given to people that would be paying state/federal taxes.

Senator Parks understood there was an existing contract in place with Alpine Steel. He was concerned the contract may not have all of the assurances the Committee had discussed. Nevada Revised Statutes states the Committee was an advisory Committee. Mr. Anthony said the chairman laid the proper foundation earlier when he said due to the separation of powers issue, this Committee was statutorily charged with certain duties that cannot impinge upon the duties of another branch of government. If this Committee were to make a motion, Mr. Anthony stated the motion would be to report its findings to the Legislature.

Mr. Aguilera stated he entered into stipulated judgments when certain customers of his business were unable to pay. The state could hold a judgment on Mr. Bulloch until money he owes is paid in full.

Assemblyman Ellison asked legal staff to clarify what the Committee could recommend in its motion. Mr. Anthony indicated the recommendations of the Committee were purely advisory in nature. Mr. Anthony said its advisory recommendations can be submitted to the IFC, full legislature, or director of NDOC. If a recommendation was provided to the director of NDOC, it must pertain to new programs or the review of existing programs' profitability within the first three years.

Chairman Ohrenschall explained the Committee had a right to advise, but did not have a right to advise Mr. Connett or the director as they were in the executive branch of government.

Assemblyman Ellison said historically, the Committee made recommendations at each meeting. He asked what NRS those recommendations qualified under. Mr. Anthony informed the Committee he believed the majority of the recommendations had been made in terms of looking at existing programs and the financial statements.

Chairman Ohrenschall had a question concerning NRS 209.461 section 2c. It stated each prison industry program must have an insignificant effect on the number of jobs available to the residents of this state. Was that a determination made by the director? Mr. Anthony responded the provision that was referenced in NRS 209.461 was one of the provisions that was initially looked at by the Committee. When a new program comes forth, it comes before the Committee. This Committee made its initial recommendation and forwarded it to the director of NDOC. The director can choose whether or not to accept the recommendation. Mr. Anthony assumed the Committee reviewed NRS 209.461 section 2c when Alpine Steel was initially brought forth as a program. He did not know the total number of inmates that were employed by Alpine Steel initially through the prison system. However, it must have been deemed to be insignificant by the NDOC in terms of the total number of

workers employed in the steel industry versus the number of employees working in the steel industry throughout the state.

Chairman Ohrenschall asked Mr. Anthony what roll did the Committee have today with regard to reviewing the steel fabrication program. Mr. Anthony explained the roll of this Committee was laid out in NRS 209.4818. The Committee shall review all industrial programs and report semi-annually to the IFC or to the full legislature on any matters relating to industrial programs that was deemed appropriate.

ASSEMBLYMAN ELLISON MOTIONED TO HAVE LEGISLATIVE COUNSEL BUREAU STAFF INFORM THE IFC OF THE COMMITTEE'S CONCERNS, RECOMMEND THAT ALPINE STEEL PROVIDE A PERSONAL SECURITY NOTE OR BOND TO SECURE FUTURE DEBT, AND OBTAIN A LETTER OF COMMITMENT FROM ALPINE STEEL FOR THE PROPOSED PAY BACK OF DEBT OWED TO PRISON INDUSTRIES.

Chairman Ohrenschall asked Mr. Anthony if the motion should include a recommendation for the legislature to review NRS 209.461 section 2c and provide clarification regarding the insignificant effect Prison Industries must have on the number of jobs available to residents in this state. Mr. Anthony believed that recommendation would be within the jurisdiction for the Committee.

ASSEMBLYMAN ELLISON AMENDED THE MOTION TO INCLUDE A RECOMMENDATION FOR THE LEGISLATURE TO REVIEW SECTION 2C OF NRS 209.461 AND PROVIDE CLARIFICATION FOR THE INSIGNIFICANT EFFECT PRISON INDUSTRIES MUST HAVE ON THE NUMBER OF JOBS AVAILABLE TO THE RESIDENTS OF THIS STATE.

MR. AGUILERA SECONDED THE MOTION.

MR. MAGNANI OPPOSED THE MOTION.

THE MOTION PASSED.

Mr. Magnani said that the committees he had served on always allowed motions where directives were passed on from the chairman to whomever. He did not understand why this Committee could not instruct the chairman to write a letter to the director of the NDOC. Chairman Ohrenschall responded that a letter could be written to the director of the NDOC, but the letter would not have the weight of the Committee.

MR. MAGNANI MADE A MOTION TO SEND A LETTER TO THE DIRECTOR OF THE NDOC, STATING THE CONCERNS THAT THE COMMITTEE HAD WITH ALPINE STEEL AND RECOMMENDING ALPINE STEEL PROVIDE A PERSONAL SECURITY NOTE OR BOND TO SECURE FUTURE DEBT. MR. MAGNANI ALSO MOTIONED TO SUBMIT A LETTER TO THE

INTERIM FINANCE COMMITTEE AND THE 2013 LEGISLATURE TO CLARIFY SECTION 2C OF NRS 209.461 WHICH INDICATES PRISON INDUSTRIES MUST HAVE AN INSIGNIFICANT EFFECT ON THE NUMBER OF JOBS AVAILABLE TO THE RESIDENTS OF THIS STATE.

ASSEMBLYMAN ELLISON SECONDED THE MOTION.

MOTION PASSED UNANIMOUSLY.

III. DISCUSSION AND COMMITTEE RECOMMENDATIONS REGARDING THE CONSTRUCTION AND OPERATION OF A NEW RECYCLING FACILITY IN, OR ADJACENT TO, SOUTHERN DESERT CORRECTIONAL CENTER.

Mr. Connett said the people he was in negotiations with regarding the prospective recycling facility had decided it would be best not to discuss their recycling concept in an open forum until they had certain details worked out.

Chairman Ohrenschall asked if there was any public comment on Agenda Item III.

Kam Brian, Chief Operating Officer of Par 3 Landscape, a business operating in Las Vegas for 20 years, testified that his company employed approximately 500 hundred employees in the State of Nevada, many of which worked for the companies sustainability division, primarily focused on greenwaste. He thought he had a unique opportunity to speak about what kind of impact a recycling facility would have on the private sector. His company invested well over a million dollars in its recycling facility in order to recycle cardboard, aluminum, paper, and plastic, the very same items that had been proposed to be recycled by the company interested in operating a recycling facility as a prison industry program. As he understood, the company was proposing to recycle these materials and sell them on the open market. He stated this business would directly compete with his business.

Based on presentation provided at the previous Committee meeting, it was Chairman Ohrenschall's understanding that the proposed recycling facility would transition the existing recycling process to single stream recycling. The inmates would sort the contents of the single stream recycling containers and the company would sale the recycled materials. Mr. Brian asked how the recycled material would be collected. Was the company going take the recycle bins from Republic Services or was the company going to put out its own recycle bins at business and curbsides?

Mr. Aguilera stated that Mr. Connett and the vendor would need to provide the Committee assurance that at no time the proposed program was going to take work from of Nevada citizens. He appreciated that Mr. Brian received notice and made his public comments. Mr. Brian said the recycling industry was a highly regulated industry through the Southern Nevada Health district and through all the municipalities including Clark County. Typically when a proposal like this comes forward, he gets a notice asking for a potential business impact statement. He had

never received notice regarding this Committee meeting or about a new recycling facility proposal. Mr. Brian asked for clarification if the potential recycling program was still under consideration and was being delayed for the time being. Chairman Ohrenschall responded the program was under consideration, the Committee was an advisory committee that reports back to the IFC. However, the decision of what programs run in the prison industries was up to NDOC. Mr. Brian said he would like the Committee to consider some broader questions. Do we want a prison program competing directly with local jobs in any form? He further stated it did not appear that NRS 209.461 required the program to pay minimum wage to inmates. If he had to go out and compete against labor that was not required to pay minimum wage, his business would have a significant disadvantage. He was not suggesting to eliminate the prison programs. He started his career as a prosecutor in Clark County, and tried to give felons every opportunity to rehabilitate themselves. He just did not want the prison industry program to impact private businesses.

Director Cox appreciated Mr. Brian testifying today. One of the reasons this potential program was brought forward today was to hear from others on its potential impact. He told the Committee, at previous meetings, the citizens that were currently working in this industry would not be impacted from the proposed program. He would certainly research the affect the proposed recycling program would have on Clark County and Las Vegas businesses.

Chairman Ohrenschall asked if Mr. Brian's company offered a Material Recovery Facility (MRF) in Las Vegas. Mr. Brian explained they did offer one in Las Vegas. They did not take any hazardous or wet waste. In response to Chairman Ohrenschall's question, Mr. Brian indicated his company employed 30-40 employees in its recycling division with an average salary \$18-\$24 an hour for truck drivers, and \$9.25 per hour for entry level labor positions.

Chairman Ohrenschall asked Mr. Brian how his company acquired its recyclable materials. Mr. Brian responded the company owned its own bins that were set out at construction sites. The recyclable materials are separate from the trash that goes to Republic Services.

Mr. Tom Geracy testified he was a business agent for Teamsters #631. He represented 1,000 Republic Services workers. When Republic Services transitions to stream line, the Teamsters Union was told 70-80 jobs would be lost. Republic Services had a green, plastic and can recycle department. He was not sure how many more jobs would be lost if the prison industry program started its own recycling facility. Last year another 80 jobs at Republic Services were lost when the company began using a non-union transfer company to haul trash to the landfill. The truck drivers earned \$28.48 an hour, with benefits of \$9.50 per month plus \$6.24 for retirement. He told the Committee the union could not keep losing jobs in the recycle industry.

V. REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS FOR THE YEAR ENDING JUNE 30, 2012.

Ms. Diane Dastal reviewed the Silver State Industries' Financial statements for the year ending June 30, 2012, from page 17 of the meeting packet (Exhibit A).

Mr. Connett informed the Committee the Wild Horse Program conducted an adoption at the ranch that was very successful. All the horses shown were adopted. He also provided the Committee with news articles highlighting the use of wild horses adopted by the border patrol (Exhibit C).

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

Mr. Connett informed the Committee that the prison industry supervisor at the Lovelock facility was retiring. Mr. Connett further stated the mattress shop would move to Northern Nevada Correctional Center (NNCC). The drapery shop was scheduled to move to Lovelock Correctional Center (LLC). The Ely State Prison (ESP) would not have an industrial program because the space was going to be used for inmate housing. There would be 15 inmates losing their prison industry jobs at ESP after the drapery shop had been relocated.

Mr. Connett informed the Committee that the Florence McClure Women's Correctional facility needed capital improvements that would result in greater inmate employment. The NDOC would like to install a gate, chain link fence, and a rollup door. The improvements would cost approximately \$25,000. He suggested capital improvement funds should be used to complete the capital improvements. Assemblyman Ellison asked if funds could be transferred from other budgets to cover the improvements. Mr. Connett said CIP funds were designed to be used specifically for capital improvements. He would like to make use of these funds. Director Cox said Jacobs Trading Company had expanded to two shifts a day at Florence McClure Women's Correctional Center. The company looked at additional ways to increase the production and employ more inmates. The capital improvements would allow the company to expand.

ASSEMBLYMAN ELLISON MADE A MOTION TO RECOMMEND TO TRANSFER FUNDING FROM THE CAPITAL IMPROVEMENT PROJECTS ACCOUNT, NOT TO EXCEED \$30,000, TO UPGRADE THE PRISON INDUSTRY FACILITY LOCATED AT FLORENCE MCCLURE WOMEN'S CORRECTIONAL CENTER.

MR. PULIZ SECONDED THE MOTION.

Mr. Anthony asked if the funds mentioned were the funds from the Prison Industry account pursuant to NRS 209.189 or if the fund were for new construction. Mr. Connett said he was not aware of the provisions of NRS 209.189. Mr. Anthony stated according to the statute, NDOC applied to the Board of Examiners for such transfers. The transfer was in the purview of the State Board of Examiners. He reminded the Committee that it was advisory in nature. He further stated it would be appropriate for the Committee to write a letter of support to the Interim Finance Committee through the Chairman in support of the capital improvements.

ASSEMBLYMAN ELLISON AMENDED HIS MOTION FOR THE COMMITTEE TO WRITE A LETTER OF SUPPORT THROUGH THE CHAIRMAN TO TRANSFER FUNDS FROM THE CAPITAL IMPROVEMENT PROJECTS ACCOUNT, NOT TO EXCEED \$30,000, TO UPGRADE THE PRISON INDUSTRY FACILITY LOCATED AT FLORENCE MCCLURE WOMEN'S CORRECTIONAL CENTER.

MR. PULIZ SECONDED THE MOTION.

MOTION PASSED UNANIMOUSLY.

VII. PUBLIC COMMENT.

There was no public comment.

VIII. ADJOURNMENT.

Chairman Ohrenschall stated it was a pleasure serving with the members on this Committee. He also thanked staff for all of their help. He said it was an honor to serve with Senator Rhoads.

Respectfully submitted,

Cheryl Harvey, Committee Secretary

APPROVED:

Assemblyman James Ohrenschall

Date:_____

OVERVIEW OF SENATE BILL 478 APPROVED BY THE 2013 LEGISLATURE

CHAPTER.....

AN ACT relating to offenders; requiring the Director of the Department of Corrections to provide certain information to the Committee on Industrial Programs; requiring private employers who enter into contracts for the employment of offenders to comply with certain requirements; revising the membership of the Committee; revising the duties of the Committee; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law requires the Director of the Department of Corrections to establish programs for the employment of offenders who are committed to the custody of the Department. (NRS 209.459, 209.461) **Section 1** of this bill requires the Director to: (1) provide to the Committee on Industrial Programs certain information concerning the potential impacts the employment of offenders may have on private employers and labor in this State; and (2) submit any contract regarding such employment to the State Board of Examiners for approval. **Section 1.3** of this bill additionally requires: (1) the Director to submit to the Director of the Legislative Counsel Bureau a report every 5 years concerning contracts with private employers for the employment of offenders and the impacts such employment may have on private industry; (2) the Director to appear before the Committee and submit certain information if a state-sponsored program for the employment of offenders does not operate profitably under certain circumstances; and (3) all private employers who contract for the employment of offenders to comply with certain requirements.

Existing law establishes the Committee on Industrial Programs and directs the Committee to review and report on certain issues relating to programs for the employment of offenders. (NRS 209.4817, 209.4818) **Section 1.7** of this bill adds to the Committee an additional member representing organized labor in this State. **Section 2** of this bill: (1) requires the Committee to review and make recommendations on certain information concerning any proposed new contract with a private employer for the employment of offenders; and (2) revises provisions relating to the review of state-sponsored industrial programs for profitability.

EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 209.459 is hereby amended to read as follows:
209.459 **1.** The Director shall :

(a) Submit a report to the Committee on Industrial Programs identifying the potential impacts of any new program for the employment of offenders on private employers and labor in this State. In preparing such a report, the Director shall include any information required pursuant to paragraph (b) of subsection 7 of



NRS 209.461 and must perform due diligence in obtaining such information from:

(1) The Department of Employment, Training and Rehabilitation;

(2) The Department of Business and Industry;

(3) The Office of Economic Development; and

(4) Representatives of organized labor in this State.

(b) Seek and present the recommendations of the Committee on Industrial Programs to the Board of State Prison Commissioners and, with the approval of the Board of State Prison Commissioners, establish and carry out a program for the employment of offenders in services and manufacturing conducted by institutions of the Department or by private employers.

2. Before any new program for the employment of offenders is established pursuant to this section, the Director shall submit any contract related to the employment of such offenders to the State Board of Examiners for approval.

Sec. 1.3. NRS 209.461 is hereby amended to read as follows:
209.461 1. The Director shall:

(a) To the greatest extent possible, approximate the normal conditions of training and employment in the community.

(b) Except as otherwise provided in this section, to the extent practicable, require each offender, except those whose behavior is found by the Director to preclude participation, to spend 40 hours each week in vocational training or employment, unless excused for a medical reason or to attend educational classes in accordance with NRS 209.396. The Director shall require as a condition of employment that an offender sign an authorization for the deductions from his or her wages made pursuant to NRS 209.463. Authorization to make the deductions pursuant to NRS 209.463 is implied from the employment of an offender and a signed authorization from the offender is not required for the Director to make the deductions pursuant to NRS 209.463.

(c) Use the earnings from services and manufacturing conducted by the institutions and the money paid by private employers who employ the offenders to offset the costs of operating the prison system and to provide wages for the offenders being trained or employed.

(d) Provide equipment, space and management for services and manufacturing by offenders.

(e) Employ craftsmen and other personnel to supervise and instruct offenders.



(f) Contract with governmental agencies and private employers for the employment of offenders, including their employment on public works projects under contracts with the State and with local governments.

(g) Contract for the use of offenders' services and for the sale of goods manufactured by offenders.

(h) On or before January 1, 2014, and every 5 years thereafter, submit a report to the Director of the Legislative Counsel Bureau for distribution to the Committee on Industrial Programs. The report must include, without limitation, an analysis of existing contracts with private employers for the employment of offenders and the potential impact of those contracts on private industry in this State.

(i) Submit a report to each meeting of the Interim Finance Committee identifying any accounts receivable related to a program for the employment of offenders.

2. Every program for the employment of offenders established by the Director must:

(a) Employ the maximum number of offenders possible;

(b) Except as otherwise provided in NRS 209.192, provide for the use of money produced by the program to reduce the cost of maintaining the offenders in the institutions;

(c) Have an insignificant effect on the number of jobs available to the residents of this State; and

(d) Provide occupational training for offenders.

3. An offender may not engage in vocational training, employment or a business that requires or permits the offender to:

(a) Telemarket or conduct opinion polls by telephone; or

(b) Acquire, review, use or have control over or access to personal information concerning any person who is not incarcerated.

4. Each fiscal year, the cumulative profits and losses, if any, of the programs for the employment of offenders established by the Director must result in a profit for the Department. The following must not be included in determining whether there is a profit for the Department:

(a) Fees credited to the Fund for Prison Industries pursuant to NRS 482.268, any revenue collected by the Department for the leasing of space, facilities or equipment within the institutions or facilities of the Department, and any interest or income earned on the money in the Fund for Prison Industries.

(b) The selling expenses of the Central Administrative Office of the programs for the employment of offenders. As used in this paragraph, "selling expenses" means delivery expenses, salaries of



sales personnel and related payroll taxes and costs, the costs of advertising and the costs of display models.

(c) The general and administrative expenses of the Central Administrative Office of the programs for the employment of offenders. As used in this paragraph, "general and administrative expenses" means the salary of the Deputy Director of Industrial Programs and the salaries of any other personnel of the Central Administrative Office and related payroll taxes and costs, the costs of telephone usage, and the costs of office supplies used and postage used.

5. If any state-sponsored program incurs a net loss for 2 consecutive fiscal years, the Director shall appear before the Committee on Industrial Programs to explain the reasons for the net loss and provide a plan for the generation of a profit in the next fiscal year. If the program does not generate a profit in the third fiscal year, the Director shall take appropriate steps to resolve the issue.

6. Except as otherwise provided in subsection 3, the Director may, with the approval of the Board:

(a) Lease spaces and facilities within any institution of the Department to private employers to be used for the vocational training and employment of offenders.

(b) Grant to reliable offenders the privilege of leaving institutions or facilities of the Department at certain times for the purpose of vocational training or employment.

~~6.1~~ *7. Before entering into any contract with a private employer for the employment of offenders pursuant to subsection 1, the Director shall obtain from the private employer:*

(a) A personal guarantee to secure an amount fixed by the Director but not less than 100 percent of the prorated annual amount of the contract, a surety bond made payable to the State of Nevada in an amount fixed by the Director but not less than 100 percent of the prorated annual amount of the contract and conditioned upon the faithful performance of the contract in accordance with the terms and conditions of the contract, or a security agreement to secure any debt, obligation or other liability of the private employer under the contract, including, without limitation, lease payments, wages earned by offenders and compensation earned by personnel of the Department.

(b) A detailed written analysis on the estimated impact of the contract on private industry in this State. The written analysis must include, without limitation:



(1) The number of private companies in this State currently providing the types of products and services offered in the proposed contract.

(2) The number of residents of this State currently employed by such private companies.

(3) The number of offenders that would be employed under the contract.

(4) The skills that the offenders would acquire under the contract.

8. The provisions of this chapter do not create a right on behalf of the offender to employment or to receive the federal or state minimum wage for any employment and do not establish a basis for any cause of action against the State or its officers or employees for employment of an offender or for payment of the federal or state minimum wage to an offender.

9. *As used in this section, "state-sponsored program" means a program for the vocational training or employment of offenders which does not include a contract of employment with a private employer.*

Sec. 1.7. NRS 209.4817 is hereby amended to read as follows:

209.4817 1. The Committee on Industrial Programs is hereby created.

2. The Committee consists of the Director of the Department, the Administrator of the Purchasing Division of the Department of Administration and ~~eight~~ **nine** regular members appointed by the Interim Finance Committee as follows:

(a) Two members of the Senate.

(b) Two members of the Assembly.

(c) Two persons who represent manufacturing in this State.

(d) One person who represents business in this State.

(e) ~~One person~~ **Two persons** who ~~represents~~ **represent** organized labor in this State.

3. The regular members of the Committee shall select a Chair from among their membership.

4. Each regular member of the Committee appointed by the Interim Finance Committee must be appointed to a term of 2 years and may be reappointed.

5. At the first meeting of the Committee following each regular session of the Legislature, the Chair of the Committee may appoint ~~eight~~ **nine** alternate members to serve in the place of regular members who are unable to attend a meeting or perform their duties, as follows:



(a) Two members of the Senate, each of whom may serve in the place of a member of the Senate appointed pursuant to paragraph (a) of subsection 2.

(b) Two members of the Assembly, each of whom may serve in the place of a regular member of the Assembly appointed pursuant to paragraph (b) of subsection 2.

(c) Two persons who represent manufacturing in this State, each of whom may serve in the place of a person appointed pursuant to paragraph (c) of subsection 2.

(d) One person who represents business in this State, who may serve in the place of the person appointed pursuant to paragraph (d) of subsection 2.

(e) ~~{One person}~~ *Two persons* who ~~{represents}~~ *represent* organized labor in this State, ~~{who}~~ *each of whom* may serve in the place of ~~{the}~~ *a* person appointed pursuant to paragraph (e) of subsection 2.

↪ Each alternate member appointed by the Chair must be appointed to a term of 2 years and may be reappointed.

6. Except during a regular or special session of the Legislature, each Legislator who is a regular member or an alternate member of the Committee is entitled to receive the compensation provided for a majority of the members of the Legislature during the first 60 days of the preceding regular session for each day or portion of a day during which the Legislator attends a meeting of the Committee or is otherwise engaged in the work of the Committee. Each nonlegislative regular member or alternate member appointed by the Interim Finance Committee or the Chair of the Committee on Industrial Programs is entitled to receive compensation for the member's service on the Committee on Industrial Programs in the same amount and manner as the legislative regular members or alternate members whether or not the Legislature is in session. Each nonlegislative regular member or alternate member of the Committee is entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally. Each Legislator who is a regular member or an alternate member of the Committee is entitled to receive the per diem allowance provided for state officers and employees generally and the travel expenses provided pursuant to NRS 218A.655. All compensation, allowances and travel expenses must be paid from the Fund for Prison Industries.

Sec. 2. NRS 209.4818 is hereby amended to read as follows:
209.4818 1. The Committee on Industrial Programs shall:



(a) Be informed on issues and developments relating to industrial programs for correctional institutions;

(b) Submit a semiannual report to the Interim Finance Committee before July 1 and December 1 of each year on the status of current and proposed industrial programs for correctional institutions;

(c) Report to the Legislature on any other matter relating to industrial programs for correctional institutions that it deems appropriate;

(d) Meet at least quarterly and at the call of the Chair to review the operation of current and proposed industrial programs;

(e) Recommend three persons to the Director for appointment as the Deputy Director for Industrial Programs whenever a vacancy exists;

(f) Before any new industrial program is established by the Director, ~~[in an institution of the Department,]~~ review the proposed program for compliance with the requirements of subsections 2, 3, ~~[and]~~ 4 *and 7* of NRS 209.461 and submit to the Director its recommendations concerning the proposed program; and

(g) Review each *state-sponsored* industry program established pursuant to subsection 2 of NRS 209.461 to determine whether the program is operating profitably. ~~[within 3 years after its establishment.]~~ If the Committee determines that a program ~~[is not operating profitably within 3 years after its establishment,]~~ *has incurred a net loss in 3 consecutive fiscal years,* the Committee shall report its finding to the Director with a recommendation regarding whether the program should be continued or terminated. *If the Director does not accept the recommendation of the Committee, the Director shall submit a written report to the Committee setting forth his or her reasons for rejecting the recommendation.*

2. Upon the request of the Committee on Industrial Programs, the Director and the Deputy Director for Industrial Programs shall provide to the Committee any information that the Committee determines is relevant to the performance of the duties of the Committee.

3. As used in this section, "state-sponsored industry program" means a program for the vocational training or employment of offenders which does not include a contract of employment with a private employer.

Sec. 3. This act becomes effective on July 1, 2013.



LETTER OF INTENT ISSUED BY THE 2013 MONEY COMMITTEES
REGARDING PRISON INDUSTRIES' REPORTING REQUIREMENTS TO THE
COMMITTEE ON INDUSTRIAL PROGRAMS AND THE
INTERIM FINANCE COMMITTEE



Nevada Legislature

August 29, 2013

James Greg Cox, Director
Nevada Department of Corrections
P.O. Box 7011
Carson City, Nevada, 89701

Dear Mr. Cox:

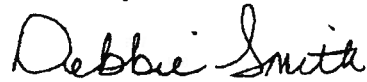
As you know, the money committees had several discussions during the 2013 Legislative Session regarding the projections recommended by the Governor for Prison Industries' Miscellaneous Sales revenues over the 2013-15 biennium. The Executive Budget projected that Miscellaneous Sales generated by Prison Industries would increase by 18.3 percent over the 2013-15 biennium; however, no justification was provided by the Nevada Department of Corrections (NDOC) to support the increase. From FY 2008 to FY 2012, this revenue source has declined by 26.5 percent, while remaining flat in FY 2013 when compared to Miscellaneous Sales revenues generated in FY 2012. The money committees expressed concern that if Miscellaneous Sales revenues did not meet the projected 18.3 percent increase over the 2013-15 biennium, the program's operating expenditures would exceed available funding, retained earnings would be depleted, and the department would be required to shut down prison industry programs.

The department maintained its stance that Miscellaneous Sales revenues would increase by 18.3 percent over the 2013-15 biennium; therefore, the money committees approved the projected increase in revenues, but directed the NDOC to report to the Committee on Industrial Programs the Miscellaneous Sales and retained earnings generated by Prison Industries each quarter, as well as the steps Prison Industries is taking to ensure it is not relying on its retained earnings to support ongoing operating expenditures. The first report should cover the period from July 2013 to September 2013 and this and all subsequent reports should be submitted to the Fiscal Analysis Division within 30 days of the close of each quarterly period for presentation to the Committee on Industrial Programs.

If after June 30, 2014, Prison Industries continues to support its operating expenditures with retained earnings, the money committees request the NDOC report to the Interim Finance Committee the steps the department is taking to ensure Prison Industries generates sufficient revenue to meet its expenditure obligations. If applicable, this report should be provided to the Fiscal Analysis Division within 30 days of the close of FY 2014 for presentation to the Interim Finance Committee.

James Greg Cox, Director
Nevada Department of Corrections
August 29, 2013
Page 2

Sincerely,



Debbie Smith, Chair
Senate Committee on Finance



Maggie Carlton, Chair
Assembly Committee on Ways and Means

cc: Scott Sisco, Deputy Director for Support Services, Nevada Department of Corrections
Jeff Mohlenkamp, Director, Department of Administration

REVIEW THE NUMBER OF INMATES THAT WORKED
JULY 2011 THROUGH AUGUST 2013

NDOC Industrial Programs Report of Inmates Working		FY 2012													
INST	SHOP	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2012 MO. AVG	
ESP/LCC	Drapery	20	11	15	15	15	15	17	18	15	16	18	17	16	
HDSP	Alpine Steel (private)	6	12	16	21	22	22	19	18	22	15	16	13	17	
HDSP	DMD/TJ Wholesale (private)	74	72	72	72	60	59	63	69	65	66	63	65	67	
LCC	Garment	64	71	74	74	65	68	71	70	36	63	64	62	65	
NNCC	Metal	23	22	19	19	17	20	6	16	16	15	13	19	17	
NNCC	Ranch	34	27	27	27	27	21	23	23	24	25	25	25	26	
NNCC	Furniture	37	49	38	38	25	54	50	57	59	41	45	49	45	
LCC	Mattress	18	21	21	21	21	20	21	19	20	19	15	16	19	
NSP	Tag Plant	13	14	14	14	14	13	13	13	13	12	-	-	11	
NNCC	Printing/Book Bindery	29	22	20	20	20	18	17	17	17	20	20	23	20	
SDCC	Auto/Upholstery	30	30	30	30	27	30	27	32	33	29	30	29	30	
ISCC	M-Truss (community)	11	10	6	6	-	-	4	-	9	11	-	-	5	
SDCC	DMD/TJ Wholesale (private)	1	-	-	-	-	4	-	-	1	2	-	-	1	
SDCC	Opportunity Village														
FMWCC	Jacobs Trading (private)	41	42	41	41	41	39	39	43	48	41	40	38	41	
NNCC	Horses	23	18	18	18	22	23	18	16	19	19	17	14	19	
WSCC	DMD/TJ Wholesale (private)	13	13	12	12	12	12	12	12	12	12	10	8	12	
Grand Total		437	434	423	428	388	418	400	423	409	406	376	378	410	
Average Inmate Population		12,626	12,598	12,584	12,548	12,478	12,477	12,555	12,516	12,460	12,437	12,486	12,564	12,527	
Percent of Inmate Population Employed		3.5%	3.4%	3.4%	3.4%	3.1%	3.4%	3.2%	3.4%	3.3%	3.3%	3.0%	3.0%	3.3%	

NDOC Industrial Programs Report of Inmates Working		FY 2013													
INST	SHOP	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2013 MO. AVG	
ESP/LCC	Drapery	16	19	18	16	17	16	16	13	10	30	24	40	20	
HDSP	Alpine Steel (private)	13	13	15	15	15	15	-	-	-	-	-	-	7	
HDSP	DMD/TJ Wholesale (private)	100	99	98	100	101	99	124	127	125	125	125	125	112	
LCC	Garment	57	66	78	85	92	78	82	82	82	75	57	73	76	
NNCC	Metal	18	15	23	20	13	13	12	15	20	14	17	18	17	
NNCC	Ranch	26	25	24	24	23	24	21	23	27	26	27	27	25	
NNCC	Furniture	38	34	43	41	32	29	50	29	37	31	42	55	38	
LCC	Mattress	15	20	21	14	-	11	11	10	10	10	10	11	12	
NSP	Tag Plant	12	8	7	12	10	9	8	8	8	13	13	12	10	
NNCC	Printing/Book Bindery	25	25	25	26	26	28	28	27	32	34	28	27	28	
SDCC	Auto/Upholstery	29	29	24	24	26	25	25	23	23	22	22	24	25	
ISCC	M-Truss (community)	-	11	10	10	9	-	4	4	4	4	8	-	5	
SDCC	DMD/TJ Wholesale (private)	-	-	-	-	58	45	45	-	-	-	-	-	12	
SDCC	Opportunity Village	33	49	19	28	18	55	55	66	57	55	48	48	44	
FMWCC	Jacobs Trading (private)	38	46	46	47	48	47	47	47	47	47	43	44	46	
NNCC	Horses	16	17	16	17	20	24	21	20	20	18	20	19	19	
WSCC	DMD/TJ Wholesale (private)	8	8	8	8	7	7	7	7	8	10	10	10	8	
Grand Total		444	484	475	487	515	525	556	501	510	514	494	533	503	
Average Inmate Population		12,543	12,625	12,646	12,619	12,565	12,535	12,562	12,586	12,643	12,665	12,650	12,644	12,607	
Percent of Inmate Population Employed		3.5%	3.8%	3.8%	3.9%	4.1%	4.2%	4.4%	4.0%	4.0%	4.1%	3.9%	4.2%	4.0%	

NDOC Industrial Programs Report of Inmates Working		FY 2014													
INST	SHOP	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2014 MO. AVG	
ESP/LCC	Drapery	23	21											22	
HDSP	Alpine Steel (private)	-	-											-	
HDSP	DMD/TJ Wholesale (private)	125	123											124	
LCC	Garment	72	77											75	
NNCC	Metal	17	16											17	
NNCC	Ranch	28	26											27	
NNCC	Furniture	42	38											40	
LCC	Mattress	11	11											11	
NSP	Tag Plant	12	12											12	
NNCC	Printing/Book Bindery	28	27											28	
SDCC	Auto/Upholstery	22	35											29	
ISCC	M-Truss (community)	-	-											-	
SDCC	DMD/TJ Wholesale (private)	-	-											-	
SDCC	Opportunity Village	43	35											39	
FMWCC	Jacobs Trading (private)	42	48											45	
NNCC	Horses	20	17											19	
WSCC	DMD/TJ Wholesale (private)	9	9											9	
Grand Total		494	495											495	
Average Inmate Population		12,713	12,790												
Percent of Inmate Population Employed		3.9%	3.9%											3.9%	

XII.

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

NEVADA DEPARTMENT OF CORRECTIONS
Prison Industries Payroll Assessments

	FY 2012				FY 2013				FY 2014 YTD - September 2013			
	(a) R & B	(b) PICl	(c) VCF	TOTAL	(a) R & B	(b) PICl	(c) VCF	TOTAL	(a) R & B	(b) PICl	(c) VCF	TOTAL
Northern Nevada Correctional Ctr.	62,828	12,822	12,822	88,472	54,636	11,150	11,150	76,936	12,115	2,473	2,473	17,061
Stewart Conservation Camp	41,106	8,389	8,389	57,884	41,776	8,526	8,526	58,828	7,356	1,501	1,501	10,358
Lovelock Correctional Ctr.	37,307	7,614	7,614	52,535	60,241	12,294	12,294	84,829	11,270	2,300	2,300	15,870
Florence McClure Womens Correctional Ctr.	131,319	26,800	26,800	184,919	147,919	30,188	30,188	208,295	29,420	6,004	6,004	41,428
Southern Desert Correctional Ctr.	30,103	6,143	6,143	42,389	30,669	6,259	6,259	43,187	3,369	688	688	4,745
Warm Springs Correctional Ctr.	5,142	1,049	1,049	7,240	3,295	672	672	4,639	587	120	120	827
Three Lakes Valley Conservation Camp	4,599	938	938	6,475	6,906	1,409	1,409	9,724	0	0	0	0
High Desert State Prison	71,138	14,518	14,518	100,174	86,368	17,626	17,626	121,620	10,271	2,096	2,096	14,463
Ely State Prison	7,270	1,484	1,484	10,238	0	0	0	0	0	0	0	0
Total	\$390,812	\$79,757	\$79,757	\$550,326	\$431,810	\$88,124	\$88,124	\$608,058	\$74,388	\$15,182	\$15,182	\$104,752

(a) Room and Board (R & B)

Twenty-four and one-half percent of the inmate's gross wages are assessed to defray some of the costs incurred by the State to house the inmates.

(b) Prison Industries Capital Improvement Fund (PICl)

Five percent of the inmates gross wages are assessed for capital projects to house new or expanded Prison Industry programs.

(c) Victims of Crime Fund (VCF)

Five percent of the inmate's gross wages are assessed for the Fund for Compensation of Victims of Crime.

REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS
FOR THE NINE-MONTHS ENDING MARCH 31, 2013

XIII.

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
CONSOLIDATED BALANCE SHEETS**
As of March 31, 2013 and 2012

ASSETS

Current Assets:	2013	2012
Cash - Unrestricted		
Prison Industries	\$ 541,848	\$ 191,699
Prison Ranch	526,099	190,433
Total Unrestricted Cash	<u>\$ 1,067,947</u>	<u>382,132</u>
Accounts Receivable	1,157,895	1,026,489
Less Allowance for Doubtful Accounts	<u>(9,251)</u>	<u>(9,220)</u>
Net Accounts Receivable	1,148,644	1,017,269
Treasurer's Interest Receivable	-	-
Prepaid Expenses	1,689	14,125
PI Capital Revenue Receivable	14,486	6,482
Deposits - Business Licenses	15,000	15,000
Livestock	225,970	234,300
Inventories	914,233	1,004,705
Harvested Crops	245,693	319,099
Total Current Assets	<u>3,633,662</u>	<u>2,993,112</u>
Land, land improvements, property and equipment at cost	4,016,161	4,016,161
Less accumulated depreciation	<u>(3,193,380)</u>	<u>(3,086,494)</u>
Net Property and Equipment	822,781	929,667
Other Assets:		
Cash - Restricted - PI Capital	366,259	283,713
Total Other Assets	366,259	283,713
Total Assets	<u>\$ 4,822,702</u>	<u>\$ 4,206,492</u>

LIABILITIES AND CAPITAL BALANCE

Current Liabilities:		
Accounts Payable	\$ 287,213	\$ 178,279
Unearned Revenue	329,459	306,363
Rent and Other Deposits	10,000	10,000
Wages Payable	63,582	-
Accrued Warranties	-	-
Current Accrued Compensated Absences	103,402	106,709
Total Current Liabilities	793,656	601,351
Long-Term Liabilities:		
Accrued Compensated Absences	90,943	86,378
Total Long-Term Liabilities	90,943	86,378
Total Liabilities	884,599	687,729
Capital:		
Contributed Capital	\$ 2,193,440	2,193,440
Retained Earnings	1,744,664	1,325,323
Total Capital	3,938,104	3,518,763
Total Liabilities and Capital Balance	<u>\$ 4,822,702</u>	<u>\$ 4,206,492</u>

NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(With Interfund Sales Eliminated)
For the nine months ending March 31, 2013 and 2012

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Revenue from Operations:		
Industry Sales	\$ 1,683,908	\$ 1,664,382
Less Cost of Sales	<u>(1,252,412)</u>	<u>(1,304,804)</u>
Gross Profit from Industry sales	<u>\$ 431,496</u>	<u>359,579</u>
Ranch Sales	1,999,078	1,676,210
Less Cost of Sales	<u>(1,165,850)</u>	<u>(1,328,451)</u>
Gross Profit from Ranch sales	<u>833,228</u>	<u>347,759</u>
Industry Freight	(16,212)	5,742
General Manufacturing Expenses:	<u>(801,186)</u>	<u>(798,045)</u>
Net Income from Operations:	447,327	(84,965)
General and Administrative Expenses:	(647,614)	(628,381)
Other Income and Expenses	<u>690,994</u>	<u>547,463</u>
Net Income	<u>\$ 490,707</u>	<u>\$ (165,883)</u>

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
CONSOLIDATED STATEMENTS OF OPERATIONS**

By Budget Account

(With Interfund Sales Eliminated)
For the nine months ending March 31, 2013 and 2012

Budget Account 3719 - Prison Industries

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Revenue from Operations:		
Industry Sales	\$ 1,683,908	\$ 1,664,382
Less Cost of Sales	<u>(1,252,412)</u>	<u>(1,304,804)</u>
Gross Profit from Industry sales	\$ 431,496	359,579
Industry Freight	(16,212)	5,742
Institutional Overhead Expenses:	<u>(399,568)</u>	<u>(441,504)</u>
Net Income from Operations:	15,717	(76,183)
General and Administrative Expenses:	(647,614)	(628,381)
Other Income and Expenses	<u>617,927</u>	<u>492,437</u>
Net Income (Loss)	<u>\$ (13,970)</u>	<u>\$ (212,127)</u>

Budget Account 3727 - Prison Ranch

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Revenue from Operations:		
Ranch Sales	\$ 1,999,078	\$ 1,676,210
Less Cost of Sales	<u>(1,165,850)</u>	<u>(1,328,451)</u>
Gross Profit from Ranch sales	\$ 833,228	347,759
Institutional Overhead Expenses:	<u>(401,618)</u>	<u>(356,541)</u>
Net Income	<u>\$ 431,610</u>	<u>\$ (8,782)</u>

Budget Account 3728 - P I Capital Projects

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Revenue:		
Inmate Wage Assessments	\$ 72,918	\$ 54,994
Other Income (Interest)	<u>149</u>	<u>32</u>
Net Income	<u>\$ 73,067</u>	<u>\$ 55,026</u>

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
CONSOLIDATED STATEMENTS OF CHANGES IN RETAINED EARNINGS**
For the nine months ending March 31, 2013 and 2012

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Unreserved Retained Earnings at Beginning of Year	\$ 1,253,957	\$ 1,491,749
Current Period Net Income	490,707	(165,883)
Prior Period Adjustment	-	(543)
Unreserved Retained Earnings at End of Year	<u>1,744,664</u>	<u>1,325,323</u>
Contributed Capital	<u>2,193,440</u>	<u>2,193,440</u>
Total Fund Equity	<u>\$ 3,938,104</u>	<u>\$ 3,518,763</u>

These financial statements were compiled from unaudited accounting data and without footnotes, as such, its use is intended for informec users only.

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
CENTRAL ADMINISTRATION
Statements of Operations**

For the nine months ending March 31, 2013 and 2012

Revenue:	<u>March 31, 2013</u>	<u>2012</u>
License Plate Fees	\$ 381,923	\$ 359,707
Capital Improvement	<u>72,918</u>	<u>54,994</u>
Rental Income:		
Jacob's Trading Company	5,400	5,400
Alpine Steel	15,000	22,500
Diamond Mountain Distributors at HDSP	<u>32,500</u>	<u>22,500</u>
Total Rental Income	<u>52,900</u>	<u>50,400</u>
Administrative Fees: (Net of reimbursements)		
Jacob's Trading Company	13,610	53,927
Miscellaneous Programs	6,976	3,154
Diamond Mountain Distributors	(39,225)	4,899
Alpine Steel	7,920	13,749
Most Wanted	(254)	12
Unallocated C/O Costs	(18,835)	(28,547)
Prison Ranch	<u>27,000</u>	<u>-</u>
Total Administrative Fees	<u>(2,808)</u>	<u>47,194</u>
Miscellaneous Revenue	<u>-</u>	<u>529</u>
Total Revenue	<u>\$ 504,933</u>	<u>\$ 512,824</u>

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
CENTRAL ADMINISTRATION**

Statements of Operations

For the nine months ending March 31, 2013 and 2012

(Continued)

General and Administrative Expenses:	<u>March 31, 2013</u>	<u>2012</u>
Staff Salaries	\$ 311,251	\$ 306,197
Staff Fringe Benefits and other Payroll expenses	136,667	124,011
Travel expenses	7,169	1,916
Rent	40,312	40,317
Office expenses	2,101	3,169
Telephone	7,199	5,980
Postage and Mailing	704	981
Advertising/Public Relations	23,861	11,272
General Insurance	4,789	4,829
Vehicle Operating expenses	2,296	4,762
Dues and Subscriptions	2,354	3,014
Depreciation expense	64,934	64,934
Improvements and Small Equipment	861	198
Miscellaneous expenses	<u>66,041</u>	<u>69,028</u>
Total General and Administrative Expenses	\$ (670,539)	(640,608)
Net Loss from Operations	(165,606)	(127,784)
Other Income		
Interest Revenue	1,052	200
Finance Charges	<u>30,138</u>	<u>34,439</u>
Earnings available for program support (Net Loss)	\$ (134,416)	\$ (93,145)

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
NNCC MATTRESS SHOP
Statements of Operations
For the nine months ending March 31, 2013 and 2012**

	March 31, 2013	March 31, 2012
Revenue:		
Sales - Mattress	\$ 233,888	\$ 162,036
Less Cost of Sales:		
Direct Labor	\$ 7,203	4,627
Materials	122,382	93,919
Overhead	14,548	5,768
Total Cost of Sales	(144,133)	(104,314)
Gross Profit	89,755	57,722
Freight Revenues	12,509	4,285
Freight Expenses	(7,623)	(2,817)
Freight (Net of Revenues/Expenses)	4,886	1,468
Contribution to G & A expenses - Mattress	\$ 94,641	\$ 59,190
 General and Administrative Manufacturing Expenses:		
Salaries	18,299	19,440
Fringe Benefits and other Payroll expenses	6,411	11,449
Inmate Labor - Office	3,458	3,801
Inmate Workers' Compensation Insurance	284	242
Travel	628	89
Miscellaneous Office expenses	1,236	2,022
Telephone	447	393
Postage and Mailing	30	44
Dues and Subscriptions	650	775
Utilities	5,207	5,207
Miscellaneous expenses	537	1,118
Capitalized Institutional Overhead	(2,713)	(9,340)
Total General and Administrative Manufacturing Expenses	(34,474)	(35,240)
Earnings available for program support	\$ 60,167	\$ 23,950

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
NNCC PRINTING/BINDERY SHOP**

Statements of Operations

For the nine months ending March 31, 2013 and 2012

	March 31, 2013	March 31, 2012
Revenue:		
Sales	\$ 388,548	\$ 337,626
Less Cost of Sales:		
Direct Labor	\$ 25,047	18,787
Materials	211,214	166,946
Overhead	38,261	25,877
Total Cost of Sales	(274,522)	(211,610)
Gross Profit	114,026	126,016
Freight Revenues	9,137	5,941
Freight Expenses	(6,673)	(7,293)
Freight (Net of Revenues/Expenses)	2,464	(1,352)
Contribution to G & A expenses	\$ 116,490	124,664
 General and Administrative Manufacturing Expenses:		
Salaries	49,312	46,809
Fringe Benefits and other Payroll expenses	15,282	13,124
Inmate Labor - Office	5,893	6,326
Inmate Workers' Compensation Insurance	581	615
Travel	(9)	-
Office expenses	264	387
Telephone	125	375
Advertising/Public Relations	25	-
Dues and Subscriptions	238	-
Improvements and Small Equipment	-	606
Buildings & Grounds Improvements	203	13,432
Utilities	4,260	3,207
Miscellaneous expenses	3,115	4,360
Capitalized Institutional Overhead	234	(69)
Warranty expense	111	-
Total General and Administrative Manufacturing Expenses	(79,634)	(89,172)
Earnings available for program support	\$ 36,856	\$ 35,492

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
NNCC FURNITURE AND METAL
Statements of Operations**

For the nine months ending March 31, 2013 and 2012

	March 31, 2013	March 31, 2012
Revenue:		
Sales - Furniture	\$ 149,862	\$ 351,842
Less Cost of Sales:		
Direct Labor	\$ 14,394	31,117
Materials	67,827	165,760
Overhead	81,937	76,440
Total Cost of Sales	(164,158)	(273,317)
Gross Profit	(14,296)	78,525
Freight Revenues	5,441	25,253
Freight Expenses	(13,316)	(19,972)
Freight (Net of Revenues/Expenses)	(7,875)	5,281
Contribution to G & A expenses	\$ (22,171)	83,806
 Sales - Metal	 210,748	 288,578
Less Cost of Sales:		
Direct Labor	27,033	54,811
Materials	115,665	177,124
Overhead	53,009	71,073
Total Cost of Sales	(195,707)	(303,008)
Gross Profit - Metal	15,041	(14,430)
Freight Revenues	9,000	4,190
Freight Expenses	(5,314)	(1,071)
Freight (Net of Revenues/Expenses)	3,686	3,119
Contribution to G & A expenses	18,727	(11,311)
 General and Administrative Manufacturing Expenses:		
Salaries	41,074	31,493
Fringe Benefits and other Payroll expenses	6,849	10,856
Inmate Labor - Office	18,237	32,228
Insurance Expense--Other		100
Inmate Workers' Compensation Insurance	1,666	3,056
Travel expenses	986	4,709
Miscellaneous Office expenses	3,794	4,568
Telephone	251	284
Dues and Subscriptions	-	106
Buildings & Grounds Improvements	1,468	1,516
Utilities	23,047	23,757
Capitalized Institutional Overhead	7,717	13,277
Total General and Administrative Manufacturing Expenses	(105,089)	(125,950)
Earnings available for program support (Net Loss)	\$ (108,533)	\$ (53,455)

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
SDCC AUTO AND UPHOLSTERY SHOP
Statements of Operations
For the nine months ending March 31, 2013 and 2012**

Revenue:	March 31, 2013	March 31, 2012
Sales From Auto/Upholstery	\$ 182,480	\$ 115,859
Less Cost of Sales:		
Direct Labor	15,120	17,253
Materials	63,595	38,126
Overhead	33,865	82,713
Total Cost of Sales	(112,580)	(138,092)
Gross Profit	69,900	(22,233)
Contribution to G & A expenses - Auto/Upholstery	\$ 69,900	(22,233)
 Net Proceeds from Manpower Operations:		
Diamond Mountain Distributors	5,782	(436)
Opportunity Village	149,089	-
Contribution to G & A expenses - Manpower Operations	154,871	(436)
 General and Administrative Manufacturing Expenses:		
Salaries	30,265	30,334
Fringe Benefits and other Payroll expenses	20,057	16,499
Inmate Labor - Office	4,336	10,111
Insurance Expense--Other	-	-
Inmate Workers' Compensation Insurance	696	1,710
Miscellaneous Office expenses	3,366	3,645
Telephone	840	555
Insurance	-	500
Dues and Subscriptions	32	72
Buildings and Grounds Improvements	1,351	429
Utilities	11,815	11,760
Miscellaneous expenses	3,002	4,735
Capitalized Institutional Overhead	(1,100)	(1,293)
Warranty expense	16,035	32,564
Total General and Administrative Manufacturing Expenses	(90,695)	(111,621)
(Net Loss)	\$ 134,076	\$ (134,290)

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
LCC GARMENT FACTORY
Statements of Operations**

For the nine months ending March 31, 2013 and 2012

Revenue:	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Sales	\$ 508,150	\$ 389,704
Less Cost of Sales:		
Direct Labor	\$ 129,234	69,940
Materials	162,114	162,262
Overhead	<u>36,426</u>	<u>26,436</u>
Total Cost of Sales	<u>(327,774)</u>	<u>(258,638)</u>
Gross Profit	180,376	131,066
Freight Revenues	15,034	21,782
Freight Expenses	<u>(27,023)</u>	<u>(24,318)</u>
Freight (Net of Revenues/Expenses)	<u>(11,989)</u>	<u>(2,536)</u>
Contribution to G & A expenses	<u>\$ 168,387</u>	<u>128,530</u>
General and Administrative Manufacturing Expenses:		
Salaries	24,022	19,440
Fringe Benefits and other Payroll expenses	10,048	11,449
Inmate Labor - Office	9,686	5,569
Inmate Workers' Compensation Insurance	2,572	1,756
Travel	-	244
Miscellaneous Office expenses	3,886	2,470
Telephone	447	393
Postage and Mailing	241	307
Advertising/Public Relations	-	50
Dues and Subscriptions	-	175
Improvements and Small Equipment	10,312	-
Building and Grounds Improvements	952	-
Utilities	8,330	8,116
Miscellaneous expenses	1,859	1,796
Capitalized Institutional Overhead	(1,400)	127
Warranty expense	<u>-</u>	<u>18</u>
Total General and Administrative Manufacturing Expenses	<u>(70,955)</u>	<u>(51,910)</u>
Earnings available for program support	<u>\$ 97,432</u>	<u>\$ 76,620</u>

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
LCC DRAPERY**

Statements of Operations

For the nine months ending March 31, 2013 and 2012

Revenue:	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Sales	\$ 38,892	\$ 49,228
Less Cost of Sales:		
Direct Labor	\$ 19,202	16,213
Materials	5,074	530
Overhead	<u>14,690</u>	<u>11,676</u>
Total Cost of Sales	<u>(38,966)</u>	<u>(28,419)</u>
Gross Profit	(74)	20,809
Freight Revenues	6,176	2,480
Freight Expenses	<u>(13,810)</u>	<u>(2,718)</u>
Freight (Net of Revenues/Expenses)	(7,634)	(238)
Contribution to G & A expenses	<u>\$ (7,708)</u>	<u>20,571</u>
 General and Administrative Manufacturing Expenses:		
Salaries	6,245	26,781
Fringe Benefits and other Payroll expenses	3,977	686
Inmate Labor - Office	887	0
Inmate Workers' Compensation Insurance	453	206
Miscellaneous Office expenses	2,340	1,162
Telephone Expenses	316	280
Postage and Mailing	107	44
Utilities	3,002	3,002
Miscellaneous expenses	<u>1,450</u>	<u>1,219</u>
Total General and Administrative Manufacturing Expenses	<u>(18,777)</u>	<u>(33,380)</u>
(Net Loss)	<u>\$ (26,485)</u>	<u>\$ (12,809)</u>

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
PRISON RANCH**

Statements of Operations

For the nine months ending March 31, 2013 and 2012

Revenue:	March 31, 2013	March 31, 2012
Revenue - Livestock		
Cash Sales	\$ 127,327	\$ 100,293
Non-Cash Inventory Adjustments	<u>(22,360)</u>	<u>3,130</u>
Total Revenue	\$ 104,967	<u>103,423</u>
Less Cost of Sales:		
Direct Labor	11,073	10,300
Materials	21,494	23,250
Overhead	<u>4,992</u>	<u>2,093</u>
Total Cost of Sales	<u>(37,559)</u>	<u>(35,643)</u>
Contribution to G & A expenses - Livestock	\$ 67,408	67,780
Sales - Dairy	400,370	<u>341,583</u>
Less Cost of Sales:		
Direct Labor	26,579	30,278
Materials	155,294	179,540
Overhead	<u>79,277</u>	<u>87,077</u>
Total Cost of Sales	<u>(261,150)</u>	<u>(296,895)</u>
Contribution to G & A expenses - Dairy	139,220	44,688
Revenue - Crops		
Sales	268,709	641,187
Non-Cash Inventory Adjustments	<u>383</u>	<u>214,107</u>
Total Revenue	269,093	<u>855,294</u>
Less Cost of Sales:		
Direct Labor	20,954	20,110
Materials	12,069	693,866
Overhead	<u>85,997</u>	<u>148,038</u>
Total Cost of Sales	<u>(119,020)</u>	<u>(862,014)</u>
Contribution to G & A expenses - Crops	150,073	(6,720)
Boarding Fees - Estray Horses	23,341	4,418
Less Cost of Sales:		
Direct Labor	-	-
Materials	8,409	3,516
Overhead	<u>-</u>	<u>-</u>
Total Cost of Sales	<u>(8,409)</u>	<u>(3,516)</u>
Contribution to G & A expenses - Estray Horse Boarding	14,932	902
Boarding Fees - BLM (Wild) Horses	1,452,898	<u>972,666</u>
Less Cost of Sales:		
Direct Labor	40,403	36,324
Materials	866,600	695,749
Overhead	<u>104,448</u>	<u>26,049</u>
Total Cost of Sales	<u>(1,011,451)</u>	<u>(758,122)</u>
Contribution to G & A expenses - BLM Wild Horse Boarding	441,447	214,544
Composting Project	36,557	<u>47,923</u>
Less Cost of Sales:		
Direct Labor	16,409	21,081
Materials	-	-
Overhead	<u>-</u>	<u>277</u>
Total Cost of Sales	<u>(16,409)</u>	<u>(21,358)</u>
Contribution to G & A expenses - Composting Project	\$ 20,148	\$ 26,565

These financial statements were compiled from unaudited accounting data and without footnotes, as such, its use is intended for informec users only.

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
PRISON RANCH**

Statements of Operations

For the nine months ending March 31, 2013 and 2012

(Continued)

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
General and Administrative Ranch Expenses:		
Salaries - Staff	\$ 202,672	\$ 188,343
Fringe Benefits and other Payroll expenses	81,014	70,385
Inmate Labor - Office	7,403	11,188
Inmate Worker's Compensation Insurance	1,896	2,476
Miscellaneous Office expenses	5,281	1,367
Telephone Expenses	125	593
Postage and Mailing	7	26
Advertising/Public Relations	-	150
Insurance	4,902	6,133
Dues and Subscriptions	50	361
Buildings and Grounds Improvements	4,827	11,901
Utilities	48,692	43,530
Miscellaneous expenses	<u>44,749</u>	<u>20,088</u>
Total General and Administrative Manufacturing Expenses	\$ (401,618)	\$ (356,541)
Earnings available for program support	<u>\$ 431,610</u>	<u>\$ (8,782)</u>

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
SCHEDULE OF INTERFUND SALES**

For the nine months ending March 31, 2013 and 2012

	PER STATEMENTS OF OPERATIONS	INTERFUND SALES	AFTER REMOVING INTERFUND SALES	March 31, 2012
Revenue:	March 31, 2013			
Industry Sales	\$ 1,712,568	\$ (28,660)	\$ 1,683,908	\$ 1,664,382
Less Cost of Sales	<u>(1,257,840)</u>	<u>5,428</u>	<u>(1,252,412)</u>	<u>(1,304,804)</u>
Gross Profit from Industry Sales	<u>454,728</u>	<u>(23,232)</u>	<u>431,496</u>	<u>\$ 431,496</u>
Ranch Sales	2,287,226	(288,148)	1,999,078	1,676,210
Less Cost of Sales	<u>(1,453,998)</u>	<u>288,148</u>	<u>(1,165,850)</u>	<u>(1,328,451)</u>
Gross Profit from Ranch Sales	833,228	0	833,228	347,759
Freight (Net of Revenues/Expenses)	<u>(16,462)</u>	<u>(250)</u>	<u>(16,212)</u>	<u>5,742</u>
General Manufacturing Expenses:				
Staff Salaries	371,889		371,889	262,640
Staff Fringe Benefits and other Payroll expenses	143,638		143,638	134,448
Inmate Labor	49,900		49,900	69,223
Inmate Worker's Compensation Ins.	8,148		8,148	10,061
Travel expenses	1,605		1,605	5,042
Commissions	-		-	-
Office expenses	20,167	(56)	20,111	14,023
Telephone	2,551		2,551	2,873
Postage and Mailing	385		385	421
Advertising/Public Relations	25		25	50
General Insurance	4,902		4,902	6,633
Dues and Subscriptions	970		970	1,489
Improvements and Small Equipment	10,312		10,312	-
Buildings & Grounds Improvements	8,801		8,801	23,751
Utilities	104,353		104,353	98,579
Miscellaneous expenses	54,712		54,712	32,923
Capitalized Institutional Overhead	2,738		2,738	2,702
Warranty expense	<u>16,146</u>		<u>16,146</u>	<u>32,582</u>
Total General Manufacturing Expenses:	<u>(801,242)</u>	<u>(56)</u>	<u>(801,186)</u>	<u>(798,045)</u>
Net Income from Operations:	<u>\$ 470,252</u>	<u>\$ 22,925</u>	<u>\$ 447,327</u>	<u>\$ (84,965)</u>

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
SCHEDULE OF INTERFUND SALES**
For the nine months ending March 31, 2013 and 2012
(Continued)

	PER STATEMENTS OF OPERATIONS	ELIMINATION ENTRIES	AFTER REMOVING INTERFUND SALES	March 31, 2012
	March 31, 2013			
General and				
Administrative Expenses:				
Staff Salaries	\$ 311,251		\$ 311,251	\$ 306,197
Staff Fringe Benefits and other Payroll expenses	136,667		136,667	124,011
Travel expenses	7,169		7,169	1,916
Rent	40,312		40,312	40,317
Office expenses	2,101		2,101	2,963
Telephone	7,199		7,199	5,980
Postage and Mailing	704		704	981
Advertising/Public Relations	23,861	\$ (22,925)	936	801
General Insurance	4,789		4,789	4,829
Vehicle expenses	2,296		2,296	3,212
Dues and Subscriptions	2,354		2,354	3,014
Depreciation expense	64,934		64,934	64,934
Improvements and Small Equipment	861		861	198
Bad Debt expense	-		-	-
Utilities	-		-	-
Miscellaneous expenses	66,041		66,041	69,028
Total General and Administrative Expenses	(670,539)	(22,925)	\$ (647,614)	(628,381)
Other Income (Expenses)				
Interest Revenue	1,052		1,052	200
Finance Charges	30,138		30,138	34,439
License Plate Fees	381,923		381,923	359,707
Capital Improvement	72,918		72,918	54,994
Rental Income	52,900		52,900	50,400
Administrative Fees	152,063		152,063	47,194
Miscellaneous Revenue	-		-	529
Net Income	\$ 490,707	\$ (0)	\$ 490,707	\$ (165,883)