

**MINUTES OF THE  
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S  
COMMITTEE ON INDUSTRIAL PROGRAMS  
(NRS 209.4817)  
December 16, 2010**

The fourth meeting of the 2009–10 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 9:30 a.m. on Thursday, December 16, 2010, in Room 4412 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, Nevada.

**COMMITTEE MEMBERS PRESENT IN LAS VEGAS:**

Senator David R. Parks, Chairman  
Assemblyman John Hambrick, Vice Chairman  
Bruce Aguilera, Vice President/General Counsel, Bellagio  
Allen J. Puliz, Puliz Moving and Storage  
Greg Smith, Administrator, Purchasing Division

**COMMITTEE MEMBERS PRESENT IN CARSON CITY:**

Senator Dean A. Rhoads  
Howard Skolnik, Director, Department of Corrections

**COMMITTEE MEMBERS ABSENT:**

Assemblyman Moises Denis  
Mike Magnani, Labor Union Representative  
Michael Mackenzie, Principal, Operations Improvement Company

**STAFF MEMBERS PRESENT IN CARSON CITY:**

Natalee Binkholder, Deputy Legislative Counsel, LCB Legal Division  
Cheryl Harvey, Secretary, LCB Fiscal Analysis Division

**STAFF MEMBERS PRESENT IN LAS VEGAS:**

Sarah Coffman, Program Analyst, LCB Fiscal Analysis Division

**OTHERS PRESENT IN CARSON CITY:**

Brian Connett, Deputy Director, Industrial Programs, Department of Corrections

**EXHIBITS:**

[Exhibit A](#) – Meeting Packet

## **I. CALL TO ORDER**

Chairman David Parks called the meeting to order at 9:30 a.m. He welcomed the Committee members in Las Vegas and the Committee members attending in Carson City. He asked that the Committee secretary take roll and it was determined a quorum was present.

## **II. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR SEPTEMBER 28, 2010.**

Chairman Parks requested a motion for approval of the minutes from the September 28, 2010, meeting.

ASSEMBLYMAN HAMBRICK MOVED TO APPROVE THE MINUTES OF THE SEPTEMBER 28, 2010, MEETING OF THE COMMITTEE ON INDUSTRIAL PROGRAMS.

MR. ALLEN J. PULIZ SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Mr. Connett, Deputy Director, Prison Industries, introduced a proclamation signed by the Governor:

Whereas Howard Skolnik having a long, distinguished career with the State of Nevada, and

Whereas the Nevada Department of Corrections was losing one of the most dedicated, and astonishing director whose tireless efforts have been most noteworthy, and

Whereas the Nevada Department of Corrections sentenced Mr. Skolnik to decades of hard prison labor, and

Whereas you have lead the Department of Corrections, Industrial Programs in a very positive direction, and

Whereas your well placed advice, business sense, and thoughtfulness, has provided Silver State Industries' inmate workers with a sense of well being, self worth, pride, and many opportunities to better themselves through the learning of trades and manufacturing processes,

Whereas you have lead the Department of Corrections into a higher awareness of safety and security for all uniformed and non-uniformed staff that has resulted in a safer Nevada,

Whereas you have made this a better community for all Nevadans to live, work, and raise their families.

Whereas, serving your time has aborted you appreciation, admiration, gratitude, and now therefore,

The Department of Corrections has paroled you to a life of happiness, full of family and friends.

Mr. Connett said he appreciated all of Director Skolnik's efforts. Silver State Printing supervisor, Ms. Mary Byington, presented Mr. Skolnik with a plaque reading, "Howard Skolnik, Director, in appreciation of 23 years of dedicated service and lasting contributions, from the Board and Staff of Silver State Industries."

Mr. Connett introduced Mr. Quenga, Marketing Representative and Supervisor for the metal and furniture shops. Mr. Connett explained that Ms. Byington supervised both the printing shop and book bindery. Mr. Quenga and Ms. Byington said they wanted to attend Mr. Skolnik's last committee meeting as they had worked with him for a long time.

Mr. Skolnik stated he was thrilled to be part of Silver State Industries for 23 years. He remembered the Committee members coming to Illinois in 1986 to tour the industry program that he managed. At the time, the Committee asked Mr. Skolnik to help design an industrial program in Nevada, then offered him the job of Assistant Director of NDOC. Mr. Skolnik took that job, unfortunately, had no one to blame when something went wrong because he had written most of the legislation. He truly never knew how happy he was when "Deputy" was still part of his title. It had been a wonderful experience. He wished more resources had been available while he was the Director. He will be enjoying his retirement, cleaning out his garage and running.

### **III. STATUS REPORT FROM THE NEVADA DEPARTMENT OF CORRECTIONS AND COMMITTEE RECOMMENDATIONS REGARDING THE FOLLOWING ITEMS:**

- A. AUTO/UPHOLSTERY – SOUTHERN DESERT CORRECTIONAL CENTER
- B. GARMENT FACTORY – LOVELOCK CORRECTIONAL CENTER
- C. FURNITURE AND METAL – NORTHERN NEVADA CORRECTIONAL CENTER

Mr. Connett requested that the status report from the Nevada Department of Corrections and Committee recommendations be discussed under Agenda Item XI.

### **IV. REVIEW OF RESPONSES FROM THE NEVADA DEPARTMENT OF CORRECTIONS TO QUESTIONS OF THE COMMITTEE AT THE SEPTEMBER 28, 2010, MEETING RELATING TO THE TAG PLANT'S LICENSE PLATE PRESS AND INMATE WAGE DEDUCTIONS RECORDED FOR FY 2009 AND FY 2010.**

Senator Parks asked if the online auction for the press that printed raised letter license plates was a success. Ms. Diane Dastal, ASO II, Department of Corrections, responded the press had not been sold. Mr. Greg Smith, Administrator, Purchasing Division, stated he did not have a lot of information, but the Purchasing Division had a couple of customers that were extremely interested.

One potential customer had even placed a very good bid, but was notified by the Department of Motor Vehicles (DMV) that they chose not to sell the press. Mr. Smith indicated he did not know the reason for not selling the press, but the request came from the director of the DMV.

Senator Parks thanked Mr. Smith for the update and mentioned to the Committee he had received the online auction bid, which was very well put together. He preferred raised letters on the license plates as opposed to the flat plates. Director Skolnik said it was his understanding that DMV intended to resume the production of some embossed plates, which was the reason for removing the press from the auction.

Senator Parks stated he had seen the tag plant in operation about 15 years ago. The inmates were very talented at expediting the use of the tag press and produced a lot of license plates in a very short period of time. Mr. Connett agreed and said most of the tags produced 15 years ago were embossed.

Ms. Dastal went on to explain the inmate wage deductions. She said in FY 2009 the Nevada Department of Corrections (NDOC) inmate wage spreadsheet had some errors related to the links to the summary sheet. Three of the institutions misstated the inmate wage deductions for FY 2009. Ms. Dastal reinstated the deduction in the FY 2010 notes to the financial statements. The Department originally reported Florence McClure Women's Correctional Center inmate wage deductions of \$16,479; an adjustment of \$73,661 was made. The restated inmate wage deduction was \$90,140. For Southern Desert Correctional Center (SDCC), the original amount reported was \$158,098; an adjustment of \$266,397 was made. The restated amount was \$424,495. The Department reported Jean Conservation Camp inmate wage deduction of \$2,181 was made, an adjustment of -\$705, for a restated amount of \$1,476.

Senator Parks asked if there was something specific to these three facilities to cause previously reported amounts to be incorrect. Ms. Dastal responded each industry had a separate spreadsheet linked to the summary sheet. The links were incorrect from these three facilities spreadsheets to the summary sheet. The amounts were correct on the separate spreadsheet, but the amounts needed to be adjusted on the summary sheet.

Ms. Dastal directed the Committee to page 23 of the meeting packet ([Exhibit A](#)). She reported that Room and Board (R&B) deductions decreased by approximately \$197,000 in FY 2010. The deductions were \$707,732 in FY 2009, and \$510,340 in FY 2010. The Victims of Crime Fund (VCF) and the Prison Industry Capital Improvement Fund (PICl) decreased by approximately \$40,000 in FY 2010 from FY 2009. The deductions were \$144,436 in FY 2009 and \$104,151 in FY 2010.

**V. REPORT ON PRISON INDUSTRY PROGRAMS DISCONTINUED DURING THE PERIOD JULY 2009 THROUGH NOVEMBER 2010.**

Mr. Connett explained for the record, due to the economy the following companies had to close operations within the Prison Industry facilities: an RDRC trust, which operated for a short time at the Jean Conservation Camp, Impact Design, which embroidered on fabrics (40 inmates were employed); Artistic Glass, a stained glass operation at SDCC (8-10 inmates employed). Prison Industries also saw the closure of Shelby American located at SDCC (60 inmates employed); Silverline Equipment, an operation for water tanks, which was located at SDCC (36 inmates employed); TJ Wholesale, an operation for card sorting, had a temporary shutdown over the summer, putting close to 80 inmate workers out of work. Alpine Steel also had a three-month shutdown over the summer of 2010.

**VI. DISCUSSION OF PRISON INDUSTRIES' BUDGET FOR THE 2011-13 BIENNIUM; POTENTIAL PRISON INDUSTRY PROGRAMS; AND COMMITTEE RECOMMENDATIONS (NRS 209.4818).**

Ms. Dastal said for the FY 2012-13 budget, the agency decreased its revenue projections by 84 percent compared to FY 2010-11. The Governor's recommended budget remained confidential, by statute, until the budget was published on January 24, 2011. At the time of the meeting it was not known if the projected revenues would be accepted by the Governor's office.

**VII. REVIEW OF THE NUMBER OF INMATES EMPLOYED JULY 2008 THROUGH OCTOBER 2010.**

Mr. Connett directed the Committee to page 19 of the meeting packet ([Exhibit A](#)), explaining in FY 2009 Prison Industries started with 748 employed inmates. Prison Industries ended the fiscal year with 630 inmates, averaging about 674 inmates for FY 2009.

Additionally, Mr. Connett explained at the beginning of FY 2010 there were 624 employed inmates. Prison Industries finished the fiscal year with about 474, averaging 535 inmate workers for FY 2010. Most of the losses came from the closures that were discussed earlier in the meeting. Fiscal Year 2011 remained relatively flat, averaging 490 inmate workers. The Department anticipated growth would continue very slowly.

Senator Rhoads asked if the employed inmate workers included those in the honor camp programs. Mr. Connett stated it did not include the inmate workers at the honor camp for the Nevada Department of Forestry.

**VIII. REVIEW OF REVISED DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRIES CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND FOR FY 2009 AND FY 2010.**

Ms. Dastal explained these items were addressed under Agenda Item IV. There were no follow up questions. Senator Parks referred the Committee to the next agenda item.

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

Ms. Dastal directed the Committee to page 26 of the meeting packet ([Exhibit A](#)). She explained in FY 2006 that Prison Industries had a gradual fund for new construction increase, with a balance of \$403,187. In FY 2009, the beginning balance was \$987,434. In FY 2010, the Legislature transferred \$948,000 to the General Fund, leaving a balance of \$179,890 in FY 2011. Mr. Connett explained the funds the Legislature transferred had been earmarked for building a tag plant and print operation.

Senator Parks stated the bindery operation seemed to be putting inmates to work. He asked if there had been any discussion with the Department of Motor Vehicles (DMV) regarding a proposed relocation of the tag plant. Mr. Connett said Prison Industries had a discussion about building placements. Relocation of the facilities depended on the outcome of the 2011 Legislative Session.

Ms. Dastal informed the Committee the book bindery was out of space at the current location. She said sometimes the supervisor did not place bids on print jobs because there was no capacity in the facility to complete the job. The bindery plant would greatly benefit if there was more room.

**X. REVIEW OF WORK PROGRAM C20112 SUBMITTED BY PRISON INDUSTRIES TO ELIMINATE THREE VACANT POSITIONS.**

Ms. Dastal gave the Committee an update on the financial statements. Prison Industries had been asked to eliminate three positions: a Correctional Officer at HDSP (vacant since October 2007), and two Supervisor I positions at SDCC (one vacant since January 2007, the other since January 2008). The amount budgeted for FY 2011 was \$169,944.

Senator Rhoads asked if revenue would be lost due the elimination of the three positions. Mr. Connett said the positions had been vacant because of the reduced revenue. Should revenue increase, Prison Industries would request to reinstate the positions. The revenue level could not support those particular positions.

**XI. REVIEW OF FINANCIAL STATEMENTS OF SILVER STATE INDUSTRIES FOR THE YEAR ENDING JUNE 30, 2010, AND THE QUARTER ENDING SEPTEMBER 30, 2010.**

Ms. Dastal testified to the Committee regarding the Prison Industry financial statements. The finances took a huge hit on two major items: write-off of bad debts and a sweep taken by the Legislature. The bad debt write-off was approximately \$884,000, and the legislative sweep was \$948,000. The accounts receivable was down \$765,000 and other assets were down due to the \$948,000 swept by the Legislature.

Ms. Dastal further explained, had the bad debt write-off and funds sweep which totaled \$1,832,000 not occurred, Prison Industries would have \$6,300,178 in assets on the balance sheet which was an increase of approximately \$115,000. Given the status of the industries, economy, funds sweep, and the write-offs, Prison Industries performance was satisfactory.

Mr. Connett further explained the financial statement showed a loss of \$1.837 million. The bad debt write-off and the legislative sweep combined equaled \$1.832 million. The difference shows that Prison Industries would have lost only approximately \$5,000 if the sweep and write-offs had not occurred. Mr. Connett stated, if Prison Industries could take those two particular items out of the financial statement, it would almost break even.

Ms. Dastal explained the retained earnings, saying the total fund equity declined by \$1.837 million, or 33 percent. If the sweep and the write-off were not included, the decline would have been less than 1 percent.

Ms. Dastal reported on the following statements of operation for the period ending FY 2010:

- Statement of Cash flows – Total cash at the end of June 30, 2010, declined 31 percent. If the Legislature had not swept the \$948,000 Prison Industries' cash flow would have increased by 12 percent over FY 2009.
- Statement of Operations – License plate fees dropped about \$7,000 from June 30, 2009. In FY 2010 the total of general and administrative expenses, which included the write-off, was \$1,672,600. The total amount of the write-off was \$720,405. Had the write-off not occurred, the amount of general and administrative costs would have been \$752,195, a \$75,860 reduction over FY 2009.
- Lovelock Correctional Center, Mattress Shop – Sales were up approximately \$60,000, a 13 percent increase in revenue. Profit had increased almost \$47,000 over FY 2009, a 135 percent increase. Mr. Connett explained part of the increase in revenue was due to Prison Industries supplying all the mattresses to a new facility in Southern Nevada. That was a one-time institutional mattress increase.

- Nevada State Prison, Printing/Bindery Shop – The print/bindery shop’s revenue was down about \$28,000, a 7 percent decrease compared to FY 2009. The profit decreased about \$3,400 or 9 percent. Senator Rhoads asked if the 7 percent decrease was because the bindery shop could not take on more jobs because there was no space. Mr. Connett said capacity was one of the bindery shop’s issues. To bring large jobs into the facility created a real bottleneck. If the bindery was laid-out differently and had more room to increase capacity, more equipment could be leased. Maybe more business could then be acquired to increase revenue. Senator Rhoads said perhaps the Committee could write a letter to the Governor explaining that by not increasing the space, revenue was lost. Senator Parks thought that was a great idea considering presentation of the budget would be due shortly. Mr. Connett explained the printing/bindery shop had six different profit centers. The printing press operation accounted for about 59 percent of its revenue, silk screening approximately 17 percent; embroidery approximately 10 percent; photo copying approximately 7 percent; bindery approximately 7 percent; rock carving approximately 1 percent.
- Furniture and Metal Shop – The revenue from the wood shop accounted for approximately 37 percent and the metal shop accounted for approximately 63 percent in FY 2010. Total revenue was \$817,223, compared to \$818,075 in FY 2009, remaining relatively flat. The profitability decreased by \$62,000 or approximately 340 percent. The furniture shop had approximately \$200,000 in orders at the end of FY 2010 that were being worked on in FY 2011. The materials were bought FY 2010 and the first quarter of 2011 showed the revenue sales.
- Auto and Upholstery Shop – Revenue was down due to a large amount of warranty work that Prison Industries hoped to be complete by FY 2011. Mr. Connett said some warranty work came back to the shop, which took priority over other work. The shop occupied some of the space that Shelby Automotive had vacated. Mr. Connett was trying to increase the throughput of the industry.
- Lovelock Correctional Center - Garment factory – Revenue remained relatively flat, but there a 7.5 percent increase in profit. The supervisor had done a good job controlling costs. Mr. Connett stated the mattress and garment factory was operated by the same supervisor. The mattress factory was moved from Nevada State Prison to Lovelock Correctional Center; as a result, the throughput increased. Some of the processes are the same for both industries.
- Ely State Prison - Drapery – Revenues were down about \$45,000. The drapery shop struggled to get the revenue into the shop. The losses had increased by 9 percent. Senator Parks asked if there was reason to consider discontinuing the operation. Mr. Connett responded the drapery industry had been considered for closure as it had not been profitable for some time. The shop serves a significant purpose for both the Department and working inmates at the maximum security institution. It plays a part in the operations for the security of the Department by keeping some of the inmates busy. Mr. Connett was looking for other opportunities to place in the facility. It had been difficult



because of the Ely location. Senator Parks asked if they did assessments of skilled inmates. Mr. Connett responded one of the goals was to train the inmates in skill sets. A lot of inmates come into the industries with little or no skill in any particular industry.

- Dairy – The ranch had a significant turnaround in its profitability. Hay was a huge expense. In FY 2009 hay cost \$235 a ton, FY 2010 it was \$92 a ton, and in FY 2011 it was \$142 a ton effective October 1, 2010. Mr. Connett explained Prison Industries had an agreement with BLM to board horses. Prison Industries was currently working with BLM to increase the horse count. The horse count was up to 850 at the ranch, and the hay cost rose with the number of horses. Even though the dairy was getting more horses to board and charge out per day, there was a hay expense that went along with the boarding costs. Senator Parks asked if the same hay was used to feed to the horses and the dairy cattle. Ms. Dastal stated the same hay was fed to both the horses and the dairy cattle and the cattle were also grain feed.

Mr. Smith noticed that the utilities increased about 50 percent at the dairy. Ms. Dastal stated the dairy industry paid its utility bills directly. A small portion of the utilities was for the biomass plant, but that had been discontinued. Director Skolnik stated the biomass plant was discontinued because the operation did not break even. It was costing a substantial amount of money over and above the cost of the construction payoff.

Mr. Aguilera asked if there was a listing of the companies that owed money to Prison Industries and whether collections by outside sources had been made on the funds due. Ms. Dastal stated the list of companies was not in the financials, but the collection process had been turned over the Controller's Office. The Controller's Office had a contract with three different private companies that were actively trying to collect the bad debts.

Mr. Puliz asked if the mattress shop had considered producing the plastic bags holding the mattresses for bed bug protection. He said there was a huge demand in southern Nevada for the bags. Mr. Connett said they were not producing any mattress covers, but would like to contact Mr. Puliz for some more information.

Ms. Dastal moved on to the balance sheet for the first quarter of FY 2011 ending on September 30, 2010. She stated FY 2011 started in the right direction. The \$25,000 loss from the first quarter FY 2009 had been turned around to an \$112,000 profit. The total fund equity had decreased by \$1.7 million, but the \$948,000 fund sweep and \$884,000 write-off totaled \$1.832 million. Ms. Dastal stated the license plate fee revenues were up \$5,000 from the previous year.

Ms. Dastal further explained the total general administrative expenses were \$196,100, a savings of about \$36,000 from FY 2009, which was a 15.6 percent decline in costs. Prison Industries was trying to do everything in its power to control costs. The mattress operation had a 37 percent decline in profit. The sales for FY 2009 included the manufacturing of mattress for the new NDOC facility.

Ms. Dastal stated the print shop was doing well despite the space limitation. Sales were down about \$7,000; however, profits had increased approximately 26 percent. Furniture and metal had done well largely due to the furniture sales. During FY 2010 the furniture shop had received a sales order for FY 2011. The financial statement shows a \$159,000 increase in sales due to the sale.

Ms. Dastal said the auto and upholstery shops' sales were down by \$22,000, a decrease of approximately 50 percent. Mr. Smith asked if the auto shop was where the warranty work had to be done. Mr. Connett confirmed the warranty work was done at the auto shop. Warranty work was an expense to the industry without providing any income.

Continuing, Ms. Dastal explained the garment factory sales had declined approximately 20 percent, with profit declined about 54 percent. The drapery shop had a 63 percent drop in sales. Mr. Connett informed the Committee the drapery shop had given out quotes to companies that were bidding on jobs. The bids had not come back, but if Prison Industries win the bids, sales would increase for the Drapery shop. Mr. Connett said he will not know until the third quarter of FY 2011 if the bids were accepted.

Assemblyman Hambrick asked if Prison Industries had considered having the drapery industry make pillow shams, bed skirts, and comforters to augment the sales of the mattresses. Mr. Connett stated those items were complimentary to what was manufactured currently, but he would take a look at the viability of the market.

Ms. Dastal said the Dairy ranch continued to do well. In the first quarter ending September 2009, hay costs were \$235 per ton. The first quarter ending September 2010, the hay costs were \$92 per ton. Mr. Connett stated Prison Industries had five different profit centers at the ranch operation: livestock; dairy operation; crops; the BLM contract; and composting. Senator Rhoads questioned the \$235 a ton for hay. He had bought hay for the last winter and the most he paid was \$125 a ton delivered. Mr. Connett responded that Prison Industries was obligated to go out through State Procurement to purchase the hay. When State Procurement put the bids out, that was the pricing which included delivery. Senator Rhoads asked Mr. Connett to send him information about the steps taken to receive the bid. The highest price Mr. Rhoads had heard for hay was \$140 per ton delivered. Mr. Connett said he would send the information.

Senator Parks confirmed that Senator Rhoads had requested a letter to Governor-elect Sandoval to recommend consideration in the budget that the printing and bindery shop had increased allocations for space.

SENATOR RHOADS MOVED THAT A LETTER BE SENT TO THE GOVERNOR REQUESTING AN EVALUATION OF MORE SPACE FOR THE BINDERY INDUSTRY TO INCREASE REVENUE.

MR. HAMBRICK SECONDED THE MOTION, THE MOTION CARRIED UNANIMOUSLY.

**XII. Public Comment**

Stating that there was nothing further to come before the Committee; Chairman Parks adjourned the meeting at 10:55 a.m.

Respectfully submitted,

\_\_\_\_\_  
Cheryl Harvey, Committee Secretary

APPROVED:

\_\_\_\_\_

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