

**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 behalf 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 chose 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,

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Cheryl Harvey, Committee Secretary

APPROVED:

\_\_\_\_\_  
Assemblyman James Ohrenschall

Date: \_\_\_\_\_