

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
June 27, 2014**

SUMMARY OF MINUTES

The fourth meeting of the 2013–14 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 1:00 p.m. on Friday, June 27, 2014, 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.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator David R. Parks, Chairman
Assemblyman Crescent Hardy, Vice Chairman
Bruce Aguilera, Representing Business
Robert Conway, Representing Organized Labor
Mike Magnani, Representing Organized Labor
Allen J. Puliz, Representing Manufacturing
Greg Cox, Director, Nevada Department of Corrections
Greg Smith, Administrator, Purchasing Division, Department of Administration

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator Ben Kieckhefer
Tom Dickman, Representing Business

COMMITTEE MEMBERS ABSENT:

Assemblyman Michael Sprinkle

STAFF MEMBERS PRESENT IN LAS VEGAS:

Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

James Penrose, 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

OTHERS PRESENT IN CARSON CITY:

Tim Bryant, Ranch Manager, Prison Industries, Nevada Department of Corrections
Bill Quenga, Marketing Coordinator, Prison Industries, Nevada Department of Corrections
Matthew Brown, Supervisor, Prison Industries, Nevada Department of Corrections
Lane Hanner, Supervisor, Prison Industries, Nevada Department of Corrections

EXHIBITS:

[Exhibit A](#) – Agenda and Meeting Packet
[Exhibit B](#) – Battle Born Magazine
[Exhibit C](#) – USA Today article

I. ROLL CALL.

Chair Parks called the meeting of the Nevada Legislature’s Interim Finance Committee’s Committee on Industrial Programs to order at 1:05 p.m.. The secretary called roll, Assemblyman Sprinkle was absent and all other members were present.

II. PUBLIC COMMENT.

There was no public comment.

III. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE’S INTERIM FINANCE COMMITTEE’S COMMITTEE ON INDUSTRIAL PROGRAMS FOR MARCH 28, 2014.

Chair Parks requested a motion for approval of the minutes from the March 28, 2014, meeting.

ASSEMBLYMAN HARDY MOVED TO APPROVE THE MINUTES OF THE MARCH 28, 2014, MEETING OF THE NEVADA LEGISLATURE’S INTERIM FINANCE COMMITTEE’S COMMITTEE ON INDUSTRIAL PROGRAMS.

BRUCE AGUILERA SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

IV. REVIEW OF NEVADA DEPARTMENT OF CORRECTIONS’ RESPONSE TO QUESTIONS FROM THE MARCH 28, 2014, MEETING REGARDING TRASH PICK-UP ALONG INTERSTATE 15.

Brian Connett, Deputy Director, Industrial Programs, Nevada Department of Corrections, directed the Committee to page 14 of the meeting packet ([Exhibit A](#)). He explained the Nevada Division of Forestry (NDF), contracted the Nevada Department of Transportation (NDOT) to determine how much it would cost to conduct trash pick-up along the I-15 corridor. According to NDF, it typically costs \$1,000 per day to deploy an inmate crew for trash pick-up along the state’s highways. The NDF supervisor reviewed

the corridor and estimated it would take 12 to 16 days to clean the area. It was apparent that the trash was coming from the trash trucks.

Chair Parks commented that Republic Services was not the only trash company that serviced Las Vegas. The trash problem along I-15 was relative to all vehicles that transported to the landfill.

Mr. Aguilera asked if a fee could be charged to the clients of the landfill to clean up the freeway and defer some of the costs. Mr. Connett responded he did not know if the land fill could charge such a fee. Chair Parks said perhaps there could be a \$.02 surcharge per ton of trash that was hauled to the landfill. Senator Parks indicated that he would like trash pick-up along I-15 to take place on a reoccurring basis. He asked if there was a set schedule for the inmates to be gathering the trash along I-15. Mr. Connett said a schedule would need to be set up for the inmates to pick up trash along I-15 on a regular basis. Nevada Department of Forestry would make all the arrangements to schedule and deliver the work crews to the site.

Mr. Aguilera wondered if the NDF had any ideas of how to fund this clean-up project. Chair Parks said most state budgets were strapped for money, and this program might seem like a luxury. He had read several letters to the editor regarding the unsightly condition of the interstate, and he thought this would be a good project for the inmate workforce.

Assemblyman Hardy asked if the NRS would need to be changed to facilitate a new fee to be collected by the landfill. As a person that has driven this section of the highway for years, he noticed the strong winds in the early spring, seemed to frequently blow plastic shopping bags out of the waste hauling trucks. He asked if the suggested fee would have to be approved by the state or county. Chair Parks said the fees from the APEX landfill were administered by Clark County. He added that perhaps plastic shopping bags should be outlawed as a solution to the litter problem along I-15. Plastic shopping bags had been outlawed in other states.

Senator Kieckhefer said it seemed that there would be covenants within the franchise agreements between waste haulers and Clark County restricting the amount of litter that comes off of the waste hauler trucks. The city codes should be reviewed to determine if these waste haulers were in violation of its covenants by not controlling the litter. The problem may be resolved by enforcing the codes.

V. STATUS REPORT FROM THE DEPARTMENT OF CORRECTIONS AND COMMITTEE RECOMMENDATIONS REGARDING THE DRAPERY SHOP AT LOVELOCK CORRECTIONAL CENTER.

Mr. Connett asked to discuss this agenda item during agenda item IX.

VI. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2011 THROUGH MAY 31, 2014.

Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections, summarized the number of inmates that worked on page 15 of the meeting packet ([Exhibit A](#)).

VII. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2012, FY 2013 AND FY 2014 YEAR TO-DATE.

Ms. Dastal reviewed the deductions from the inmate wages for room and board, the Prison Industry Capital Improvement Fund (CIP), and the victims of crime on page 19 ([Exhibit A](#)).

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

Ms. Dastal reviewed the fund for new construction of facilities for Prison Industries on page 21 ([Exhibit A](#)).

Mr. Connett recalled a discussion that had taken place at the last Committee meeting related to expanding the uses of the CIP funds. Mr. Connett wanted to work with the Legislative members of the Committee to draft a Bill Draft Request (BDR) for consideration by the 2015 Legislature that would allow the Prison Industry program to use the CIP fund for purchasing equipment, and enhancing operations at the facilities. The industries would like to purchase equipment to expand their production capacity. In total, there was approximately \$357,000 in equipment Prison Industries was interested in purchasing.

Mr. Aguilera asked what if the additional equipment would be used by existing industries. Mr. Connett explained Prison Industries would enhance its product lines. For instance, it would purchase equipment for the garment factory that would allow the industry to manufacturing T-shirts. The cost of the T-shirt manufacturing equipment was approximately \$38,000 to \$48,000, depending upon what the marketplace offered. Prison Industries would also seek to purchase for the garment factory additional sewing machines, and a fabric cutter. In addition, Prison Industries would also like to obtain several welders, a grinder and a powder coating machine for the metal shop. These pieces of equipment would help enhance Prison Industry's programs and possibly expand its product lines.

Mr. Puliz said the fund in this account had built up in the past because of the restrictions on its use. In today's economic times, it was smarter to use the funds to improve the productivity which would allow the programs to make more money and employ more inmates. He did not foresee any new facilities needed in the near future for new or

prospective Prison Industry Programs. He explained that if the fund was built up again, the state would take those funds and use them for other purposes.

Mr. Smith shared that if the NRS was amended to allow Prison Industries to purchase equipment with the CIP funds, new equipment would still be subject to the state's procurement regulations. If Prison Industries purchased used equipment it would have more discretion in taking advantage of good deals. Mr. Smith supported this recommendation.

Chair Parks offered to work with Mr. Connett to draft a BDR to revise the NRS governing the CIP fund. Chair Parks continued to say he wanted the language in the bill to specify the funds could only be used for capital items, not operating costs. Mr. Connett said he would work with Chair Parks in drafting the bill.

Director Cox stated he appreciated the Committee's input and cooperation in assisting the NDOC with the proposed legislative changes. He agreed with the recommendation that the money in the CIP fund should be used to purchase new equipment for Prison Industries.

IX. REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS FOR THE NINE-MONTHS ENDING MARCH 31, 2014.

Ms. Dastal reviewed the financial statements from Silver State Industries starting on page 25 ([Exhibit A](#)).

Ms. Dastal informed the Committee that Mary Byington, Supervisor of the Print Shop, was unable to attend the meeting. On behalf of Ms. Byington, Ms. Dastal highlighted several key projects the print shop had completed in the recent months.

Mr. Aguilera stated the financial report on page 32 ([Exhibit A](#)) had \$4,110 in commissions as of March 31, 2014, but none in the prior period. Ms. Dastal responded the commissions were from working with the NV 150 Committee, as the Committee received a 10 percent commission on the sales.

Mr. Aguilera commented the Battle Born magazine ([Exhibit B](#)) was nicely done, he asked if advertisements would be added to the magazine to generate revenue. Mr. Connett responded that Prison Industries was only given text and pictures to graphically layout in the magazine, no advertisements.

Chair Parks asked if sales generated by the print and bindery shop increased during legislative sessions. Mr. Connett indicated that the print shop did experience an increase in sales during legislative sessions. During the timeframe when the legislature was not in session, the print and bindery shop helped state agencies print its budgets. To diversify the print shop, Prison Industries was working with state agencies to generate and store its agency-specific forms.

Ms. Dastal summarized the financial performance of the furniture and metal shop. Mr. Connett said the furniture and metal shop tried to reduce its costs. The labor costs had been reduced. They were looking at the pricing strategy. Mr. Connett had discussions with material suppliers to negotiate more competitive pricing. Prison Industries anticipated improvements to the furniture and metal shop in the fourth quarter.

Mr. Connett indicated that the furniture and metal shop needed more equipment such as a roll bender, a powder coating system, band saw, and welder. Some of that equipment could be purchased used.

Mr. Quenga introduced himself and explained the furniture shop was very busy during the end of the fiscal year. The shop had been awarded an \$80,000 job from the Las Vegas Convention Authority to build podiums. The furniture shop was also awarded a job with the Reno Sparks Convention Center to reupholster 1,400 chairs for the Reno Rodeo.

Mr. Quenga said the metal shop was slow, but it typically picked up after May 1, which was when concrete could be poured for metal structures.

Senator Kieckhefer commented that the chairs at the rodeo were very comfortable. Mr. Smith commented that his staff at the Purchasing Division had worked with the staff from Prison Industries on numerous occasions.

Chair Parks asked when agencies submit request to acquire furniture or metal does the Purchasing Division try to direct the agency to Silver State Industries. Mr. Smith responded that his staff directed agencies with such purchasing requirements to Silver State Industries.

Assemblyman Hardy asked what the purpose was for a powder coating machine. The State Parks division needed its picnic tables and barbecues powder coated. There was a large demand for these items, but the metal shop had to turn the business away as it did not have the capability to powder coat. Mr. Quenga thought it would enhance and develop new products in the metal shop. It would make the metal shop more profitable and also teach the inmates additional skills.

Assemblyman Hardy expressed concerns with the metal shop using this equipment to compete with the private sector. He warned that Silver State Industries needed to be careful about competing with the private sector.

Chair Parks asked if there was a possibility Prison Industries could regain its business with Shelby American. Mr. Connett did not anticipate Shelby American returning to Prison Industries. Mr. Aguilera said a former colleague of his was currently president of Shelby American, Neal Cummings. He would be happy to contact Mr. Cummings on behalf of Prison Industries.

Mr. Connett said the garment factory was heavily reliant upon business from the NDOC. Lane Hanner, Supervisor, Garments Factory, Nevada Department of Corrections, introduced himself and explained he was the supervisor for the garment factory and drapery shop located in the Lovelock Correctional Center (LCC). He was always trying to diversify and grow the shops' product lines. He was interested in manufacturing T-shirt for inmates. Currently, all of the T-shirts for the NDOC were purchased from a private vendor. This project would require special machinery exclusive to making T-shirts. Mr. Connett indicated that NDOC's T-shirts were purchased from a company out of state.

Chair Parks understood there was space available to carry on the T-shirt operation at LCC. He asked if a proposal would be coming forward to expand the garment factory's product line to include T-shirts. Mr. Connett answered he would like to present a proposal for the expanded product line at the next Committee meeting.

Chair Parks said it seemed there should be a market from other state agencies to use the services. Mr. Puliz asked if the T-shirts that were supplied to NDOC at this time came from China. Mr. Connett responded he was not sure. Mr. Puliz asked if the Prison Industries could compete with the prices offered by its current T-shirt vendor. Mr. Connett said according to his estimates, Prison Industries could manufacture NDOC's T-shirts at a minimal profit.

Mr. Connett summarized five options for the Committee to choose from regarding the future operations of the drapery shop. The first option eliminated drapery as its own budgeted center and integrate it into the garment factory. The cost, equipment, labor and overhead associated with the drapery shop would be shown as a product line of the garment industry. The equipment owned by the drapery shop could then be utilized to increase the capacity of the garment factory. The garment factory was also considering adding bed shams and mattress covers to its product line. The second option kept the drapery shop as its own program, but operated it only when orders were placed. This option was somewhat problematic because Prison Industries tried to keep the inmates working consistently to maintain their skills. The third option was to close the drapery shop entirely. The fourth option was to contact people in the drapery industry to see if they were interested in running the drapery shop from LCC. Prison Industries reached out to a couple of its customers to see if there was any interest in taking on the drapery shop, and there was none. The fifth option would be to leave the drapery shop as is, which was not a sustainable option.

Mr. Connett favored the first option, which consolidated the drapery shop with the garment factory.

Assemblyman Hardy confirmed that this option would ensure the two programs worked together rather than covering the losses of the drapery shop. The combined program would utilize the labor force, and maximize the usage of the facility. Mr. Connett said that was correct. The programs would be able to make use of each other's equipment

to expand the product line. The drapery program would be a product line just like shirts and pants were a product line of the garment factory.

Chair Parks observed that it was a positive move to relocate the drapery factory to LCC. He thought it was a good use of the facility. He asked if the accounting would be handled similarly to that of the furniture and metal shop. Mr. Connett said the drapery shop would be eliminated as a financial statement. We would have the ability to provide the Committee with a statement that would show the impact. Silver State Industries could provide the Committee with a consolidated statement as done with the furniture and metal shop.

Mr. Puliz asked if the overhead costs would change by combining the two industries. Mr. Connett responded the industry would still have the overhead costs associated with the two buildings and security. The actual labor costs may go down as the seven drapery inmates would be used as needed.

MR. CONWAY MOVED TO RECOMMEND TO CONSOLIDATE THE GARMENT SHOP AND DRAPERY SHOP INTO ONE OPERATION.

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

Tim Bryant, Ranch Manager, Prison Industries, Nevada Department of Corrections, shared with the Committee the success it has with its horse adoption program. The program had been in existence since 2000. Since that time, there had been approximately 900 horses adopted by the public, federal agencies state agencies, and military. There was many interesting concepts that were being studied in terms of adopting out more horses.

He continued, the value of what the program does for the inmates was remarkable. The recidivism rate was significantly lower with the inmates that had gone through the program versus inmates without a job. The next adoption would take place at the Gardnerville fairgrounds. The ranch would be taking ten horses and ten inmates to compete in four different events over a three day period. The adoption would be August 2, 2014. Typically there was about 300 people in attendance for the event.

Mr. Connett identified several pieces of equipment the ranch needed including a goose neck flatbed trailer, a cattle chute, a crop carrier bed, and a chill water system tank.

Mr. Bryant explained the chill tank would be for the processing room, as the existing tank was about 20 years old. The tank was tested by the Dairy Commission and it had to be sanitary because it was used in the pasteurization of milk. Mr. Bryant was not opposed to purchasing used equipment because used harvest equipment was only used during harvest time, which was about six months out of the year. The inmates could also learn how to repair the equipment.

According to Mr. Bryant, Prison Industries owned a small beef herd. There was about 400 acres along the river to let the cows roam for about eight months out of the year. The intention was to triple the beef herd to capitalize in the next few years of marketing the steers.

Mr. Connett said he handed out a USA Today article ([Exhibit C](#)) regarding the special military forces being retrained to operate on horseback. The horses were being used in Afghanistan, which allowed troops to travel to remote areas. According to the article, the horses were trained at Northern Nevada Correctional Center (NNCC) by the inmates.

Mr. Connett invited all the members of the Committee to visit the industries.

Assemblyman Hardy asked how much could the horse program expand. He just recently attended the Bureau of Land Management (BLM) meeting where they discussed the fact that there were over 1,000 horses in horse free zones in Lincoln County. They further estimated that there could be as many as 10,000 horses state wide in horse free zones. There was going to be a lot of pressure for the BLM to resolve this issue. Mr. Connett responded they had looked at expanding the program to other areas, such as Lovelock Correctional Center. Prison Industries does not have enough water to provide for another 1,000 horses at NNCC. Mr. Bryant included that they had expanded the operation at the ranch three times in the last six years. He thought the wild horse numbers would continue to grow and be a problem in the future. There was an environmental issue when you take on that many horses in a small confined area. Prison Industries operated under a permit from the Nevada Division of Environmental Protection. It has to be careful to not contaminate the ground water.

Chair Parks mentioned that he read an article in the Review Journal that stated the BLM did not have the funds to round up more wild horses. He wondered if the revenue received for the horse program would be impacted. Mr. Bryant had a good working relationship with the BLM. He was in constant contact to make sure the funds were available. Mr. Connett was confident that BLM would continue to fund the program.

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

Mr. Connett summarized for the Committee potential Prison Industry programs. As mentioned earlier, they were looking at possibly the tire recapping industry. The department had been approached to produce medical marijuana. He has also been approached twice to implement call centers. Inmates were not allowed to be employed by call centers according to Nevada law. There were a number of other states that had inmates work at the call centers. The statute that prohibit inmates in Nevada from working at call centers had been in place for a long time. The technology had changed to where the inmates would not know who they were calling, as the telephone system would auto dial. The inmate would take no personal or financial information from the caller.

Assembly Hardy asked if Prison Industries was compiling an analysis of what jobs the inmates obtained after they were released. When he heard about a call center he questioned if that would help the inmate obtain a job upon his release. Mr. Connett said there were many call centers in Las Vegas. There would be an employment available to the inmate.

Mr. Aguilera said his company at the MGM Resorts had major call centers to handle the reservations for the hotel, restaurant and shows. There was a need for employees.

Chair Parks said we talked about the state cost allocation, had that been reviewed in recent years. Mr. Connett said those allocations were established by the Department of Administration.

Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division, confirmed the amounts were created by the Department of Administration. The department looked at the internal services that were provided to the state over a three year period and averaged those expenses to budget the cost allocation expenditures for the next two-year cycle. Chair Parks asked if there was a chance to challenge the allocation. Ms. Coffman said there had been instances where state agencies had questioned its statewide allocations as well as its attorney general cost allocation, however, these were typically not changed unless a mathematical error occurred. There were actuaries that come up with the allocation in conjunction with the Attorney General's Office and the Department of Administration.

Senator Kieckhefer said he had been approached by a constituent that owned a production company in northern Nevada and was interested in exploring the possibility of utilizing the Nevada State Prison as a site location for filming movies. He asked who he should contact. Mr. Connett said the Nevada Film Office should be contacted so it could vet the company before the film maker was referred to the NDOC.

XI. PUBLIC COMMENT

There was no public comment.

XII. ADJOURNMENT

The meeting was adjourned at 3:00 p.m.

Respectfully submitted,

Cheryl Harvey, Committee Secretary

APPROVED:

Senator David Parks

Date: _____