

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
March 16, 2018**

The third meeting of the 2017-18 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 1:00 p.m. on Friday, March 16, 2018, 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.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator David Parks, Chairman
Senator Pete Goicoechea
Assemblywoman Daniele Monroe-Moreno
Pete Aguilar, Representing Manufacturing
James Dzurenda, Director, Nevada Department of Corrections (NDOC)
Allen J. Puliz, Representing Manufacturing
Randy Soltero, Representing Organized Labor
Beverly Williams, Representing Organized Labor

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Jeffrey Haag, Administrator, Purchasing Division, Department of Administration

COMMITTEE MEMBERS ABSENT:

Assemblyman James Oscarson
Bruce Aguilera, Representing Business

STAFF MEMBERS PRESENT IN LAS VEGAS:

Kristina Shea, Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

James Penrose, Senior Principal Deputy Legislative Counsel, Legal Division
Brody Leiser, Senior Program Analyst
Donna Thomas, Secretary, Fiscal Division

OTHERS PRESENT IN LAS VEGAS:

Diane Dastal, Administrative Services Officer II, NDOC
Bill Quenga, Marketing Coordinator, Prison Industries, NDOC

OTHERS PRESENT IN CARSON CITY:

Mary Byington, Supervisor, Prison Industries, NDOC
Justin Pope, Supervisor, Prison Ranch, NDOC

EXHIBITS:

Exhibit A: Agenda and Meeting Packet

I. ROLL CALL.

Chair Parks called the meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs to order at 1:03 p.m. The secretary called roll. All members were present except for Assemblyman Oscarson and Mr. Aguilera who were excused.

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 DECEMBER 11, 2017.

Senator Parks requested a motion for approval of the minutes of the December 11, 2017, meeting.

ASSEMBLYWOMAN MONROE MORENO MOVED TO APPROVE THE MINUTES OF THE DECEMBER 11, 2017, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

MR. SOLTERO SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

IV. STATUS REPORT ON OUTSTANDING DEBT OWED TO PRISON INDUSTRIES.

Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections summarized the status report on outstanding debt owed to Prison Industries (PI), page 21 of the meeting packet (Exhibit A). She noted the customer aging report was current as of December 31, 2017, and the receivables totaled \$614,349. The largest balances outstanding on the aging report were noted with an asterisk and made up the top ten accounts with balances due, and owed \$531,053 or 86 percent of the total receivables due. Seven of the top ten accounts were government agencies and the other three accounts were private customers. One of the customers shown on the chart under various customers, page 21 (Exhibit A), showed a balance of \$1,080 in the 61 to 90-day column; however, that account was now current.

V. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2014 THROUGH DECEMBER 2017.

Ms. Dastal directed the Committee to the report on the number of inmates that worked from July 2014 through December 2017, page 23 of the meeting packet (Exhibit A). She stated in FY 2015, PI averaged 492 offenders working or 4.1 percent of the offender population; in FY 2016, PI averaged 482 offenders working or 3.6 percent of the offender population; and in FY 2017, PI averaged 465 offenders working or 3.3 percent of the total offender population. She stated the first six months of FY 2018 had an average of 3.7 percent of the prison population working with 505 offenders. Ms. Dastal noted the prison population has decreased the last quarter with an average of 14,070 offenders in July, compared to an average of 13,325 offenders in December 2017, a reduction of 745 offenders or approximately 5 percent.

Assemblywoman Monroe Moreno asked if the drop in the number of offenders working was because the prison population decreased, and Ms. Dastal agreed.

Mr. Soltero asked if he was correct that the prison programs were not being cut at this time and the reduction in the number of inmates working was due to the decrease of the prison population.

Bill Quenga, Marketing Coordinator, Prison Industries, NDOC, replied that prison programs were not being cut and the decrease in the number of inmates working was due to the increase in inmates being released from prison. He noted there was a classification criteria inmates must meet before working in PI programs, so as inmates were being released PI was trying to fill those positions and assisting inmates through the classification process.

Chairman Parks asked if there was a waiting list for inmates that wanted to seek employment in prison industry programs, and Mr. Quenga replied there was no waiting list. He said there was a process for employment in each PI program. An announcement was posted by the caseworkers when there was an opening in a prison program, which was according to the level of the institution where inmates were qualified to work. The inmates would check with their caseworker to see if they were eligible and met the criteria; a written request (kites) was submitted to classification, and the kites, application and experience qualifications were reviewed for employment in the program.

Assemblywoman Monroe Moreno asked how long the classification process took for inmates to be qualified to work in any prison program. In addition, she asked how many inmates were finding employment upon release in the industries they worked in while incarcerated.

Mr. Quenga replied that once the job announcement was posted and an inmate applied for a position, a classification committee would review the application and the inmate was either approved or denied. He indicated the inmate could be denied because they did not have a social security card or birth certificate, or there could be something in their inmate

file. He stated that he did not have the exact number of inmates employed upon release; however, he was aware of an inmate that was released during the last six months who was employed with a steel manufacturing and fabrication company that previously worked with PI. In addition, he knew of an inmate who was working in the upholstery business at a local carpenter shop that previously worked with PI.

Jeff Haag, Administrator, Purchasing Division, Department of Administration, asked if NDOC (Department) had a goal for the number of inmates it would like to see participating in PI programs.

Mr. Quenga replied that during the 23 years he has been with the Department he has seen the number of inmates working in PI programs fluctuate from 400 inmates to 760 inmates. He indicated that laws, rules and regulations were changing, so how the Department operated in the past was different from how it currently operated. In the past, inmates did not need social security cards, and when verified identity was implemented and the laws became more stringent, he lost some of the inmate workforce. He stated that his goal was to get 700 inmates working in PI, because PI needed to employ as many qualified inmates as possible. However, it was up to the classification committee in the Department to ensure the inmates were classified and appropriately screened to existing guidelines and regulations, otherwise the inmates could be a threat and dangerous.

Mr. Dzurenda commented that staff was recently added to the Department to comply with Senate Bill 268, which amended NRS 209.511, to obtain verified identity for offenders. With the implementation of the statute, the Department would see more qualified offenders, which allowed more inmates to work in PI in the near future. Currently, only 10 percent of the prison population had a birth certificate or verified identity. Mr. Dzurenda noted the issue that fluctuated for the Department was that employment was based upon the rate of return for the contractor; therefore, the number of inmates the contractor hired could change frequently. For example, if the company was losing revenue it could request that PI decrease the numbers of offenders working. Conversely, if the company was doing great it could hire more inmates. He reiterated that the Department would start to see the numbers of inmates working increase once PI started the process of verified identity.

Mr. Haag asked if the current prison population could support the new industries with the implementation of Senate Bill 268.

Mr. Dzurenda replied that space was very limited for new prison programs, which was an obstacle for adding industries. If new industries did not require large space it was easy to add companies in existing space to employ inmate workers. He indicated that as soon as space becomes available, the Department was filling the space with another program. For example, Sewing Collection, Inc., a hanger recycling operation did not require a lot of warehouse space and offered employment of inmates to sort and box hangers. He noted that as the Department researched and recruited companies, more offenders would be getting jobs as long as the Department had available space for the industries.

Assemblywoman Monroe Moreno asked if the current inmate workers would be shifted into the new industries or if workers would be added so not to take away inmates from programs already in place.

Mr. Quenga stated that PI would be adding workers to the new industries and not shifting workers from its current industries. He stated Nevada Organics, formerly Terra Firma Organics, would initially employ 15 inmates and wanted to expand in the near future; Erickson Framing would add an additional 12 inmate workers. He added that Sewing Collection, Inc., was still in negotiation, but would also add inmate workers to its operation when its contract was finalized.

VI. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2016, FY 2017 AND FY 2018 YEAR-TO-DATE.

Ms. Dastal summarized the deductions from the inmate wages for room and board, the Prison Industry Capital Improvement Fund (CIP) and the Victims of Crime Fund, page 27, Tab VI of the meeting packet (Exhibit A). She stated that 24.5 percent of the wages for offenders were deducted for room and board; 5 percent of wages for offenders were deducted for the Victims of Crime Fund; and 5 percent of wages for offenders were deducted for the Prison Industry CIP fund. In FY 2016, \$405,016 were deducted from offenders' wages for the three funds; in FY 2017, \$450,620 in wages were deducted for the three funds; and for the first six months of FY 2018, \$247,697 in wages were deducted, which was \$175,900 for room and board; and \$35,898 was deducted for the Victims of Crime Fund and PI CIP, respectively. She noted it has taken a while for the three new industries to come on board, but PI was looking forward to the numbers increasing once the new industries were operating.

VII. REVIEW SILVER STATE INDUSTRIES FINANCIAL STATEMENTS FOR THE QUARTER ENDING DECEMBER 31, 2017.

Ms. Dastal reviewed the financial statements from Silver State Industries, starting on page 31, Tab VII of the meeting packet (Exhibit A). She referenced the consolidated balance sheet and stated that PI cash increased approximately \$435,000, or 23 percent compared to the same period a year ago. The cash for the Prison Ranch decreased approximately \$247,000 or 18 percent, and the total of the unrestricted cash for PI and the Prison Ranch combined, increased approximately \$188,000 or 6 percent. The PI capital restricted cash balance increased by approximately \$67,000 or 20 percent. Retained earnings increased approximately \$550,000 or 18 percent.

Continuing to page 32, Consolidated Statement of Operations, Ms. Dastal stated the net income for the first two quarters of FY 2018 was approximately \$108,000, an increase of approximately \$47,000 over the same time last year. She said that PI contributed approximately \$94,000 toward program support; the Prison Ranch showed a loss of approximately \$18,000; PI Capital Projects contributed approximately \$32,000, and the

total fund equity has increased 10 percent or \$550,000 compared to the same period a year ago.

Moving to the Central Administration Statement of Operations, page 35, Tab VII of (Exhibit A), Ms. Dastal stated that total revenue, which included license plate fees, capital improvement, rental income, administrative fees, and miscellaneous revenue was down approximately \$26,000, which was mainly attributed to Diamond Mountain Distributors. She noted there was a new correctional officer and his step was higher than the previous correctional officer, which meant higher pay. In addition, correctional officers received a 5 percent increase in pay beginning in 2018, in addition to overtime pay. She noted the miscellaneous revenue category was revenue from selling a machine and scrap metal from Alpine Steel. General and Administrative Expenses decreased approximately \$103,000. Central Administration earnings available for program support was always in the red, however, the loss was not as great as 2017, and decreased to \$89,000, resulting in a \$78,000 net loss for the Central Administration section.

Continuing, Ms. Dastal moved to the Northern Nevada Correctional Center (NNCC) Mattress Shop Statement of Operations, page 36, Tab VII of the meeting packet (Exhibit A), and noted the sales for the Mattress Shop decreased approximately \$75,000 or 29 percent. The mattress factory contribution toward program support decreased approximately \$52,000 and ended the half year with a \$30,000 contribution toward program support.

Mr. Quenga clarified the decrease in revenue for the mattress factory was because of the lack of department mattresses out to bid, but added there were other opportunities on the horizon. He noted that recently PI built steel beds and mattresses for a homeless shelter in the City of Sacramento, California. He said that Volunteers of America and the City of Reno referred PI to the City of Sacramento to build beds and mattresses, and now the city was looking at purchasing blankets for the homeless shelter. He added that the City of Reno was looking for property to build a larger homeless shelter, which would provide PI with revenue to support the mattress factory. In addition, PI was in discussion with another company near Truckee California for ski backpacks. The customer provided the material and a sample backpack and the inmates worked to provide a good quality product. He noted that PI provided a prototype of the backpack and the customer was happy with the quality of the prototype. Mr. Quenga hoped this industry would grow out of the mattress factory to generate more revenue for the shop.

Ms. Dastal stated that NNCC Printing/Bindery Shop sales increased approximately \$24,000 and the half year ended with approximately \$24,000 available for program support, which was flat compared to FY 2017.

Mr. Quenga stated that PI was seeing a decrease in sales for the Print Shop, and Mary Byington, Supervisor, Print Shop, was actively in discussions with other businesses to get work for PI. He stated that through conversations with the National Correctional Industries Association, there were numerous vendors that helped correctional industries obtain more business and increase revenue for the Print Shop, such as printing pamphlets

and brochures. He added the Print/Bindery Shop showroom was remodeled and the shop was working on a new uniform for correctional officers, which would be cheaper than some of the other brands currently used. The new uniforms would help reduce costs for officers and included hemming, sewing patches and badges.

Ms. Dastal indicated that the statement of operations for the Furniture and Metal Shop showed the Furniture Shop revenue increased approximately \$25,000; however, its contribution to general and administrative manufacturing expenses was flat compared to last year with a loss of \$28,000, which had a negative impact on the contribution. If PI used the Furniture Shop's 28 percent share of the sales and applied that percentage to general and administrative expenses, there would be a \$42,500 loss for the Furniture Shop. The Metal Shop sales decreased approximately \$159,000; however, it would exceed its projected sales by the end of the year. The Metal Shop contributed \$98,500 to general and administrative expenses, which was a \$14,000 increase. If PI used the Metal Shop's 72 percent share of the sales and applied that percentage to general and administrative expenses, the shop contributed approximately \$61,000 for program support. She stated that currently the Furniture Shop was busy with a large customer order and the Metal Shop was ready for its seasonal surge.

Mr. Quenga stated that he was working with the supervisor of the Furniture Shop on the c-wire cost. The Upholstery Shop was providing service for the largest casino seating company in Reno, Nevada. He noted the casino seating company sent a sample to numerous private sector operations, and ultimately, chose PI to produce the covers. He said the company recently went through the Prison Rape Elimination Act (PREA) training and Department of Corrections protocol to enter a correctional institution. He noted that PI just received the purchase order and would start with approximately 400 pieces of various types of seating seen in casinos. He noted the seating company wanted to grow from 500 to 2,500 pieces a month; therefore, PI needed more inmates to work in the Furniture Shop. He added that the company provided all the material for the seats, PI fabricated and sewed the material and the company finished the product. Therefore, the program did not fall under the Prison Industry Enhancement Certification Program (PIE) because PI was not completing the whole task but just adding value to the seats. In addition, the Furniture Shop was working with some consignment companies in the local market to build custom furniture. He said that PI wanted to work in unison with the local community, and they were providing quotes and specifications to ensure they were cautious and not jumping into the project only to find out it was not what the customer wanted.

Continuing, Mr. Quenga stated the Las Vegas Metropolitan Police Department contacted PI to make shower curtains, which were manufactured out of the Mattress Factory. In addition, he has been in contact with Shannon Ricks from the University of Nevada Las Vegas, to reupholster game rooms and open area seating with different types of material. He noted that once the quote was accepted, PI would start reupholstering the seating for the university.

Mr. Quenga stated the Metal Shop fabrication was currently slow because the shop was unable to pour footers or take elevations due to inclement weather. However, PI was always looking for new opportunities to employ inmates. He noted the Metal Shop purchased a new paint booth and has been in contact with the Carson City Sheriff's Office, the Chief of the Juvenile Probation Office in Carson City, and Lyon County. He stated that South Lake Tahoe Fire Department approached PI to paint its service vehicles. He noted that some of the vehicles could not be replaced because it was not in their budget, so PI provided a quote, stripped and repainted the vehicles to look brand new. He added that fire trucks took a long time to paint because there were a lot of valves, hoses and equipment, which had to be taken off the vehicle in order to paint and then reassembled. Mr. Quenga stated that PI was working closely with many local entities and municipalities to continue to generate revenue for PI and to keep inmates working.

Ms. Dastal moved to the SDCC Auto and Upholstery Shop Statement of Operations, page 39, Tab VII (Exhibit A), which showed that auto sales totaled \$54,000. Between the Auto Shop and card sorting operation at HDSP, PI experienced a combined \$33,000 loss, which was \$11,000 better than last year and included the two motorcycles that sold at a loss. She added that PI could re-partner with Opportunity Village on a couple projects, which would bring more revenue to the Auto Shop.

Mr. Quenga stated that he has been talking with different companies about bringing work to the Auto and Upholstery Shop. He noted that he met with Opportunity Village to have inmates sort greeting cards. He said there were approximately 650,000 cards that needed to be sorted, which consisted of the envelopes, cards, and bellyband, a translucent band to hold the card and envelope together. He noted that Opportunity Village would provide training and the inmates had to sort 21,000 cards per day with four-and-a-half weeks to complete the project. He said PI would receive the material on June 1 and would start the project on June 4 with a first shipment date of June 13; the remaining cards would be shipped on June 26. Mr. Quenga talked to the supervisor of the Auto and Upholstery Shop who said it was possible to complete the project by the required ship dates. The supervisor stated his goal was to sort at least 450,000 cards, which was approximately \$40,000 in revenue for the shop. He said the card sorting operation with Opportunity Village was consistent at this point, but when it gets closer to the holidays, and the company knew the inmates could produce quality cards, he believed the operation would be more repetitive.

Chairman Parks asked Mr. Quenga to explain the Opportunity Village card operation, and Mr. Quenga replied that the cards were greeting cards for the different seasons and holidays.

Moving to the Garment Factory Statement of Operations, Ms. Dastal noted garment sales increased 56 percent or \$224,000 compared to the same period in FY 2016. She noted the supervisor of the Garment Factory had a goal of over \$1.0 million in sales by the end of FY 2017. Earnings available for program support increased almost \$44,000 to \$164,000.

Mr. Quenga stated that the Garment Factory was located at the Lovelock Correctional Center and was doing very well with the t-shirt production for private companies and also for a Prison Industry Enhancement Certification Program (PIE) certified program. In addition, the Garment Factory produced clothing items for NDOC, which employed approximately 135 inmates. Mr. Quenga noted that he was talking with other companies to get work for the factory, so there was potential growth in the future.

Ms. Dastal directed the Committee to the Prison Ranch Statement of Operations, pages 41 and 42 of (Exhibit A). She thanked the Committee for sending the letters to Nevada's Congressional Delegation in regard to assistance with the Bureau of Land Management (BLM) wild horse boarding program operated through Prison Industries. She noted that Director Dzurenda received a response to the letter from Congressman Mark Amodei's Office and a meeting was scheduled to discuss the issue. Ms. Dastal said total sales decreased approximately \$233,000 compared to the same period in FY 2017, which in part was due to the Bureau of Land Management (BLM) horse headcount, which was down 725 horses. The daily per diem rate the Prison Ranch was currently receiving was \$3.56 per horse, and she heard before the meeting that the BLM had put out a contract, which the Prison Ranch would begin working on in the near future. In addition, the Ranch Manager was evaluating items to make up for the loss of revenue. The Prison Ranch ended the half year with a loss of approximately \$18,000.

Mr. Quenga stated that Justin Pope, Prison Ranch Manger, recently received word that the bid solicitation for the BLM horses opened up. The Prison Ranch would soon start working on the contract to increase the number of horses and employ inmates as horse trainers. He added that a representative from the Office of Congressman Mark Amodei contacted Director Dzurenda regarding the letter sent from the Committee. Mr. Quenga noted that Mr. Dzurenda forwarded the letter to him and he would schedule a conference call to discuss the issue of the wild horse-boarding program in Nevada.

Chairman Parks added that Senator Heller's Office contacted him regarding the letters sent to the Congressional Delegates and indicated that they were pursuing the issue of the wild horse boarding program in Nevada.

Mr. Puliz asked Mr. Quenga if the BLM provided a holding rate to base the bid on, and Mr. Quenga replied that he just received word that solicitation was open and no further details were provided.

Ms. Dastal continued with the Schedule of Interfund Sales, page 44 (Exhibit A), which showed that the gross profits from PI ended the half year with \$108,322 for program support, an increase of \$47,000 over FY 2017.

Justin Pope, Manager, Prison Ranch added that the Prison Ranch recently had a successful horse adoption; 13 horses were adopted at an average price of \$1,950 per horse with the highest bid at \$3,500. He welcomed the Committee members to attend the next horse adoption on June 2, 2018. He noted that he contacted the State of Nevada Bureau of Land Management (BLM) to get some insight on their budget and was told that

the BLM was currently operating on a reduced budget. He said the BLM did not have an approved budget for the current fiscal year and operated off the previous year's budget at a reduced percentage. With the reduced percentage, the Government Accountability Office (AGO) informed the BLM it needed to find a way to cut costs, and therefore, capacity for short-term holding facilities was cut to 50 percent, which included the State of Nevada, Colorado and Idaho. He noted that after the AGO implemented the 50 percent cut, horses were sent to long-term holding facilities to reduce costs because it was cheaper than short-term holding. Mr. Pope stated that 1,500 horses were gathered from the range in Eastern Nevada and the Prison Ranch expected to receive some of those horses. He noted that some of the horses were in bad shape when taken from the range and would be held in Palomino Valley until healthy. He noted at the last Committee meeting he talked about the horses taken off the range in Wyoming that came down with strangles and were being held in Axtell, Utah until their condition cleared. Mr. Pope stated that between the two horse gathers, the Prison Ranch was assured by the BLM that it would receive some horses, although, he was unsure of the amount.

Mr. Pope stated that he was looking at how the Prison Ranch operated and how many horses the BLM were going to provide to the ranch. The Prison Ranch was permitted to hold 2,000 animals, so he was looking at other options, such as moving cattle into the holding facility to generate revenue. He noted the Prison Ranch had a concentrated animal feeding operation (CAFO) permit for 2,000 animals and thought the holding area should be used for other animals to bring in revenue.

Senator Goicoechea asked if the BLM was going to reduce the short-term horses by 50 percent budgetary, and Mr. Pope agreed. Mr. Pope stated that the Prison Ranch should be at 50 percent of holding capacity and was currently under capacity.

Senator Goicoechea asked Mr. Pope if he anticipated receiving approximately 1,000 horses if the capacity was 50 percent through the short-term holding facilities, and an additional 1,000 horses could be held long-term.

Mr. Pope replied that the BLM has not indicated that, but he believed the goal of the BLM was to move the Prison Ranch up to 1,000 horses and then would look at adding more horses as its budget was finalized.

Senator Goicoechea stated that in his conversations with John Ruhs, Director, Nevada State BLM and representatives from Washington D.C., he was told that once the federal BLM provided the solicitation for a contract, and the state had the contract in place, the federal BLM would provide 1,000 short-term horses at a set price. He noted that the federal BLM was concerned because in the past there was a float in the contract and when hay prices escalated then the state had the ability to raise the price for hay in the contract. He added, because he was in the livestock business, he believed the Prison Ranch would make more money feeding horses rather than cattle.

Mr. Puliz recalled approximately eight years ago there were some red numbers when hay prices increased and the Prison Ranch was on a fixed price for hay. He thought NDOC had to be smart and consider the possibility of escalating hay prices in the contract.

Mr. Pope agreed and stated the contract would have a fixed per diem price for hay. He noted that a sliding scale was developed and as the price of hay increased, the per diem rate would also increase. As the number of horses decreased, the number would go down and the per diem rate would also increase to compensate for that. He noted the Prison Ranch would still have the ability to raise the price of hay based on the number on horses, but would not have the ability to raise the price due to the price of hay. He noted that he was assured by the contractor that there were things in the contract that would allow the Prison Ranch to be compensated for hay if the price went above a certain percentage, but would really have to look at how to purchase hay at a fairly stable price.

In addition, Mr. Pope stated the Nevada Division of State Parks acquired land on the Walker River with water rights and equipment for hay production that could help to stabilize hay prices for the Prison Ranch. He said the Prison Ranch was offered 185 acres of land with a two-pivot irrigation system for growing hay. He said the Prison Ranch would work with the owners and operators of the Flying M Ranch, who were not using the equipment at this time. He also looked into a 300 to 400 acre facility at Fort Churchill with water that was available for growing hay. Mr. Pope noted it would be good to find a way to stabilize hay prices for the Prison Ranch and get at least half of the hay in the contract at a fixed price.

Mr. Haag stated that he recently attended the Prison Ranch horse auction and encouraged the Committee members to attend the next horse auction in June. He said it was an excellent adoption and he was touched by the impact it had on the offenders who were participating in the program and the benefit the inmates were getting from training the horses. He applauded Mr. Pope and his team for exploring the possibility of growing hay on state land, because he shared the concern about the risk and volatility of hay prices and the impact it had on the Prison Ranch operation. He believed they should have the ability to grow hay on state land and if successful in some of the initiatives Mr. Pope shared, he felt it would drastically mitigate the risk in growing the horse population and trying to protect the Prison Ranch operation when hay prices increased. Mr. Haag encouraged Mr. Pope to continue to look at the different options mentioned at the meeting.

Chairman Parks asked if inmate labor from the Prison Ranch would be used for the hay production, and Mr. Pope agreed. He added they were looking at transporting an inmate crew to work in the field and one of the benefits offered to the Division of State Parks was that the inmate labor force could also assist the parks with projects, such as fence lines or campgrounds. He noted that at this point all the details have not been worked out. He added from 2003 to 2009 inmates worked on a hay project at the University of Nevada Reno farm and the Prison Ranch received half of the hay for the work, so he believed the deal with the Division of State Parks would be more beneficial for the ranch. He noted that the work was strenuous, involved a lot of traveling and put a strain on Prison staff, but he believed that ultimately, the gain for the Prison Ranch would be worthwhile.

Senator Goicoechea asked Mr. Pope if hay prices increased by a certain amount if the BLM would allow the state to negotiate a better price for the hay.

Mr. Pope replied that he has not received a lot of information on the contract but it was his understanding that there would be a shield or protection in the contract in the case of extreme hay prices.

Senator Goicoechea responded that in his discussions with the BLM he was assured there would be the ability to negotiate a different price for hay if the price increased, because the BLM was moving away from a locked contract to allow flexibility when hay prices escalated that would trigger renegotiations and dollar amount per day.

Mr. Quenga updated the Committee and noted that the new three Prison Industries contracts were approved by the Committee and by the Board of Prison Commissioners. Nevada Organics was recently approved by the Board of Examiners; Erickson Framing was scheduled for the April 2018 Board of Examiners meeting, and he hoped to have the contract for Sewing Collection approved by the Board of Examiners in the near future.

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

Ms. Dastal referred to page 45, Tab VIII (Exhibit A) and stated the Capital Improvement Project (CIP) ending balance decreased \$53,107 from FY 2014 to FY 2018. She noted that PI was able to obtain approximately \$300,000 in equipment in FY 2017, which greatly enhanced Prison Industries' operations. The beginning CIP balance at the start of FY 2018 was \$371,715; wage assessments totaled \$40,779 for seven months and inmate banking has not processed February's assessment yet; interest received was \$2,337 for the half year FY 2018, with an ending CIP balance of \$414,831.

Mr. Quenga stated that Prison Industries was reevaluating each Prison Industry program and looking at the new market to produce better and different products, because markets were constantly changing. He said the industries were putting together a wish list and he was reviewing the needs of each shop; however, he was waiting until FY 2019 to purchase new equipment. He was looking at equipment that would provide inmates with certifications to help employ more inmates with more skills. He noted the certifications would help inmates get employed upon release.

IX. DISCUSSION OF AND RECOMMENDATIONS TO THE DIRECTOR FOR APPOINTMENT OF THE DEPUTY DIRECTOR FOR INDUSTRIAL PROGRAMS NRS 209.4818(1)(e).

Mr. Dzurenda stated that he reached out to the Association of State Correctional Administrators (ASCA), and the position of Deputy Director for Industrial Programs was posted in every state. He received applicants from all over the country and looked at the minimum qualifications, which disqualified approximately 50 percent of the applications. He selected applicants based on experience, acknowledging what the actual job entailed,

the applicants experience with this type of business, and what would benefit NDOC as an agency, as well as the state. He indicated he was accepting applications through April; however, he has selected three of the top candidates at this point. Mr. Dzurenda stated he was open for recommendations from the Committee when he selected the top four candidates to interview further. He welcomed any input on the three candidates selected so far, page 47 (Exhibit A) or would accept any additional recommendations from the Committee, because there were still approximately 45 days before the application submittal deadline.

Mr. Haag asked Mr. Dzurenda if there was still an additional 45 days to receive applications and a decision would be made soon after the position announcement ended, and Mr. Dzurenda agreed. Mr. Dzurenda indicated that he would come up with a process for the interviews, and welcomed the Committee to be involved in the interview process.

Senator Goicoechea asked if he was correct that the Committee would not take an active role in the selection process, and Mr. Dzurenda agreed. He stated that he had the authority to appoint the best candidate for the Deputy Director for Industrial Programs but would take recommendations from the Committee.

Chairman Parks stated that pursuant to NRS 209.4818, the Committee shall recommend three people for consideration of appointment as Deputy Director for Industrial Programs. He added that David Tristan, was the acting Deputy Director until a selection was made for the permanent position of Deputy Director.

X. DISCUSSION OF STATUS OF APPROVED NEW PRISON INDUSTRIES PROGRAMS – NRS 209.4818.

Ms. Dastal explained that the three new industries were approved by the Board of Prison Commissioners on March 1, 2018, and the contract for Nevada Organics, LLC, previously Terra Firma Organics, was approved by the Board of Examiners on March 13, 2018. Nevada Organics was in the process of obtaining a composting permit from the Nevada Division of Environmental Protection, and could not move any further until the permit was obtained. Erickson Framing NV, LLC, has signed its portion of the contract and was anxious to get started. The contract would go before the Board of Examiners in April 2018. She stated that Sewing Collection, Inc., claimed its margins were tight and could not afford a surety bond and was looking at a personal guarantee. However, the president of the company thought a years' guarantee was excessive and was willing to sign a personal guarantee for the equivalent of three months of the annual contract amount. Sewing Collection encouraged PI to shut down operation after one or two months if they have not paid the amount owed. She noted that PI responded that the personal guarantee equivalent to one years' contract amount was set in the statute; therefore, PI hands were tied. She noted that at this point, Sewing Collection has not signed its contract.

Mr. Quenga stated that he was still talking with Sewing Collection and was aware they just opened an operation in Oregon. He expressed his concern that Sewing Collection might be branching out to other states. However, with the one year 100 percent surety bond and

the personal guarantee in statute, that amount did seem high compared to businesses in the private sector and it discouraged companies that wanted to do business with PI.

Mr. Pope clarified for the Committee that Nevada Organics assumed the existing composting company, Full Circle Compost, and was waiting for a composting permit that was relative to the location of the operation. He noted the permit needed from the Nevada Division of Environmental Protection was because the composting site moved to another area on the Prison Ranch. He stressed Nevada Organics would start operating immediately after the permit was issued.

Mr. Aguilar asked if there was a backup plan to utilize the space if Sewing Collection backed out of the contract.

Mr. Quenga stated that PI was trying hard to get the contract with Sewing Collection, but was in touch with another company that wanted to utilize the space. He noted that he held the company back because PI was already negotiating and drafted up the contract with Sewing Collection. He said if PI abandoned the contract with Sewing Collection, he would move to the next company interested in working with PI. He noted he was proactive in finding companies that would bring jobs to PI and employ the inmates.

XI. PUBLIC COMMENT.

There was no public comment.

XII. ADJOURNMENT.

The meeting was adjourned at 2:12 p.m.

Respectfully submitted,

Donna Thomas, Committee Secretary

APPROVED:

Senator David Parks, Chairman

Date: _____