

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
June 25, 2012**

SUMMARY OF MINUTES

The fourth 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 Monday, June 25, 2012, 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, and in Room 137 of the Great Basin College, High Tech Center, Elko, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman James Ohrenschall, Chairman
Allen J. Puliz, Puliz Moving and Storage
Bruce Aguilera, Vice President/General Counsel, Bellagio
Michael Mackenzie, Principal, Operations Improvement Company
Debra Miller, Alternate for Mike Magnani
Greg Cox, Director, Nevada Department of Corrections
Greg Smith, Administrator, Purchasing Division

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblyman John Ellison

COMMITTEE MEMBERS PRESENT IN ELKO:

Senator Dean Rhoads

COMMITTEE MEMBERS ABSENT:

Senator David R. Parks, Vice Chairman
Mike Magnani, Labor Union Representative

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

[Exhibit B](#) – Picture of horse trailer from the US Marine Corps

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 1:14 p.m. The secretary called roll. Chairman Ohrenschall excused Senator Parks from attending the meeting. Ms. Miller attended the meeting as an alternate for Mr. Magnani. 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 MARCH 23, 2012.

Chairman Ohrenschall requested a motion for approval of the minutes from the March 23, 2012, meeting.

ASSEMBLYMAN ELLISON MOVED TO APPROVE THE MINUTES OF THE MARCH 23, 2012, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

MR. PULIZ SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

IV. REVIEW OF NEVADA DEPARTMENT OF CORRECTIONS RESPONSES TO QUESTIONS FROM THE MARCH 23, 2012, MEETING.

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

- A. Nevada Horse Power – Mr. Connett directed the Committee to page 19 of the meeting packet ([Exhibit A](#)). Nevada Horse Power was contacted regarding the possibility of contributing funds to the department's wild horse program; however, the organization's funds had been allocated until October 2012.

Mr. Aguilera asked if Prison Industries could get funds from Nevada Horse Power for the wild horse program in FY 2013. Mr. Connett informed the Committee he approached the organization about contributing in FY 2013, but the organization was unsure of its funding availability.

Kimberly Tarter, Deputy Administrator, Purchasing Division, provided information to the Committee regarding the Purchasing Division's efforts to assist Prison Industries to bring down its cost of hay. The Purchasing Division met with Tim Bryant, Prison Industries, Supervisor II, at the ranch to discuss revisions in the bidding process used to purchase hay. Ms. Tarter stated they reviewed the previous bidding document and made some suggestions that could assist the department in leveraging the amount it spent on hay.

Ms. Tarter testified that Prison Industry's bidding process was restrictive to eligible hay suppliers who met specific requirements associated with total digestive nutrition. The Bureau of Land Management agreed to eliminate these nutrition requirements. By changing the bid requirements to allow any type of hay, the Purchasing Division would be able to tabulate the bids based on the hay's digestive nutrition and cost per ton. Ms. Tarter said the Prison Ranch would be able to buy alfalfa hay from one supplier and mixed hay from another supplier based on the lowest cost per ton. If a supplier with the lowest bid only had one hundred tons available, the ranch could purchase the remaining hay from the next lowest bidder until the total tonnage necessary was met. Ms. Tarter explained the ranch used 12 tons of hay per day.

Ms. Tarter pointed out that the bids should identify delivery costs separately from the actual hay costs. Hay delivery costs between \$10-\$20 per ton. The Purchasing Division could make some inquiries and determine if separate arrangements could be made with an independent contractor to deliver the hay at a lower cost.

The Purchasing Division was also considering simplifying the bid document in order to make the bidding process easier for vendors.

Ms. Tarter stated, by statute, the Purchasing Division had direct purchasing authority for \$5,000; however, there was no monetary threshold for commodity purchases of perishable foods. The Department of Corrections commonly used this exception to purchase bulk food for its inmates. This exception could also be applied to purchasing hay, since it was a commodity, as a result, the ranch could take advantage of limited time offers of lower-priced hay. The noted suggestions would assist the Prison Industries program in keeping its hay volume up and its costs as low as possible.

Chairman Ohrenschall asked if the revisions to the bidding process would free up more financial support for the expansion of the horse program in the future. Mr. Connett said they looked into expanding the horse capacity at the ranch, but additional permits would need to be obtained. Mr. Connett thanked Greg Smith, Director, State Purchasing, and Ms. Tarter for all of their efforts.

In reference to the expansion of the horse program, Mr. Connett said Prison Industries obtained used guardrails and posts from the Department of

Transportation to create new holding pens for the horses. These pens were needed in order to allow the BLM to separate certain horse populations used as test subjects in studies conducted on the wild horses.

Senator Rhoads stated Prison Industries was looking in the right direction to resolve the fluctuation of its hay prices. The new bidding process should save the state money.

Assemblyman Ellison agreed with Senator Rhoads. He stated hay prices this year would be high because of the drought. He said some areas had been hit hard with drought, and it was going to get worse.

Mr. Connett informed the Committee that Prison Industries had been awarded a contract with BLM, for the continuation of the horse program, contingent upon the approval of the Board of Examiner's at its next meeting. He hoped this would become a model for BLM in other states across the country. Prison Industries had developed a variable pricing structure based on the number of horses housed at the facility and the price of hay. As the price of hay and the quantity of horses increases, the fee per horse per day increases. Under its current contract with the BLM, Prison Industries received \$3.20 per horse per day. Based on the quantity of horses and the current price of hay, the new contract would allow \$3.90 per horse per day.

Senator Rhoads asked if the program was making money at the rate of \$3.90 per horse. Mr. Connett answered they anticipated this program would become profitable based on the variable pricing structure. The pricing structure in the past had remained fixed despite the volatility of hay prices.

Senator Rhoads asked if the horse program was profitable in the past. Mr. Connett responded the profit was based on the hay price at a particular point in time. The price of hay had increased from \$172 per ton to \$314 per ton. The price has been extremely volatile in the past, and Prison Industries was limited to charging the BLM a fixed fee per horse.

Mr. Aguilera directed the Committee's attention to page 51 of the meeting packet ([Exhibit A](#)) and pointed out, in the prison ranch financial statements the cost of materials had almost tripled compared to the previous year. Mr. Connett said a good portion of the material cost was due to the price of hay. He said the hay prices were out of the prison ranch's control. With the new contract, the prison ranch would be able to increase its fees charged to the BLM provided the cost of hay increased.

- B. Negotiations with the three organizations interested in moving their operations to Prison Industries – Mr. Connett directed the Committee to page 19 ([Exhibit A](#)), and reviewed the status of the three interested organizations.

Chairman Ohrenschall asked if it was possible to get a concrete commitment from any of the companies regarding the prison industry facilities. Mr. Connett explained that bringing a company inside the prison to manufacture goods was a lengthy process that could take more than two to four years.

- C. Alpine Steel's bid to fabricate the proposed Ferris wheel in Las Vegas – Mr. Connett introduced Randy Bulloch, president of Alpine Steel, to testify on behalf of the Ferris wheel's progress. At the end of March 2012, Alpine Steel had submitted a bid on the Skyvue Ferris Wheel project. Alpine Steel had been awarded the fabrication of the Ferris wheel, as well as retail space that would be simultaneously constructed underneath the wheel. Mr. Bulloch explained that changes in the wheel's design had delayed the commencement of the project. The material was staged at High Desert State Prison (HDSP) and at Alpine Steel's other facility in Las Vegas. Fabrication would start as soon as the design changes were approved. Mr. Bulloch expected the general contractor to provide Alpine Steel with an initial down payment for the project within the next week.

Chairman Ohrenschall congratulated Mr. Bulloch for the award of the Ferris wheel project. He said it was encouraging news.

Mr. Bulloch confirmed Mr. Aguilera's question that this was one of two Ferris wheels being built in Las Vegas. He explained that this Ferris wheel project was being constructed east of Mandalay Bay on Las Vegas Boulevard.

Chairman Ohrenschall asked Mr. Bulloch how large the retail space would be underneath the Ferris wheel. Mr. Bulloch answered that approximately 200,000 square feet of retail space would be constructed with the potential for further expansion.

Chairman Ohrenschall asked how many inmates from Prison Industries and from Alpine Steel's other shop would be employed. Mr. Bulloch had met with Warden Neven to discuss the employment of inmates. He anticipated 35 inmates would be employed at HDSP, and 25-30 employees would be employed at his shop outside of HDSP, including some inmates from Casa Grande Transitional Center.

Chairman Ohrenschall asked how many shifts would be operated at HDSP. Mr. Bulloch said they would operate one shift, but he anticipated the shift would be eleven hours per day, six days per week.

Chairman Ohrenschall asked Alpine Steel when the project was anticipated to be complete. Mr. Bulloch said the Ferris wheel should be completed by January 2013, while the retail stores underneath the Ferris wheel should be completed by the spring of 2013. Alpine Steel anticipates the Ferris wheel and retail stores would be open to the public by January 2014.

Chairman Ohrenschall asked Mr. Bulloch if Alpine Steel had any other projects scheduled that would employ additional inmates from Prison Industries. Mr. Bulloch responded Alpine Steel would be performing the fabrication of a hospital and a number of other smaller projects. Alpine Steel has been bidding on more fabrication projects than it has in the last three years.

Chairman Ohrenschall asked if the fabrication of the competing Ferris wheel was being performed out-of-state. Mr. Bulloch said he did not have exact knowledge, but he had been told the steel for that Ferris wheel was being fabricated in China. Chairman Ohrenschall asked if Alpine Steel had the opportunity to bid on that Ferris wheel. Mr. Bulloch replied they were not given the opportunity to bid on that specific project.

Chairman Ohrenschall asked when Alpine Steel would be able to bring its account current with Prison Industries. Mr. Bulloch believed the majority of Alpine Steel's account would be current within 60 days of starting the Ferris wheel project.

Chairman Ohrenschall thanked Mr. Bulloch for testifying, and wished him luck on the projects. Mr. Connett testified that Prison Industries was extremely excited and encouraged about the world class Ferris wheel project.

Mr. Bulloch thanked the Committee for its time and patience. He pointed out the North Fifth Street bridge in Las Vegas was welded by inmates and passed its inspection. The skilled inmates were ready to start on the Ferris wheel project. Mr. Bulloch was grateful for the skill level the inmates had been able to acquire on the bridge project.

Chairman Ohrenschall asked who the erecting company would be for the Ferris wheel project. Mr. Bulloch said the name of the Las Vegas company was Union Erectors.

Chairman Ohrenschall asked how many ex-inmates were employed by Alpine Steel. Mr. Bulloch estimated about 12 employees at Alpine Steel were ex-inmates. Their salaries varied from approximately \$30,000 to \$60,000 a year, depending on the job they were performing.

Mr. Connett wanted to point out that inmate workers employed by Alpine Steel learned a skill that was employable. The inmates received a welding certification which helped them gain employment upon their release.

Chairman Ohrenschall asked Mr. Connett if there were any statistics regarding the recidivism rates of the inmates working in the steel fabrication program. Mr. Connett said he did not separately track the inmate workers participating in the steel fabrication program.

- D. Silver State Industries' depreciation schedule – Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections, summarized the depreciation schedule on pages 21-22 ([Exhibit A](#)).
- E. Additional information regarding the Mock Prison Riot organization. – Mr. Connett summarized the follow-up question regarding the Mock Prison Riot [page 25 ([Exhibit A](#))]. Mr. Cox said the organization trained in West Virginia and would like to expand to the west coast, but the federal funding for training had been cut. Commissioner Rubenstein, West Virginia, Department of Corrections, stated he would work with Nevada to develop a similar program. Mr. Cox anticipated he would be talking with Commissioner Rubenstein in September 2012 regarding the implementation of a training program in Nevada.

Mr. Aguilera asked if there was any facilities west of the Mississippi that offered this type of training for correctional officers. Mr. Cox said there was no such facility. Mock Prison Riot was interested in the Nevada State Prison due to its location on the west coast and its proximity to the Reno/Tahoe airport.

Chairman Ohrenschall asked for clarification that the Mock Prison Riot organization was a private company and did not operate under the West Virginia government. Mr. Cox understood the organization was receiving a significant amount of funding from the State of West Virginia. Commissioner Rubenstein indicated that the county in West Virginia where the training was being conducted generated between \$1.2 to \$1.3 million in revenue from the training.

Mr. Aguilera asked if there was any reason why the State of Nevada could not emulate the training provided in West Virginia. Mr. Cox said the state did not have any funds to support the training. Part of the discussion in September 2012 with Commission Rubenstein would include how to approach the funding aspect of the training and how much funding would be required initially.

Chairman Ohrenschall asked if there was another company, or entrepreneur, that might be interested in starting a training facility at Nevada State Prison (NSP). Mr. Cox said he planned to attend several annual trade shows and make his peers aware of NSP's availability as a training facility.

Mr. Aguilera mentioned that maybe written commitments could be obtained from entities interested in participating in correctional officer training in the west coast, such as from California or Asia. The commitment letters could then be used as justification to obtain a loan from the State Treasurer.

Chairman Ohrenschall agreed with Mr. Aguilera. Mr. Cox also agreed, saying he appreciated all of the Committee's suggestions.

Mr. Puliz suggested that the convention authority should be contacted about the training facility, since it used a portion of its funding on projects that bring organizations into the community.

- F. An appraisal or property valuation for Nevada State Prison – Mr. Connett reviewed the department’s response on page 25 ([Exhibit A](#)).

Chairman Ohrenschall asked if the NDOC could obtain information prior to the Committee’s next meeting on how much it would cost to have an appraisal of Nevada State Prison conducted. Mr. Connett said he would work with Director Cox to find out how much an appraisal for the facility would cost.

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

Mr. Connett said he had several discussions with an organization interested in establishing a trash recycling operation with Prison Industries. The organization toured the Prison Industry facilities and expressed an interest in using inmate labor to process recycled products. Mr. Connett requested approval from the Committee to move forward in negotiating with the trash recycling company.

Chairman Ohrenschall asked if they were looking at a specific location. Mr. Connett said the organization was interested in the facilities located at HDSP in southern Nevada and Northern Nevada Correctional Center in northern Nevada. The organization was also considering building a new facility outside the confines of the state prison system and transporting inmates to that facility.

Chairman Ohrenschall asked how many inmates this operation might employ. Mr. Connett stated there was talk of approximately 60 inmates.

SENATOR RHOADS MOTIONED TO EXPRESS THE COMMITTEE’S SUPPORT FOR MR. CONNETT’S CONTINUED NEGOTIATIONS WITH THE TRASH RECYCLING OPERATION IN THE HOPES THAT IT WOULD PROVIDE MORE INDUSTRIES WITHIN THE PRISONS.

MR. AGUILERA SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

VI. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2009 THROUGH APRIL 2012.

Ms. Dastal summarized the report of the number of inmates that worked July 2009 through April 2012 on page 29 of the meeting packet ([Exhibit A](#)).

Chairman Ohrenschall was dismayed by the number of prison inmates employed. Mr. Connett said Prison Industries was working with the Department of Corrections, its largest customer, to produce more products and put more inmates to work. As discussed in past meetings, the economy has forced the state to reduce spending on products manufactured by Prison Industries.

Mr. Puliz commented that prior to the recession the number of inmates employed with Prison Industries in Nevada was above the national average of inmates employed. He thought Prison Industries within Nevada had declined to what was the national average. Mr. Connett added that Prison Industries were closing nation-wide, where in the past they were experiencing growth. Mr. Connett said the federal government had closed at least five prison industry factories. He indicated that only a few states had a surplus largely because of natural resource production.

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

Ms. Dastal reviewed the Capital Improvement Fund and the Victims of Crime Fund on page 33 of the meeting packet ([Exhibit A](#)).

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

Ms. Dastal identified the fund for new construction on page 36 ([Exhibit A](#)).

Mr. Aguilera asked if the Legislature would sweep the funds again in the 2013-15 biennium. At this time, Mr. Connett did not know if the Legislature would sweep the funds. Mr. Connett hoped the fund would not be swept again since Prison Industries was negatively impacted when the Legislature swept \$948,000 from its Fund for New Construction.

Mr. Aguilera asked if the funds could be used by the Mock Prison Riot organization for upgrades to Nevada State Prison. Mr. Connett responded that there were some specific uses in statute for that particular funding source. The availability of the funds would depend on how the program was structured. If inmates performed work for the Mock Prison Riot organization, as a Prison Industry program, the funds could be used. If no inmates were employed, the Funds could not be used.

Chairman Ohrenschall noted that the Fiscal staff stated there had been no expenditures incurred from the Fund since FY 2006. He asked if there were any plans to expend the funds to initiate programs or expand existing programs. Mr. Connett said the funds could be used as an incentive for new companies to use in order to reduce their initial cash outlay. At this time, Mr. Connett said there were no plans to expend the funds.

Nicolas C. Anthony, Senior Principal Deputy Legislative Counsel, Legal Division, responded to a question asked by Assemblyman Ellison at the Committee's last meeting regarding the use of these funds pursuant to NRS 209.192. Assemblyman Ellison asked if the funds could be used to relocate the license plate factory, currently housed at NSP. Mr. Anthony indicated that the funds could not be used if no additional inmates were employed as a result of the relocation. However, if the relocation resulted in the expansion of the program, and additional workers were hired, the funds could potentially be used for the relocation.

Senator Rhoads asked if the money that Prison Industries made through the wild horse program went to the General Fund. Mr. Connett said the profits that were made from the contract agreement with the BLM stayed within the Prison Industries budget account.

IX. REVIEW THE FINANCIAL STATEMENTS OF SILVER STATE INDUSTRIES FOR THE NINE MONTHS ENDING MARCH 31, 2012.

Ms. Dastal reviewed the financial statements starting on page 37 of the meeting packet ([Exhibit A](#)).

Chairman Ohrenschall asked if Silver State Industries experienced difficulties with operating its programs given its reduced amount of cash and how does it plan to increase its unrestricted cash. Mr. Connett said Prison Industries had not experienced difficulties operating the current industries due to its level of cash. He further indicated that cash had increased in the previous weeks. Mr. Connett said they had submitted a bill draft request that would allow Prison Industries to transfer funds from the CIP fund to cover operating expenses in the event unrestricted cash was not available to cover operating expenditures for the Prison Industry programs.

Mr. Mackenzie said that the accounts receivable on the balance sheet went up significantly from \$688,130 to \$1,026,489. He asked if the difference was primarily due to receivables owed by Alpine Steel. Mr. Connett said Alpine Steel was Prison Industries' largest accounts receivable. Mr. Mackenzie asked how much of the \$1,026,489 was owed by Alpine Steel. Mr. Connett said Alpine Steel owed approximately \$400,000. Mr. Mackenzie asked if Prison Industries was concerned with its ability to collect money owed from its other accounts receivable. Mr. Connett said at this time he did not have any concerns.

Mr. Mackenzie directed the Committee to page 39 and asked why inventory increased from \$968,000 to over \$1 million. Mr. Connett explained that inventory increased because Prison Industries just purchased raw materials for a job it was beginning prior to the close of the quarter.

Mr. Aguilera stated the harvested crops were up from \$48,495 to \$319,099. Ms. Dastal said crops were seasonal, and the Prison Ranch had produced a significant amount crops over the growing season.

Chairman Ohrenschall asked if Prison Industries was having difficulties collecting its receivables and asked if an aging report could be provided to the Committee. Mr. Connett indicated that he would provide the Committee with an aging report. Mr. Connett further reiterated that Mr. Bulloch believed that Alpine Steel's account would be current by the end of summer. Chairman Ohrenschall asked who was Prison Industries' the next largest receivable. Mr. Connett said most of its receivables were with the NDOC.

Mr. Mackenzie pointed out the mattress shop had significant lower sales, but its material costs improved. Mr. Mackenzie complimented the manager of the mattress shop for improving gross margin. In addition, Mr. Mackenzie stated he thought the freight charges should be included in the cost of material, not as a separate line item. Mr. Connett stated James Padgett was the industry manager at the mattress shop. Mr. Connett thanked Mr. Mackenzie's for his input regarding freight charges. Mr. Connett indicated that some of its customers do require freight charges to be applied separately.

Mr. Mackenzie commented that the print shop was doing a great job. The print shop improved its gross margin from 29 percent to 37 percent. The only problem Mr. Mackenzie pointed out was the print shop was not covering its freight costs. Mr. Mackenzie stated the program was being managed well. Mr. Connett said Mary Byington, the manager at the print shop, was able to improve operations after relocating and expanding the print shop from NSP to NNCC. The new facility gave her the opportunity to facilitate more businesses.

Mr. Aguilera asked if the print shop's building and grounds expenditures increased by \$13,400 because of the facility's relocation to NNCC. Ms. Dastal indicated that the charges were increased as a result of the relocation.

Mr. Mackenzie stated the furniture and metal shop on page 47 ([Exhibit A](#)) was sufficiently covering its freight costs. The furniture and metal shop also improved its gross margin from 21 percent to 24 percent despite its labor costs increasing by 1 percent.

Mr. Mackenzie pointed out the metal shop had a large increase in sales, but direct labor increased from 11 percent of sales to 19 percent of sales. He noted the material costs also increased from 49 percent of sales to 61 percent of sales despite a decrease in overhead costs. Mr. Connett said Prison Industries had an increase in sales, which contributed to the increase in raw material expenditures for the metal shop. The jobs that were being performed by the metal shop were classified under federal law as Prison Industry Enhancements; as a result, inmates must be paid minimum wage. Normally the wage provided to inmates at the metal shop was less than minimum wage. In order to increase sales, the manager of the metal shop has successfully solicited jobs with local steel fabricating companies.

Mr. Aguilera asked if the auto shop took in liens when they started work on a vehicle. Mr. Connett said no liens were taken, but a 50 percent deposit was required prior to the commencement of each job.

Mr. Mackenzie noted the labor costs at the auto shop had almost doubled, material costs were up, and overhead costs increased from 13 percent of sales to 71 percent of sales. Ms. Dastal explained the overhead expenses included \$16,000 in supplies, \$1,000 in equipment repair, \$800 for fuel and \$54,000 for indirect inmate labor. Mr. Mackenzie pointed out that the warranty expense was still 28 percent of sales. Mr. Connett responded the manager of the auto shop had significantly limited the warranty work.

In response to Assemblyman Ellison's question regarding the warranty work being performed at the auto/upholstery shop, Mr. Connett indicated that the timeframe in which work performed by the auto/upholstery shop would be warrantied was adjusted to reflect industry standards.

Mr. Mackenzie commented the garment factory's gross margins were good, but the program was still not covering its freight expenses.

Mr. Mackenzie stated the drapery shop's performance was moving in the right direction.

Chairman Ohrenschall asked what the drapery shop was doing to increase its performance and wanted to know if those measures could be applied to the auto/upholstery shop in order to improve its performance.

Mr. Connett stated the drapery shop's improved performance reflects the efforts of the shop's new manager who has taken it upon himself to bring in new business to the program and seek additional business from the program's existing customers. Mr. Connett indicated that some of the vehicles being worked on at the auto/upholstery shop were left at the facility for years without payment on the work performed by the inmates. Chairman Ohrenschall asked if a lien could be included as part of the auto/upholstery shop's customer contract. Mr. Connett said he had contacted the NDOC's Deputy Attorney General (DAG), and the DAG had concerns with the repercussions of selling a vehicle that may be worth a significant amount more than what Prison Industries received from the sell. If the owner, or an heir, returned for the vehicle in the future, the state could be liable for the value of the vehicle. Prison Industry's would continue to try to contact the owners of the vehicles.

Mr. Mackenzie said when cars were left by customers at his business, he used a process in accordance with Nevada state law to obtain the title of the car. He indicated that the process took about two months. Once he gained ownership of the title, he could sell or auction the car. Mr. Aguilera asked if some of the cars at the auto shop were considered classics. He suggested that Prison Industries attempt to

sell these vehicles on E-bay. He also suggested that Prison Industries include a clause in future customer contracts that indicates Prison Industries has the right to sell any abandoned vehicles.

Chairman Ohrenschall asked Mr. Mackenzie what kind of expense he incurred in the process of obtaining the title of abandoned vehicles. Mr. Mackenzie said he submitted paperwork, which had little to no costs. Mr. Mackenzie asked if most of the cars at the auto shop were considered classic cars. Mr. Connett said some of the vehicles were classics. Mr. Mackenzie offered to help Prison Industries fix some of the non-classic cars and sell them for Prison Industries.

ASSEMBLYMAN ELLISON MOTIONED TO REEXAMINE THE PERFORMANCE OF THE DRAPERY SHOP IN SIX MONTHS TO DETERMINE IF THE SHOP SHOULD CONTINUE ITS OPERATIONS.

MR. MACKENZIE SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairman Ohrenschall asked Ms. Dastal if the ranch facility produced enough hay to be self-sustaining. Ms. Dastal responded the ranch had to purchase additional hay from outside vendors to accommodate all of the horses.

Mr. Connett informed the Committee of some positive news for the Prison Industries wild horse program. He showed a picture ([Exhibit B](#)) of horses adopted by the US Marine Corp. The horses were trained by the Prison Industry horse program. Prison Industries also trained horses for the US Border Patrol. Prison Industries had trained about 760 horses since 2000, 23 of which were adopted by the border patrol, 4 were adopted by the army, 7 were adopted by the marine corp color guard, 2 were adopted by Las Vegas Metro Police Department, 7 were adopted by the US Marine corp winter warfare unit, 25 were adopted by the all women drill team in Southern California, and 1 was adopted by the BLM law enforcement agency. Mr. Connett informed the Committee of the next adoption event on August 17, 2012, at NNCC. He invited the Committee members to attend.

Mr. Connett also explained the ranch was building more corrals to house an additional 300 horses. The dairy division found a use for the cream it produces. In the past, the dairy threw its cream away, however it has developed a relationship with a company in Carson City that makes ice cream. The company provided the prison dairy with all of the raw materials needed to produce the ice cream with exception of the cream. Prison Industries mixed the cream with the remaining ingredients to produce the ice cream. Mr. Connett pointed out that ice cream was seasonal, and revenues from this program would fluctuate.

Mr. Connett said Prison Industries was raising its price charged to the NDOC per gallon of milk by \$0.30.

Mr. Mackenzie asked if Prison Industry grew hay at the ranch. Mr. Connett said they had a large land mass where hay was produced. Mr. Mackenzie asked why the ranch did not produce more hay to sustain its wild horse program. Mr. Connett said they did crop rotation, so hay could not be produced on the same plot every year. Mr. Mackenzie asked if there might be other state land available to grow hay. Mr. Connett said he would discuss that option with the ranch managers. He was concerned there might be an issue with transporting inmates to a location outside of the prison.

Chairman Ohrenschall asked if the general fund received the extra \$.30 per gallon for the milk that was being sold. Mr. Connett said the monies would stay within the Prison Industry ranch operations. He said the increase would start on July 1, 2012. Mr. Connett said NDOC agreed to the price increase and they would include the increase in its budget submittal for the 2013-15 biennium.

Mr. Puliz noticed on the ranch financial statements that material expenditures increased for the crops. Ms. Dastal said the report reflected the price of hay increasing from \$142 per ton in FY 2011 to \$270 per ton in FY 2012.

X. DISCUSSION OF FUTURE MEETING DATES AND TIMES.

Chairman Ohrenschall reminded the Committee that it was required to meet every quarter. He asked the committee members if there were any dates when they were unavailable. Mr. Aguilera said if the Committee conducted a tour of the prison industry facilities prior to the meeting, perhaps a Friday would be good. Ms. Coffman said there were no particular dates that would work better for staff. She pointed out that between September and December Fiscal staff would be preparing for the 2013 session. It would be helpful to get the next two meeting dates set in advance. Chairman Ohrenschall tentatively scheduled the next meeting date for Friday, September 28, 2012. He also tentatively scheduled a Committee meeting for Friday, November 2, 2012.

XI. PUBLIC COMMENT.

There was no public comment.

XIII. ADJOURNMENT.

Chairman Ohrenschall adjourned the meeting at 3:19 pm.

Respectfully submitted,

Cheryl Harvey, Committee Secretary

APPROVED:

Assemblyman James Ohrenschall

Date: _____