

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
December 16, 2011**

SUMMARY OF MINUTES

The second meeting of the 2011–12 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 1:00 p.m. on Friday, December 16, 2011, in Room 4412 of the Grant Sawyer State Office Building in Las Vegas, Nevada. The meeting was simultaneously videoconferenced to Room 3138 of the Legislative Building in Carson City, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman James Ohrenschall, Chairman
Senator David R. Parks, Vice Chairman
Assemblyman John Ellison
Richard Serlin, Alternate for Mr. Bruce Aguilera
Michael Mackenzie, Principal, Operations Improvement Company
Allen J. Puliz, Puliz Moving and Storage
Mike Magnani, Labor Union Representative
Greg Cox, Director, Nevada Department of Corrections
Greg Smith, Administrator, Purchasing Division

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

None

COMMITTEE MEMBERS ABSENT:

Senator Dean A. Rhoads

STAFF MEMBERS PRESENT IN LAS VEGAS:

Sarah Coffman, Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

Nicolas C. Anthony, Senior Principal Deputy Legislative Counsel, Legal Division
Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis 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 Committee on Industrial Programs to order at 1:00 p.m. The secretary called roll, Senator Dean Rhoads was absent, all other member were present.

II. PUBLIC COMMENT.

Chairman Ohrenschall asked for public comment. There was no public comment.

III. REVIEW OF RESPONSES FROM THE NEVADA DEPARTMENT OF CORRECTIONS TO QUESTIONS OF THE COMMITTEE AT THE SEPTEMBER 21, 2011, MEETING RELATING TO:

Mr. Brian Connett, Deputy Director, Industrial Programs, Nevada Department of Corrections (NDOC), introduced himself and reviewed the responses provided by the NDOC ([Exhibit A](#), page 5).

a) WARRANTY WORK PERFORMED BY THE AUTO SHOP

Mr. Allen Puliz stated there seemed to be a paint issue, as most of the warranty work completed was regarding paint. In response, Mr. Connett explained there had been some problems with the paint booth that had been corrected. Mr. Connett further explained most of the items on the list were items that were completed four years ago. The paint shop was under different management at the time. Mr. Michael Mackenzie stated the average cost to paint a new car was \$4,000, but on the list there were costs up to \$13,000, the labor appeared to be high. Mr. Connett replied there was issues because it was a training facility, the paint shop had to repaint vehicles. Mr. Mackenzie asked if the supervisor for the shop was an inmate and if he was trained in painting. Mr. Connett stated he was not an inmate, and he was currently trained. Mr. Mackenzie stated he owned two body shops, and would be happy to train the supervisor to address this quality control problem. Mr. Mackenzie said the supervisor could come to his shop to be trained. He would teach him how to detect quality issues in the paint job before the product was returned to the customer. He would also be willing to go to the correctional facility to train the supervisor. Mr. Connett indicated he would like to take advantage of Mr. Mackenzie's offer.

Chairman Ohrenschall asked how long the warranty was extended. Mr. Connett said in the past vehicles had been brought back to the paint shop and work was performed regardless of how long ago the original paint job had been completed. The paint shop would honor the warranty for work that had been done ten years ago. Mr. Connett said the policy was recently changed, and the warranties were no longer indefinitely honored. Chairman Ohrenschall asked how long the warranties were extended. Mr. Connett explained the paint shop would warranty work for up to three years.

Mr. Greg Cox, Director, Nevada Department of Corrections, asked Mr. Mackenzie what the normal warranty period was for a paint shop. Mr. Mackenzie replied typically there was no warranty. He further explained if a customer brought a car back because of the paint quality his shop would repaint it. The issue was the training of the people in the shop and the quality control. The vehicle should never go out the door if the quality was compromised.

b) WILD HORSE TRAINING PROGRAM

Ms. Dastal, Administrative Services Officer II, Industrial Programs, NDOC, explained on an average the inmates trained 16 to 20 horses a quarter. Prison Industries received \$1,000 per horse at the auction regardless of the auction price. The program needed 32 horses per quarter to break even. However, the supervisor of the program could only train a maximum of 20 horses per quarter. Chairman Ohrenschall asked how many inmates were employed. Mr. Connett replied each horse was trained with one to two inmates.

Mr. Puliz questioned the term “free” staff identified in the financial reports and asked what it meant. Ms. Dastal indicated that “free” staff referred to the state employees.

Senator Parks asked if the horse training program had been a profitable program in the past. Ms. Dastal said the horse program was always at a loss, but there was a considerable amount of positive publicity associated with the program.

Mr. Connett informed the Committee the cost per horse was primarily driven through its feed. The amount indicated on page 5, ([Exhibit A](#)) -\$15,981 would be reduced by \$4,600 collected in boarding fees from the BLM. In total, the loss for the program would be approximately \$11,000. As Mr. Connett recalled, the horse training program was started because the horses were integral into the community. The horse program carried public relations for the state as well as NDOC and the local community. This was a good program to show the work performed by the inmates.

Mr. Connett furthered explained to the Committee that the northern and southern border patrol had come to the training facility and purchased trained horses. The Marine Corporation and the Las Vegas Metro had also purchased horses. It was a good training program for the inmates, because they learned patience from the horses.

c) FINANCIAL PERFORMANCE OF THE DRAPERY SHOP

Mr. Connett had invoiced about \$12,000 for the drapery shop, with current open orders of approximately \$180,000. His recommendation to the Committee was to revisit the drapery shop in six months to see if the open orders continued.

Currently, a customer in Las Vegas placed a significant order from the drapery shop, Prison Industries was encouraged as to the livelihood of the drapery shop.

Answering Chairman Ohrenschall's question, Mr. Connett said the employment of inmates at the drapery shop fluctuated, from 8 to 20 employees, depending upon the workload. Mr. Mackenzie questioned why the financial statement ([Exhibit A](#), page 52) for the drapery shop showed a drop in sales, but a doubling of salaries. Mr. Connett replied the previous supervisor at the drapery shop retired and the financial statements reflected his pay-out for retirement, sick leave, and vacation.

d) RELOCATION OF THE LICENSE PLATE FACTORY AND PRINT/BINDERY SHOP

Mr. Connett said the NDOC and DMV had been evaluating potential locations for the tag plant. The initial analysis performed by the Department of Administration indicated High Desert State Prison (HDSP) appeared to be the best location. It had been decided that an additional analysis was required to consider the relocation.

Mr. Puliz asked how was tag plant operating currently since Nevada State Prison was closed. Mr. Connett responded the prison was not entirely closed. Once the prison was completely closed, minimum security inmates from Stewart Conservation Camp would be brought to NSP to operate the tag plant. Mr. Connett clarified for the Committee that the DMV was satisfied on employing short-term, minimum security inmates at the tag plant.

Director Cox stated the Department of Administration was conducting an analysis on the relocation of the tag plant. Mr. Jeff Mohlenkamp, Director, Department of Administration, sent a letter to Assemblywoman Debbie Smith, Chairwoman, Ways and Means, indicating the resources to relocate the tag plant had not been determined, the Department of Administration would advise them when the analysis was completed. Director Cox suspected once all the information was received regarding the moving costs, the NDOC would be notify of the results of the analysis. Director Cox also mentioned he had met with Mr. Bruce Breslow, Director, Department of Motor Vehicles, several times regarding the drafting of an operations manual explaining the responsibilities of each position at the tag plant. Mr. Cox felt a good plan was in place to not impact the production of the license plate factory.

Mr. Connett informed the Committee the print/bindery shop had been moved to Northern Nevada Correctional Center (NNCC). It took about seven working days to relocate the facility. While in the process of moving, the supervisor, Mary Byington, was able to continue production. The plant was looking at increasing inmate employment in January 2012. The inmates needed to familiarize

themselves with the security procedures within the confines of the new institution. The print/bindery shop move was completed on October 3, 2011.

e) PRICES FOR THE MOTORCYCLES MANUFACTURED BY BIG HOUSE CHOPPERS

Mr. Connett explained to the Committee the price of the motorcycles had been reduced to \$16,900. The bikes had been advertised on EBay, Craig's list, internally with the NDOC, and state email. There had been no response to the advertisements.

Assemblyman Ellison asked if Mr. Connett had thought about putting the motorcycles on consignment with larger dealers. Assemblyman Ellison explained the dealers had financing available to their customers. The customer could set up a payment program to purchase the bikes. Mr. Connett replied he certainly would consider the option. Chairman Ohrenschall asked if the motorcycles had been put on consignment in the past. Mr. Connett said the products produced by Prison Industries had not been put on consignment. One of the motorcycles was on display at the Harley Café, in Las Vegas, with a brochure. Very little response was generated. Mr. Mackenzie stated he would be happy to share with Mr. Connett avenues to sell the motorcycles.

IV. REVIEW OF WORK PROGRAMS C22556 AND C22572 TO INCREASE PROJECTED REVENUE AND EXPENDITURE AUTHORITY FOR THE METAL SHOP BY A TOTAL OF \$199,985.

Ms. Diane Dastal, reviewed the work programs ([Exhibit A](#), page 9). Answering Chairman Ohrenschall's question, Mr. Connett said the metal shop was located at NNCC. Mr. Connett was very encouraged with the sales compared to the years past. Chairman Ohrenschall asked what type of products were produced at the metal shop. Mr. Connett responded the metal shop was a metal fabrication shop. It initially produced beds and lockers for NDOC. The metal shop grew into fabricating steel components for homes and businesses. Mr. Mackenzie asked Mr. Connett to explain why the sales increased by 300 percent ([Exhibit A](#), page 49), while material costs increased by 1800 percent. Mr. Mackenzie believed there was a pricing problem based on the flat margin and increased sales. Mr. Connett explained some of the steel was purchased in the prior year but invoiced in the following fiscal year. Mr. Connett said the raw material had to be accounted for in the year it was purchased.

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

Mr. Connett said he was disappointed to report there were no potential programs to bring forth to the Committee. He had been out to every chamber event and tried to

get the word out that space and labor were available, but he had not received any responses.

VI. DISCUSSION OF POTENTIAL USES OF NEVADA STATE PRISON UPON ITS CLOSURE.

Mr. Connett said there were certain cost to keeping the facility open. Mr. Cox explained to the Committee he was meeting with the Northern Nevada Development Authority (NNDA), concerning potential projects and alternate uses for the facility. Mr. Cox informed the Committee he had an upcoming meeting with Mr. Maurice Washington, Corporate Solutions Manager, NNDA, regarding the potential uses of the facility. He also said there was a non-profit company in West Virginia that conducted hostage negotiation training seminars for Correctional Officers. The non-profit company was looking for a facility in the west coast. During a seven day training seminar 1,500 to 1,700 officers trained at a closed facility in West Virginia. Correctional staff come from all over the world to attend these training seminars. Nevada State Prison could be a viable building to use for this training in the west coast. The NNDA was meeting with the group to discuss options for the facility.

Assemblyman Ellison commended Director Cox for his efforts in finding potential uses for the facility and creating jobs. Director Cox further explained the facility would be perfect for the intense training seminars previously noted. The West Virginia group did drills to simulate riots in a major facility, but also hostage take-overs. The facility had multiple types of cell houses to train in. Mr. Washington was working with the group in West Virginia to determine how the property would be utilized.

Mr. Puliz asked if the facility would be maintained. Director Cox said the NDOC had budgeted staff to maintain the property for two years at a high level. The NDOC was looking at decommissioning efforts with the State Fire Marshal and the State Public Works Board.

Senator Parks said NSP was a property with great potential to generate revenue. With a vacant facility, there was an opportunity for movie sets. A training facility could also double as a movie set. Director Cox said he was working with the Nevada Film Commission, trying to promote the facility.

Chairman Ohrenschall asked if NSP was a larger facility than Warm Springs Correctional Center (WSCC). Director Cox explained WSCC was a larger facility than NSP. During the time when NSP was first built, correctional institutions were condensed for security reasons. Chairman Ohrenschall recalled NSP started out as a hotel on the Carson River in the pioneer days.

VII. STATUS REPORT FROM THE DEPARTMENT OF CORRECTIONS AND COMMITTEE RECOMMENDATIONS REGARDING THE FOLLOWING ITEMS:

a) PRISON RANCH – STEWART CONSERVATION CAMP

Mr. Connett informed the Committee the ranch was continuing to increase the number of horses to board for BLM. There were a little over 1,000 horses located at the ranch. Prison Industries started a unique program with BLM, doing sterilization work on the horses to control the wild horse population. Prison Industries would be renegotiating the contract with BLM in the spring, when the contract was up for renewal.

b) JACOBS TRADING – FLORENCE MCCLURE WOMEN'S CORRECTIONAL CENTER

Mr. Connett stated Jacobs Trading was a company that operated out of the Florence McClure Women's Correctional Center (FMWCC) in North Las Vegas. The industry handles the returns taken back to Wal-Mart; the returns were shipped to FMWCC where inmates defaced the UPC code so the items could not be returned again. The items were then palletized into like items such as household goods, electronics, etcetera. The private company resold the items on a secondary market. Jacobs Trading had been sold to their competitor, but the business would continue to operate under the Jacobs Trading name. Mr. Connett said about 35-40 inmates were employed with Jacobs Trading.

c) GARMENT SHOP – LOVELOCK CORRECTIONAL CENTER

Mr. Connett said the garment shop was continuing to operate well. Its primary customer was the NDOC. The garment shop manufactured the clothes worn by the inmates.

VIII. REVIEW OF NUMBER OF INMATES THAT WORKED JULY 2009 THROUGH OCTOBER 2011.

Ms. Dastal discussed the report of the number of inmates that worked ([Exhibit A](#), page 31-34). Senator Parks stated staffing of programs had dropped by 25 percent over the last two years. He asked Mr. Connett if there was a list of all the different Prison Industry programs offered by other states. The Committee would like to see what other states were doing in terms of Prison Industries. Mr. Connett said there was an association of correctional industries for all of the states, including the federal industries. Mr. Connett said he was currently president of this association. He possessed a directory of all the states and the products and services they produced. Chairman Ohrenschall stated Nevada employed 3.5 percent of its inmate population. He asked for a comparison of what the inmate employment rates were for other states. Mr. Connett said unless there was a new prison the percentage of

the inmates employed rarely increased. There were discussions of reducing the inmate work force.

IX. REVIEW OF DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, PRISON INDUSTRIES CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2010, FY 2011 AND FY 2012 YEAR-TO-DATE.

Ms. Dastal reviewed the inmate deductions report ([Exhibit A](#), page 35) for the Committee.

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

Ms. Dastal reviewed the status of the new construction fund ([Exhibit A](#), page 38). Mr. Puliz asked if the funds could be used to relocate the tag plant. Mr. Connett stated by statute the funds were not available. To use the funds the tag plant would have to increase capacity or work force. Senator Parks asked if Prison Industries would seek to have the \$948,000, that the 26th Special Session swept, returned. Mr. Connett said if the funds were restored, Prison Industries would be more viable to bring companies into the program by offering to help companies with their capital needs be it space, equipment, or modifications.

XI. REVIEW OF FINANCIAL STATEMENTS OF SILVER STATE INDUSTRIES FOR THE QUARTER ENDING SEPTEMBER 30, 2011.

Ms. Dastal reviewed the financial statements ([Exhibit A](#), 39-56). Senator Parks asked how many days the print/bindery shop was out of operation due to the move. Mr. Connett said the move took seven working days. The impact was minimal from moving into the new facility with new security. There was a cost of \$4,500 to get the new facility ready for the print operation. The print shop was interrupted about three weeks due to the move. Answering Chairman Ohrenschall question, Mr. Connett said the move cost around \$5,000. Prison Industries used trucks from the ranch and inmates to help with the move to keep the cost down.

Mr. Mackenzie pointed out on the financial statements there seemed to be a loss on freight. Mr. Connett said freight was included in the quote. The fuel costs tend to go up after the quote had been provided. Mr. Mackenzie states most industries do not put freight in the quote. The product was priced, and freight was added as a extra cost.

In reviewing the inventory sheet for the metal shop, Mr. Mackenzie stated there had been \$37,000 in inventory at the end of the fiscal year that had to be expensed. If the four months' worth of inventory had not just been sitting there, the sheet metal operation would have actually run a profit. Mr. Connett said normally Prison Industries bought steel based on jobs. The steel could have been purchased at the close of the year. Mr. Mackenzie asked if the steel was precut. Mr. Connett said the

fabrication used was mostly high beams and cuts would need to be done. Mr. Mackenzie said to ask the suppliers if they could store the material at Prison Industries' yard and pay for it as it was used. Mr. Connett responded he would look into it.

Mr. Puliz asked if the hay prices were contracted for one year in advance. Mr. Connett said hay prices were not floated. Prison Industries went back to BLM and asked for a fee increase for boarding the horses prior to the end of the contract in order to help with increased hay prices.

XII. PUBLIC COMMENT.

Senator Parks called for public comment; there was none.

XIII. ADJOURNMENT.

Chairman Ohrenschall adjourned the meeting at 2:37 pm.

Respectfully submitted,

Cheryl Harvey, Committee Secretary

APPROVED:

Date:_____