

STATE OF CALIFORNIA

DEPARTMENT OF CORRECTIONS AND REHABILITATION

PRISON INDUSTRY BOARD

PUBLIC MEETING

THURSDAY, JUNE 30, 2016

CALIFORNIA STATE CAPITOL

ROOM 437

SACRAMENTO, CALIFORNIA

REPORTED BY:

ESTHER F. SCHWARTZ
CSR NO. 1564

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ATTENDEES

BOARD MEMBERS:

- SCOTT KERNAN, CHAIR
- DARSHAN SINGH
- WILLIAM DAVIDSON
- DAWN DAVISON
- MACK JENKINS
- CURTIS KELLY
- FELIPE MARTIN
- JEFF MCGUIRE
- MICHELE STEEB
- RAY TRUJILLO

STAFF:

- CHARLES L. PATTILLO, EXECUTIVE OFFICER
- SCOTT WALKER
- RANDY FISHER
- RAY MEEK
- RUSTY BECHTOLD
- THY VUONG

COUNSEL:

- JEFF SLY

GUEST SPEAKER:

- RICHARD KIRKLAND

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Sacramento, California

THURSDAY, JUNE 30, 2016, 9:00 A.M.

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CHAIR KERNAN: Good morning, everybody,
Board Members. I will call this meeting to order.
Board Secretary, please call the roll. Get in your
chair first and call the roll.

MS. VUONG: Chair Kernan.

CHAIR KERNAN: Here.

MS. VUONG: Vice Chair Singh.
Member Alegria.
Member Davidson.

MEMBER DAVIDSON: Here.

MS. VUONG: Member Davison.

MEMBER DAVISON: Here.

MS. VUONG: Member Jenkins.

MEMBER JENKINS: Here.

MS. VUONG: Member Kelly.

MEMBER KELLY: Here.

MS. VUONG: Member Martin.

MEMBER MARTIN: Here.

MS. VUONG: Member McGuire.

MEMBER MCGUIRE: Here.

MS. VUONG: Member Steeb.

MEMBER STEEB: Here.

1 MS. VUONG: Member Trujillo.

2 MEMBER TRUJILLO: Here.

3 MS. VUONG: Let the record show we have a
4 quorum of nine members.

5 CHAIR KERNAN: Thank you.

6 I would also like to note that this meeting is
7 being held at the publicly noticed location. I
8 would just like to make a very few brief comments
9 and update the Board on the recent signing of the
10 budget by the Governor.

11 CDCR -- the Governor's continued to expand his
12 investment in rehabilitative programs in the
13 Department. And I would just like to highlight for
14 the Board Members some of the key points to the
15 budget.

16 We received resources to expand cognitive
17 behavior therapy at all of our state prisons. That
18 is a very monumental task for us. We've been trying
19 to do that for a long time. We will also have
20 substance abuse disorder treatment at every
21 institution, in all 35 prisons. We received
22 resources to continue the Innovative Grant programs
23 that have been focused on restorative justice and,
24 in the last couple years, have provided great
25 services to the facilities and to our inmates.

1 Additional resources were applied to
2 Arts-in-Correction so that we will have
3 Arts-in-Corrections in all of our institutions.

4 We also received resources to expand our
5 e-Reader community college program using tablets.

6 We also received resources to enhance and
7 expand our television integration maintenance and
8 operations support. We received \$2.3 million for 12
9 additional Career Technical Education programs in
10 the institutions.

11 We received \$3.1 million for parole service
12 center beds, more community programs.

13 We received additional resources for the
14 In-Prison Long-Term Offender Program as more
15 long-term offenders are now being released from our
16 system.

17 We received some resources for our Offender
18 Mentor Certification Program, drug counseling for
19 our offender mentors.

20 We received resources to have reentry
21 programing at all 35 prisons. So we will have
22 resources to help transition offenders from prison
23 to parole. Interestingly, extended family visits,
24 to change the process for which inmates can have
25 family visits. We will no longer disallow an inmate

1 from a family visit just based on his lifer or
2 life-without-parole status.

3 So a number of very interesting investments in
4 our infrastructure. All, I think, geared to provide
5 additional programs and help us reduce recidivism.
6 And, of course, PIA plays a very big role in all of
7 that.

8 MEMBER JENKINS: Mr. Secretary, I agree
9 with you. Those are outstanding investments. The
10 substance abuse treatment, in particular. Does that
11 represent an increased capacity?

12 CHAIR KERNAN: Yes. We have 11 prisons
13 currently that don't have a substance abuse program
14 at the prison. So these resources will allow us to
15 have a substance abuse treatment program at all 35
16 prisons.

17 MEMBER JENKINS: That's outstanding.

18 CHAIR KERNAN: So, really happy. The
19 unfortunate part is that we now have to implement
20 all of that. So it's a lot of work. Was very happy
21 about the investment and, again, think it's the
22 Governor's commitment to try to reduce recidivism
23 and get inmates participating in rehabilitative
24 programs.

25 That's my comments. I will now turn it over

1 to you.

2 MR. PATTILLO: Board Member comments.

3 CHAIR KERNAN: Any comments from the Board
4 Members?

5 Seeing none.

6 MR. PATTILLO: I want to mention on the
7 substance abuse treatment, that also includes
8 expanding into seven locations for PIA. It won't be
9 a cost to PIA. We've developed the spaces for it.
10 It's an integrated program, and we piloted it at
11 Folsom. Several of you have seen that. That was
12 our new program. Now we'll have seven more
13 locations where it's PIA half-time and substance
14 abuse treatment half-time. So that's worked out
15 well.

16 CHAIR KERNAN: Really excited about it. I
17 guess I didn't follow the script, so I'll
18 acknowledge publicly that I screwed up already.

19 Before we begin, I would like to note to any
20 members of the public who are present, there will be
21 an opportunity for public comment after each item
22 is presented to the Board. Any member of the public
23 who would like to comment, please fill out a speaker
24 request form and hand it to the Board Secretary.

25 Okay, General Manager.

1 MR. PATTILLO: Good morning, Mr. Kernan,
2 Secretary, Members. My name is Chuck Pattillo. For
3 the record, General Manager of the Prison Industry
4 Authority and Executive Officer of the Prison
5 Industry Board. The meeting today is being
6 recorded, and we also have our court
7 transcriptionist here, Esther.

8 Two significant items happening every June.
9 One is our Annual Plan that we adopt and then the
10 second one is our recognition of employees, both
11 from CALPIA and the CDCR side, who have basically
12 demonstrated their commitment to our mission and
13 values and have gone over the top. These are all
14 peer recognized folks.

15 The budget we will present today has the
16 following highlights. We just talked about
17 substance abuse treatment at seven institutions
18 which isn't costing us any more additionally, other
19 than some paint that we put on the walls to bring
20 the program in.

21 It includes funding for an updated PIA
22 recidivism study. Our last data was from 2012 on
23 the CTE program only. This is being done with San
24 Diego State University --

25 MR. JENKINS: UC Irvine.

1 MR. PATTILLO: -- excuse me, UC Irvine.
2 Mr. Jenkins knows this.

3 It will look at CALPIA recidivism. It will
4 look specifically at our CTE programs or joint
5 venture. It will also report on the number of folks
6 who have recidivated to the county level versus
7 coming all the way back to CDCR. So a good number
8 to look at in consideration of realignment. We
9 started collecting the data about in 2011, 2012; and
10 we're working with DOJ on this so we can do the
11 local piece.

12 We increase from 15 up to 19 CTE programs
13 statewide. The added programs are Carpentry and
14 Labor at CCWF, Labor at CCWF; Computer-Assisted
15 Design at San Quentin State Prison; and a culinary
16 program at the Folsom Women's Facility. The
17 Department of Corrections has asked us to set the
18 last one up, and we'll be fully reimbursed. And
19 adding one more Labor Apprenticeship program down at
20 California Institution for Men, possibly two down
21 there in Southern California. We now have five
22 contracts for apprenticeship programs to bring us up
23 to the total of 19.

24 On the Joint Venture side, I think a lot of
25 you saw we launched the one at San Quentin, which is

1 a very interesting one. It took us two years to get
2 there. We had to train all the offenders first and
3 now they are getting employed by a private company.
4 We look to do the same thing with Computer-Assisted
5 Design at that, to do the same operation. It's a
6 great model. It doesn't cost any additional dollars
7 once you've got it off the ground because they're
8 paying, the private company is paying offenders to
9 do the work. Paying them market wages, comparable
10 wages. And 20 percent of that goes back to the
11 institution. It's a good return on the investment.

12 It also fully funds the second phase of
13 expansion of our Healthcare Facilities Maintenance
14 Program. As we go through the action items today,
15 we specifically set out the HFM Program expansion
16 because we want the Board to be -- we want to be
17 transparent. We want to tell the Board exactly what
18 this program represents.

19 As far as your entire budget, the HFM Program
20 is now 41-, up to \$48,000,000 in the next year.
21 It's only 17 percent of our revenue, overall
22 revenue, but it's 563 positions or 46 percent of our
23 total civil service position; 1,523, 21 percent of
24 our offender positions. And I will add that it's
25 about 90 percent of our employee discipline

1 workload. It seems to me that there is -- a couple
2 of you have been in the business for awhile and
3 understand that some of the lower paying jobs kind
4 of create the higher discipline issues that are
5 associated specifically with prison operations.

6 With that, I think that is what I've got for
7 opening. If I can answer any questions up front.

8 CHAIR KERNAN: I would tell the Board that
9 I had the opportunity to go to San Quentin and see
10 that operation. It is really impressive. If you
11 ever get the opportunity to go to San Quentin and
12 see that and see what those inmates are doing, I
13 think it would inspire all of the Board Members.
14 It's really an incredible, interesting project.

15 MR. PATTILLO: For the record, we have a
16 quorum and also Mr. Singh is present, Vice Chair
17 Singh.

18 With that, we're going to start with Action
19 Item A, and I'm going to have Scott Walker come up
20 and present on the first part of this.

21 CHAIR KERNAN: I am told I can control
22 everything. I can turn you off.

23 MR. WALKER: You might want to do that,
24 right?

25 Good morning, Mr. Chair and Board Members. My

1 name is Scott Walker. I am the Assistant General
2 Manager of Operations. I will be presenting to you
3 this morning the update and the expansion of the
4 Healthcare Facilities program.

5 As you may recall, back in 2011 at a PIB
6 meeting the Board approved the establishment of a
7 Healthcare Facilities Maintenance Program. It was
8 started at CMF and was a very successful program.
9 It kind of led us to where we are. The reason
10 behind the program itself is the Plata lawsuit.

11 One of the critical elements of that lawsuit
12 was the healthcare environment in which the services
13 were being delivered and the sanitation of those
14 environments. And while I will tell you that some
15 of the institutions did a pretty good job, there was
16 no standard. So everybody kind of did it
17 differently. Really based on a personal approach
18 versus systematic approach.

19 So the Healthcare Receiver came in and asked
20 us to go look at it and see if we could take the
21 program that we established at CMF and duplicate it
22 at the rest of the institutions throughout the
23 state. So we looked at that. And after some
24 discussion and agreement, we agreed to establish a
25 program at the rest of the CDCR institutions,

1 including, at that time, CHCF in Stockton. We later
2 rethought that, and we currently have an operation
3 at every institution with the exception of the
4 Stockton facility, which is contracted out with
5 somebody else. Just because of the fact there was
6 not enough offenders at CHCF to allow us to run the
7 PIA model. And the way that we could have run that
8 was basically hire civil service staff to do it
9 because most of the offenders just didn't fit our
10 model. So we kind of walked away from that notion.

11 So, specifically today, I am here to talk to
12 you about what they call the Healthcare Facilities
13 Improvement Program and Statewide Medical
14 Distribution Program. Those two elements are about
15 an additional 800,000 square foot of space out in
16 the institutions that are within the scope of the
17 hearing contract.

18 The current contract was written with the
19 notion that, at the time it was written, that we
20 didn't have a real good understanding of what this
21 was going to grow to be. We certainly knew what
22 space was existing at that time, which was about 1.8
23 million square feet. But there were about 229
24 construction projects that were being started or in
25 the midst at the time we did the contract. So it

1 was really a fluid situation.

2 That is now starting to come into focus, and
3 we've been asked to go out and start providing
4 services to those areas. It could be by far the
5 biggest one, the Healthcare Facility Improvement
6 program, that is going to add an additional 750,000
7 square feet of space, which would be included in the
8 contract. The Statewide Medical Distribution is
9 about another 30,000 square feet of space that we
10 are going to include in the contract. Bringing the
11 total to \$2.6 million.

12 One of the things that I'm going to mention as
13 part of this contract is, you are all familiar --
14 Chuck talked for years about GASB 45 and the GASB 45
15 rule. When we did the initial contract with CCHCS,
16 the California Medical Healthcare Receiver, that
17 \$2.8 million program was not included in that
18 contract. As we go through this expansion and go
19 through the contract escalation memos to add this
20 additional space, we will be including OPEB. The
21 new contract that we are going to hopefully execute
22 in the spring of this year will also include OPEB.

23 Currently, for 563 positions, that's about
24 \$4.4 million per year. The new contract will add
25 about \$20,000,000 of revenue. The current contract

1 is about \$65,000,000 for a two-and-a-half-year
2 period. This will add another \$20,000,000. So the
3 contract annually would be somewhere in the
4 neighborhood of \$48.5 million.

5 One of the things that's also going to happen
6 is that the staff to inmate ratio is going to go
7 down slightly. Right now it's about one to 4.5
8 offenders. It's going to go down to one to four.
9 The reason for that, the reason why we point that
10 out, is a lot of the space that we're doing,
11 particularly the statewide medical distribution is
12 all pharmaceutical area. And within the
13 pharmaceutical area within the prison, inmates are
14 not allowed to clean those areas. It's staff only
15 cleaning these. So we have a slight reduction in
16 inmate to staff ratio. With that, we are still
17 going to add about 450 additional inmate assignments
18 to the program.

19 The next big issue is the staffing itself. As
20 was mentioned several times, one of the biggest
21 challenges we recognized when we came into this was
22 the ability to recruit and retain staff. That's
23 still a significant challenge. The Board allowed us
24 to add another 66 swing positions several months
25 ago, to try to lower that vacancy rate. That

1 actually -- overall we got more bodies working, but
2 the vacancy rate increased from 25 percent to 30
3 percent. And so we are still struggling to do that.
4 We are going to add another 209 positions, if the
5 Board approves this item, to that scope, which is
6 going to make it even more difficult.

7 Part of the proposal here is to add some more
8 distributed support positions. And I believe six of
9 those, eight of those is going to be directly
10 related to improving retention of HFM staff. One of
11 the things we've had very good success with is our
12 HR Department has put together a process, much like
13 the private sector, when they can hire people on the
14 spot, which is kind of new to the state service.
15 Right?

16 Most of the time you've got to go through a
17 qualification appraisal. You've got to get on a
18 list. You have to wait for an opening. And that
19 process currently takes us about four months from
20 start to finish. If we can do this on the spot, if
21 we send out qualified HR people, they can literally
22 fill out an application, have the application,
23 checked, vetted, approved and get hired on the spot
24 by our end. That's proven very successful.

25 So what we are trying to do is take that model

1 and increase it to bring those people in. We've got
2 to hire, we estimate, between 41 and 45 positions a
3 month to keep this program running. So the support
4 positions that are in here are primarily driving
5 that and some accounting stuff that is very critical
6 to the success of this program.

7 The other thing we found that was a challenge,
8 right now the custodians require six-months'
9 experience to be qualified. Six-months' custodian
10 experience. While that doesn't sound like much, it
11 doesn't sound like a bad thing, the road block that
12 it's presented is a lot of folks who would like to
13 come to work for the state don't have six-months'
14 facility experience.

15 What we found is since we're training these
16 people from the ground up with a very rigorous
17 curriculum and standards, sometimes it does more
18 harm than good. If they got that six months, it
19 doesn't really help. It doesn't enhance their
20 ability to do the job. We are training them from
21 the ground up in the way that we need to get things
22 done and the standards we need to get this done.

23 So we're working with CalHR to see if we can't
24 revise that class or move that six-month
25 qualification, which will, again, broaden that pool

1 and hopefully get us the bodies we need to be
2 successful in the program.

3 MEMBER MCGUIRE. And benefit DGS.

4 MR. WALKER: And benefit DGS. They're
5 having the same struggle as we are.

6 MEMBER JENKINS: Right.

7 MR. WALKER: Jim Butler mentioned when he
8 was here last time a 20 percent vacancy rate at DGS
9 in custodians.

10 MEMBER MCGUIRE: Yes. It's the same
11 problem.

12 MR. WALKER: So one of the other things
13 we're working on with the Receiver's Office is
14 trying to increase the pay. I don't know if we are
15 going to be able to make a significant dent in that,
16 but we're pushing CalHR in the current negotiations
17 to try to help us raise that somewhat, to give them
18 a little bit better wage. Right now we are about \$2
19 below what the private sector is. That creates some
20 challenges as well.

21 MEMBER STEEB: What is the current wage?

22 MR. WALKER: We are paying about \$14 an
23 hour, and the private sector is around \$16. This
24 will increase, again, the staff level, driving
25 another 209 custodian-type positions and another 19

1 support positions, which will bring the total to 563
2 employees.

3 MEMBER TRUJILLO: Excuse me, is that
4 including staff? That number is including staff?

5 MR. WALKER: Yes, that is all staff; 563
6 directly related to HFM. Obviously, we have other
7 support staff - myself, Mr. Pattillo, others that
8 support that 563 - that are dedicated exclusively to
9 the HFM.

10 MEMBER TRUJILLO: Thank you.

11 MR. PATTILLO: And a majority of those are
12 SEIU members. I would say 90 percent of those are
13 SEIU members.

14 MR. WALKER: 489 of the 563.

15 We anticipate a new contract being initiated
16 in the spring of this year. The reason for that is
17 with these contract escalations and the space
18 increase, it's going to drive the current contract
19 out of money probably in -- depends in how fast we
20 roll out. But in the spring of next year we are
21 looking to get a new contract.

22 In the meantime, we are meeting with the
23 Receiver's Office just to kind of true up costs as
24 we go along. Just to make sure we have an
25 understanding of where we're going and what those

1 costs are going to be.

2 As far as offender employment, as of May of
3 2016, we issued 1,625 TPC certifications to the
4 offenders out there in the program. This program
5 requires a very strict training protocol for the
6 offenders. They can't even start the job until
7 they've had 20 hours of Cal/OSHA training. And so
8 it's kind of different from our other programs. So
9 kind of start a little quicker. And the hope is
10 that we get these guys trained. And the hope is
11 that now, when they get out, if there still is a
12 six-month requirement, all these folks that have
13 been on the program for six months are eligible to
14 apply and go to work for DGS in the Custodian
15 series, which may help that. I'm hoping we get rid
16 of the six-month requirement. If we don't, they
17 should all be eligible to go to work for DGS when
18 they get out.

19 We still require that they all get a GED
20 within two years. We are still pushing that. We'll
21 report on that later. The impact on the private
22 sector would be minimal. To the extent that we need
23 additional supplies and equipment, we'd be buying
24 that. Not much other than that.

25 With that, I would recommend approval of this

1 Board action item. And I'd be glad to answer any
2 questions.

3 CHAIR KERNAN: Any questions from the Board?

4 MEMBER KELLY: I have one. You know, you
5 keep talking this is a contract. It kind of worries
6 me that we are having a problem recruiting people,
7 and we signed a contract. What are we doing to make
8 sure that CDCR understands that we're out there
9 trying to do this? If you can't get the bodies for
10 one of the prisons, what are we going to do?

11 MR. WALKER: So what we do is twofold. One
12 is what we do now is we redirect people. We have
13 some, what we call, traveling teams, for lack of a
14 better -- they're strike forces that we send out
15 there that help do what we term the heavy work -
16 lift some of the -- dealing with some of the
17 residual decay at the prisons that have taken 20
18 years to get there. As needed at times, we redirect
19 those traveling teams to fill in those vacancies.
20 Obviously, over time it's another option.

21 One of the things we also do is redirect our
22 supervisory staff, which we hate to do, but
23 sometimes that is necessary.

24 So part of what you guys approved in the last
25 Board meeting was 66 limited-term positions. So we

1 are trying to fill them, as well. It's a struggle.
2 It's a struggle to get that done. We just do what
3 we have to do because there's no not cleaning those
4 areas. Right? So every day the management staff of
5 the institutions and the people out there doing the
6 work are very creative and hard working to figure
7 out a way to get that done.

8 As it relates to the Statewide Medical
9 Distribution, what we're going to do is set a
10 benchmark. We have a schedule right now that we're
11 looking at to roll those programs out when the first
12 inmate arrives. It started a couple months ago, and
13 it goes through May of 2018. The benchmark is going
14 to be 75 percent of the staff positions have to be
15 filed to activate. So if we get to a point where we
16 are going to activate and we haven't filed 75
17 percent of those positions, we're going to push that
18 activation another month.

19 It's just too much, and we get spread too thin
20 or we're having too much space to not have that
21 benchmark. So we're hoping that will help. The
22 churn is going to happen, right? We talked about
23 low wages. I've been doing this for a while, and I
24 will tell you that when we went through this even in
25 the eighties, there was a heck of a churn. All the

1 new prisons were coming online. Those wages back
2 then were actually pretty decent for prison
3 industry. And we still had a bunch to churn because
4 some of these folks, much as we'd like to think we
5 screened them well and talked to them, just don't
6 belong in this environment.

7 So I'm hoping, as it did back then, over time
8 people will start to understand this is a career.
9 There is an opportunity. We do a lot of T&D. Chuck
10 used the term "farm team." So we kind of want to
11 treat these folks as they come in, show them that
12 there are bigger opportunities in PIA. We have
13 difficulties hiring in traditional industry programs
14 as well. So we kind of encourage them to find them.
15 We have a dozen so far that we put in industrial
16 positions so they see we are serious about it.

17 Hopefully, that will help. Doing everything
18 we can to push the benchmarks in place so we don't
19 get down the road and we have all this space and
20 we've got a 50 percent vacancy rate. Just no way we
21 are going to get there.

22 MEMBER KELLY: Thank you.

23 CHAIR KERNAN: What is the risk, Mr.
24 Walker, with the OPEB and the Department of Finance
25 funding that?

1 MR. PATTILLO: Let me answer. The OPEB.
2 As we all know, our OPEB bill is -- and OPEB is the
3 non pensioned portion of retiree benefits - the
4 medical, dental and vision. Currently, the entire
5 PIA operation is \$10,000,000. For HFM alone, it's
6 about \$4.2 million to \$4.3 million. It may claim up
7 a little bit more.

8 If that is not funded in the contract, we will
9 have a \$4,000,000 net loss in this contract. The
10 thing is down to a break-even point. That is how we
11 run it. So it would be about a \$4,000,000 hit.

12 You and I, Mr. Secretary, had enough
13 conversations about it that you understand how it
14 ends. So we've got an advocate on our side on this.
15 I think educating Finance a little bit more on what
16 the requirement is. We are the only state agency
17 that has actually funded our OPEB obligations out of
18 all state agencies. As well as funded our pension
19 requirements. And we have to because, if we don't
20 do that, we will not be solvent. And that is one of
21 the basic tenants of the Board, to make sure that
22 PIA is solvent. If we don't fund that \$4,000,000,
23 we won't be solvent.

24 MEMBER STEEB: What is the likelihood of
25 CalHR continuing to work with you on increasing pay?

1 Because if that's likely, I think it's certainly --

2 MR. WALKER: They're working with us.
3 We're impatient. So sometimes it takes a little
4 more time than we would like. They engage in the
5 conversations. They're interested in helping us.
6 We are trying to push them as far as we can. I
7 would like to see something in place by the first of
8 the year. That may be a bit optimistic.

9 But we've done everything we can to help them.
10 They've engaged. We contracted with CPS to boost
11 their ex-CalHR employees to write, to help them
12 along that line. So they've engaged us. We're
13 having conversations. We have to run through that
14 bureaucratic process over there, so we are trying to
15 push them. I haven't gotten indication yet that
16 they're running the other way. So I think --

17 MR. PATTILLO: I think what's also helping
18 is DGS is with us on this. DGS understands that
19 they have to raise their wages. So we do this all
20 at one time. They are also combining the classes.
21 The traditional correctional facility janitorial
22 custodian as well as the non correctional facility.
23 Putting it in one classification. So it will help
24 with recruiting.

25 MEMBER MARTIN: I have a question and

1 comment, if you don't mind. You made a comment that
2 90 percent of your employee discipline issues are
3 HFM. Then you also made mention that you're going
4 to be doing on-the-spot hiring.

5 Is there any background being done?
6 Obviously, if it's 90 percent of your problems,
7 what's being done to try and relieve that and are
8 you doing anything?

9 MR. WALKER: The background is really just
10 a criminal history. So every one of our employees
11 are required to fill out a government application in
12 which they have to divulge is there any arrest or
13 conviction or pending arrest. And what we also do
14 is a run a CLETS clearance or background. NCIC once
15 they are hired. The background check that way as
16 well. It really just talks about past history.
17 Right.

18 And I would tell you, even with that, we try
19 to also walk the talk. We are here to provide an
20 opportunity for offenders to reduce recidivism and
21 be productive.

22 I do push the envelope as much as I think is
23 reasonable to bring in people that have had
24 transgressions in the past. It's certainly a risk.
25 We try to minimize that. There is no psychological

1 screening or any of the rest of the stuff that you
2 give to peace officers. It's really an interview,
3 take the background, and then do you give people an
4 opportunity?

5 The big deal we try to do and part of the
6 challenge with HFM is these people sometimes are in
7 remote areas. There are some types of remote areas
8 with offenders by themselves. We also pay attention
9 to that. These guys, some of these offenders out
10 there are really good at playing those games.

11 And so we talk to them a lot about if you see
12 something say something. Very few things in
13 prisons, as you know, happen by accident. If it
14 doesn't seem right, it usually is not right. If you
15 see something that looks a little odd, don't try to
16 justify why it's not a big deal. Say something to
17 somebody. We bring in correctional staff.
18 Lieutenants talk to them about this. We keep
19 beating that drum.

20 Quite frankly, we don't make it -- when you
21 make a big deal out of it, when somebody does some
22 transgression, to make people kind of stop, step
23 back and take another thought.

24 So we're doing what we think as much as we
25 can. We're always looking for new ways to educate

1 them and make them aware. But that is certainly one
2 of the things that we indoctrinate them with when
3 they come in. And we continue to talk to them about
4 being mindful. Even the staff. Most of the time
5 the stuff that starts out is fairly small. If
6 somebody sees something, it's not just you
7 protecting that you, yourself. It's protecting
8 somebody else's job. It is an ongoing challenge in
9 that environment. Yes.

10 MEMBER DAVISON: I just wanted to make a
11 comment about cleanliness in prison. And being a
12 former Warden, cleanliness in prison is a tough
13 thing. And not just in the healthcare area, but
14 cleanliness in prison overall is a tough thing. You
15 have a standard - well, I'll speak as myself as a
16 Warden - that you want the prison to be clean, but
17 then you have to translate that down to the staff
18 and down to the inmate.

19 So overall it's tough. But then when you get
20 into the healthcare area and you have to deal with
21 lives, it's even more difficult. When I was the
22 Warden at the prison that I was at, we had to go
23 through licensing at the healthcare facility where
24 we were trying to get licensed. And it was really
25 the bane of my existence at the time.

1 So having PIA come in and have their staff
2 deal with it on a everyday basis is like a godsend.
3 And to be able to have them even go into the areas
4 where inmates can't get into, knowing that you're
5 going to have these people come in and do licensing
6 and you don't have to worry about it, is
7 unbelievably wonderful. I can't say -- I can't even
8 come up with the words to say how great it is.

9 I happened to be able to visit a prison last
10 week. And I went into all the licensed areas. And
11 something that I learned from a mentor of mine in my
12 career, was to always walk as a Warden with your
13 head down because you're looking at all the cracks
14 and crevices. To make sure that they are all clean
15 when you are walking around the prison.

16 And I looked at these licensed areas in these
17 healthcare facilities. I saw how nice and clean
18 they were, such as if you would walk into a hospital
19 or any other hospital where you were being
20 hospitalized at and you see that the floors shine,
21 and in your doctor's office. And everything was so
22 nice and clean.

23 And I wanted to congratulate you guys because
24 it was something that was really a problem before,
25 and it is not anymore. And that speaks directly to

1 this. So just from an insider's, well, ex-insider's
2 view, this is invaluable. So my support.

3 MR. WALKER: Thank you.

4 MEMBER JENKINS: Just a comment and a
5 question, too. I think it is great to be adding an
6 additional 450 offender assignments, opportunities.
7 Just giving another opportunity for a body of
8 offenders to have a job. I think that's a positive.

9 And then my question is: You mentioned that
10 all offenders are required to successfully get a
11 GED, to participate in the program. My question:
12 Has there been problems with the offenders who are
13 interested in getting a GED? Getting that in terms
14 of capacity? In terms of waiting lists? Or is
15 there adequate capacity for everybody who wants to
16 get into the program like that to get in?

17 MR. PATTILLO: Mr. Jenkins, so not only
18 with HFM, but the entire PIA operations, you have to
19 get your GED in two years. Right now we are at, I
20 think, the number is 81 percent of our offenders
21 have a GED, which is pretty incredible. The
22 number's been climbing up.

23 What we've done at the institution level at a
24 couple places, and Folsom was another one with the
25 integrated programs, we're actually supplying GED

1 classrooms right in the area. Just like with the
2 drug treatment. And we've offered to do that
3 systemwide.

4 Not everybody has taken us up on it. So we
5 allow folks to check out for a couple hours. We
6 keep them on the payroll so they can go take their
7 testing, whatever they can get. We provide them any
8 kind of textbooks, anything else they need to take
9 back to their cell so they can go back to their
10 house at night and do that kind reading.

11 We really go over the top to make sure this
12 happens. That is the number we're very focused on,
13 increasing that number. I don't really think --
14 other than the college program, there is nobody that
15 has a higher GED rate than we do.

16 MEMBER JENKINS: Thank you.

17 CHAIR KERNAN: Any other questions?

18 MR. PATTILLO: Mr. Secretary, two things I
19 want to say real quick. The most impressive thing
20 about this is that we rolled this thing at once at
21 34 institutions. Now we actually under our
22 construction -- HFM runs under Construction Services
23 Facilities Maintenance. So now we also have
24 construction ability, which we have statewide
25 authority for construction also to do construction

1 at every location. So we're looking to do a lot
2 more partnership with the institutions on picking up
3 where they may have some deficiencies.

4 Today the Receiver's Office is actually with
5 us, Mr. Secretary. Former Warden Kirkland is here,
6 who is now the Chief Deputy Receiver, and he wanted
7 to say a couple of words in support of the
8 program.

9 CHAIR KERNAN: Okay.

10 MR. Kirkland: Good morning, Mr. Secretary
11 and Board Members and former Co-Warden Davison.

12 The Healthcare Facilities Maintenance Program
13 was one that we saw working at CMF, as Scott
14 mentioned earlier. We saw that it was just what we
15 needed. We were getting slammed by OIG, by our own
16 corps of experts. And, again, as Warden Davison
17 mentioned, we could be clean in spaces, and
18 sometimes it wasn't even a whole institution. Get
19 it done in one clinic and not the others.

20 With PIA, they came in with a training program
21 - an inspection program as well as a training
22 program. So it's completely turned around the
23 working environment and ability to provide care in a
24 professional environment.

25 Now what you've got that is another initiative

1 of the Receivership is the Healthcare Facility
2 Improvement Program. And that is a program to go
3 through all of our institutions other than Stockton.
4 Stockton we built from scratch just a few years ago.
5 But at all of the others, we are either renovating
6 or expanding all of your clinical facilities.

7 And so this is an essential element to the
8 termination of the Plata lawsuit. But more
9 importantly, it will allow for the Department of
10 Corrections to stay in front of potential future
11 lawsuits, based on your working environment or the
12 inability to maintain cleanliness and an actual
13 licensable environment.

14 CHAIR KERNAN: Any questions from the
15 Board?

16 Thank you, Mr. Kirkland. Appreciate it.

17 At this point, would any member of the public
18 like to make a comment regarding this action item?

19 Seeing none, is there a motion to approve
20 Action Item A?

21 MEMBER KELLY: So moved.

22 UNIDENTIFIED BOARD MEMBER: Second.

23 CHAIR KERNAN: I have a second. Will the
24 Board Secretary call the role?

25 MS. VUONG: Member Davidson.

1 MEMBER DAVIDSON: Aye.
2 MS. VUONG: Member Davison.
3 MEMBER DAVISON: Aye.
4 MS. VUONG: Member Kelly.
5 MEMBER KELLY: Yes.
6 MS. VUONG: Member Jenkins.
7 MEMBER JENKINS: Aye.
8 MS. VUONG: Member Martin.
9 MEMBER MARTIN: Aye.
10 MS. VUONG: Member McGuire.
11 MEMBER MCGUIRE: Aye.
12 MS. VUONG: Member Steeb.
13 MEMBER STEEB: Aye.
14 MS. VUONG: Member Trujillo.
15 MEMBER TRUJILLO: Aye.
16 MS. VUONG: Vice Chair Singh.
17 MEMBER SINGH: Yes.
18 MS. VUONG: Chair Kernan.
19 CHAIR KERNAN: Aye.

20 Thank you very much.

21 Item B.

22 MR. PATTILLO: Members, Item B is the
23 budget, the annual plan. Included in this is the
24 action item you just approved. It was already
25 rolled into there. As I mentioned, we want to be

1 very specific about what was included before we got
2 down this road. Our '16-17 budget, we estimate
3 revenues to increase 8.1 percent.

4 In your binder, in the clear package, you are
5 going to pull this item out. And we're going to go
6 to this page, here, which is Page 3 of the Financial
7 Plan. The far right column is what we're looking at
8 first for our proposed Annual Plan. We will be
9 referencing that and the second column which is the
10 approved Mid-Year which we did six months ago.

11 We are anticipating an increase of 8.1 percent
12 or \$17.3 million from \$214,000,000 to \$232,000,000.
13 The increase is primarily because of the HFM
14 program. But also within there, there is some other
15 increases that we're looking at. Our Bindery is
16 about, almost \$2,000,000 in the next year. And the
17 Bindery, that's because we do all alternating years
18 of making the handicap placards. I don't know why
19 they don't order them every year, but it's every
20 other year. So when you see the Bindery swing in
21 revenue, that's why.

22 Food and Beverage Packaging. The Food and
23 Beverage Packaging at Mule Creek will come online
24 and actually is online. July 1, we'll officially be
25 starting. That will have a rolling of about a

1 million this year, as we're separating out some of
2 the work that we do down south and bringing it north
3 to get off of overtime shifts that we have down
4 there.

5 In addition, Egg Production. The price of
6 eggs is going to go up a little bit. This is
7 strictly a pass-through pricing issue. Couple
8 things. Proposition 2, as you may remember, was the
9 ruling that chickens had to have 32 square feet and
10 be able to dance. It went from a very combined
11 operation to being all this space. So what we did
12 instead, we moved into basically a sizing operation.
13 Buying eggs off the market. Doing the cleaning,
14 sizing, wrapping, rather than have to quadruple the
15 size of the chicken farm out there. That was a
16 problem at Avenal because they wanted us to have
17 free-range chickens. You could just imagine out in
18 Avenal. We'd have the largest coyote farm out there
19 with free-range chickens. We thought better of
20 that. So that is mostly just a price issue on
21 there.

22 As we come down to gross profit, we are
23 estimating a 10.9 percent increase, or \$5.6 million
24 over the last six months. Estimate. And as we get
25 down in the -- I'm going to go down the middle part,

1 talk about selling and administration expenses.

2 So if you go down almost to the bottom, you
3 will see "Total Selling and Administration." I've
4 got my finger right here, where that's at. You will
5 see year over year our total selling administration
6 is going from \$50.7 million to \$54.7 million, a
7 \$4,000,000 increase. But that \$4,000,000 increase
8 is made up of \$3,000,000 worth of increases that we
9 have no control over.

10 Part of it is our state pro rata is going from
11 \$4.8 million to \$6.3 million. A million and a half
12 increase in pro rata from where we were last year.
13 Pro rata is primarily the price we pay, overhead
14 price, to other state agencies. Starting with the
15 Legislature, the Department of Finance, the State
16 Auditor, the Treasurer, the Controller. Those items
17 that we're paying to everyone else is free. In
18 addition, the increase in OPEB for other state
19 agencies, we are picking up a portion of that also.
20 We kind of get both coming and going. We are
21 looking this year that may eventually decrease our
22 OPEB investment, but it hasn't.

23 Our OPEB, our own OPEB, is going from \$9.2
24 million to \$10.9 million, and so that is a million
25 and seven. That OPEB increase is primarily from the

1 HFM program, by adding the employees. It's an
2 average of about \$8,000 a year per employee. And
3 we've talked with the Secretary. If the HFM program
4 was being run by CDCR, they wouldn't be required to
5 fund the OPEB because as an appropriated agency, as
6 CDCR is, they are able to footnote that expense.
7 Whereas, we actually have to fund it. Like a
8 private business, we have to either have the asset.
9 We don't necessarily have to have the cash; we have
10 to have the assets to back it because it is a
11 long-term liability.

12 Where the other -- I am going to jump a little
13 bit back up. If you look where it says "Sub-total
14 Central Office," right above "Offender Development
15 Program," highlighted there, our Central Office,
16 which is our overhead costs, is only estimated to go
17 up \$40,000. So overall, the increase, the
18 \$4,000,000, is a non controllable item for us.

19 There is an increase in the Offender
20 Development Programs and specifically in the Career
21 Technical Education Program. We have added almost
22 \$900,000. Of that total \$4,000,000 investment in
23 CTE programs, \$2.76 million is reimbursed by CDCR.
24 The other programs are ones that we are expanding,
25 and we will contract later for reimbursement.

1 San Quentin is one where the other day we just
2 found out that we were going to be adding a CAD
3 program down there in anticipation of starting
4 another joint venture. That amount of money will
5 eventually be reimbursed, as well as the culinary
6 program that came in late will also be a reimbursed
7 expense for us. That takes up to about 19 CTE
8 programs which we spoke about.

9 We are also expanding our Joint Venture
10 Program just because at the point in time, after
11 waiting all these years for space, programs,
12 whatnot, we're starting to see them come. We
13 actually signed two already. We launched the one
14 last week. We also launched one or assigned one
15 with a high-end stove maker at San Quentin, who is
16 going to be doing some technical work to replace the
17 one that went out.

18 In addition, we think we'll have another CAD
19 program coming on. And we have some that are going
20 on around the state. Most of the Free Venture folks
21 spend a lot of time dealing with private businesses
22 that want to come on. We're working with Pride
23 Industries to do a joint venture at Stockton, where
24 they are going to come in and hire the offenders at
25 market wages, similar to wages we would pay, 30

1 offenders down there to do the job. So that will be
2 the next one. So it's taken a little bit more of an
3 investment. Most of that is reimbursed by CDCR.
4 That is the portion of it.

5 The Offender Development Program -- just go so
6 you have an idea of what we've got here. We've got
7 eight male programs and 11 female programs that
8 we're running. The money that we got from the
9 Legislature -- well, the Legislature gives it to
10 CDCR specifically for contracting with PIA. They
11 want us to focus on female programming. We are fine
12 with that. We have a very significant CTE
13 Apprenticeship Program present at Folsom Women's
14 Facility, Central California Women's Facility, and
15 CIW. Those programs for the females are the
16 Culinary; the Labor program at Folsom Women's
17 Facility, CIW and CCWF; carpentry at all three
18 facilities; AutoCAD, two classes of AutoCAD at
19 FWF; and Facilities Maintenance at FWF and CCWF.

20 What we're looking at is - looking at Mr.
21 Trujillo - we're looking to see if we can figure out
22 a way to do iron working for women. I know that is
23 a big demand, women in the iron working trade, right
24 now. There's really not a specific program we had
25 for it because we didn't have the bodies actually to

1 get in. I think that we might be able to do that
2 this year.

3 On the male programs, we have the Dive program
4 at Chino. Labor's at CIM San Quentin. The
5 Ironworker program just moved inside of Folsom.
6 Carpentry at CIM and FSP. Computer coding, as you
7 saw, at San Quentin and Computer-Assisted Design at
8 San Quentin, which will come in later in the year at
9 San Quentin.

10 The only other thing on that was on the list
11 is the distribution transportation cost, and we have
12 a minimal increase. We're seeing about a \$5,000
13 increase year over year. We are getting very good
14 at controlling our distribution costs. We know that
15 it's cheaper for us to use state employees and
16 control our own trucking line, as we do.

17 Right now we're running 63 trucks and 186
18 trailers from, basically, the Oregon border to
19 Tijuana. That's quite a sizeable distribution
20 company that we run internally. We are trying to
21 reduce our commercial carrier costs which we have
22 little control over, as well as the delivery, and as
23 well as the customer service aspect of that.

24 Operating income. \$2.5 million is where we
25 will be at, up from \$851,000, which was our current

1 year. During our briefing, I did speak with each
2 one of you. Our current year estimate was \$851,000,
3 based on what orders we saw come in not only this
4 spring, but also the last three weeks. People
5 getting in at the end of year and some other issues
6 that came in late after January.

7 We estimate our net profit will be more along
8 the lines of just under \$5,000,000 in the current
9 year. That will increase our flow a little bit.

10 Legal settlements. We budget them at \$150,000
11 this year. We normally don't spread them out. We
12 wanted to show what we have been spending on an
13 average on legal settlements, \$150,000. \$150,000 in
14 legal settlements, as Mr. Kernan knows, is not a
15 whole lot. That's almost nuisance for a lot of
16 folks. But most of our legal settlements have to do
17 with employee issues that we had to pay an employee
18 an extra month because they got terminated, and
19 there was an SPB ruling that makes something
20 resolve. Once in a while, we have a contractor that
21 maybe has a couple thousand dollars that we're going
22 to write a revolving check for. All those cases we
23 report on a quarterly basis when we do a closed
24 session meeting, which we will do in the fall again.
25 So we close it out.

1 Offender employment as part of this. You can
2 follow along here. I will show you. This goes into
3 -- the next page over has gross profit on -- excuse
4 me, Enterprise Overview and Offender Assignments.

5 On Page 4, on Enterprise Overview, we are
6 anticipating the gross profit for every enterprise
7 with the exception of the crop farm. And the reason
8 the crop farm shows in the red is because we sell --
9 primary what that is is our almonds and all the hay
10 and alfalfa that we grow for the dairies. We sell
11 it all internally. We don't make a profit on it.
12 We break even. All the almonds now go to the boxed
13 lunches. Where we used to sell them out to the
14 public, which we can't sell agricultural goods to
15 the private sector, we now sell them into the boxed
16 lunches. So all the profit from the almond farm is
17 taken in boxed lunches.

18 I hope I explained that right. When you see a
19 red there, it's really not an issue. That's a
20 reporting issue.

21 Our offender employment, we're estimating
22 moving -- 7,085 is the total slots that we have
23 available. Up from 6,900. We do know that we are
24 only employing about 51- to 5,200 right now in the
25 spots. So right now we have at least a 20 percent

1 vacancy in offender spots throughout the state.
2 However, given that the Department of Corrections is
3 moving to an all reentry facility, there won't be
4 just 13 places where you do reentry. We won't have
5 this churning of inmates that are going all over the
6 state, that we've always got these constant
7 openings. It's a very good model.

8 They have a new Director of DRP. We actually
9 spoke about this two days ago again to make sure
10 that we are all on the same track. I think that
11 number will come up now. We won't have such
12 vacancies as we had. But at the time, we do have 20
13 percent vacancies in our inmate programs.

14 The civil service employee -- and big increases
15 as we talked about earlier. Construction Services
16 and Facilities Maintenance, which is the HFM
17 program. We'll have 488 positions.

18 The civil service employment, with adding in
19 HFM, is up to 1,226 total. With the total increase
20 there, we've increased positions since 2010-11 by 80
21 percent. It is what our increase is. If you look
22 at that increase, it is all HFM positions.

23 I will tell you the first increase that we did
24 on HFM, the first round of 300, we only increased
25 our overhead by about one position per HR. I'll put

1 this out there for the HR folks. A little smile.
2 They're about ready to implode right now. I'm
3 hoping to catch up with them because they hang me
4 out to dry.

5 Our out-of-state travel is in your book, also.
6 The out-of-state travel is just a listing of total
7 travel for the year. It is going to go from 106- to
8 123,000 for the entire year. Our out-of-state
9 travel consists mostly of other correctional
10 industry visits and obligations we have for the
11 American Correctional Association and American
12 Congress of Corrections. A couple of us are
13 officers. We have to be there twice a year, as well
14 as the National Correctional Industry Association
15 meeting. This year you'll see -- in the executive
16 portion of the trips, you'll see several in there
17 for executive of the same meeting. That is the NCIA
18 meeting.

19 Any Board Member who would like to attend the
20 Tucson meeting, which is going to be a bordering
21 state travel, a couple folks have already indicated
22 that they would like to. This will be a good way
23 for you to go look at how other states do it. All
24 49 states attend. There is one state that doesn't
25 have a correctional industry. That's Alaska. I

1 think they out source everything they've got up
2 there these days. So it will be a good way to go
3 see the training that we do. We will also be
4 providing training this year, as well as receiving.
5 And it's two days where we can present our finest
6 and best. We do have Board Member travel. If
7 anybody is looking to go, we welcome that.

8 MEMBER STEEB: Chuck, do you have the date?

9 MR. PATTILLO: They will send it out right
10 after the meeting. I think it's the second week of
11 April, right buffering up to Easter, which sometimes
12 is a problem for some folks.

13 That completes the Annual Plan as it's
14 presented at this time. Normally, we do the Annual
15 Plan and have been for the last couple of years.
16 Every six months, we've been doing it. I anticipate
17 this fall we will not do a full Annual Plan unless
18 something happens. I do know that we will do a
19 Designation of Cash because we are going to talk
20 cash on our next item. The cash balances audited
21 and changed a little bit. We want to reflect
22 accurately what they are in the fall.

23 May I answer any questions on the Annual Plan?

24 MEMBER MARTIN: I have a question. Looking
25 at expenses on Page 3, you have a budget of

1 \$174,956. You're looking at about an 8 percent
2 increase in costs of goods sold.

3 MR. PATTILLO: On costs of goods sold, I
4 want to -- the reason why I write notes here.

5 Mr. Martin, just about it, about 11.7 from the
6 mid-year. So about 7.2 percent. And based off of
7 revenues that are going about 8 percent.

8 I won't tell you that the six-month numbers
9 that we put in there are going to change a little
10 bit from last year. We're going to close out our --
11 today is the last day of our budget. Last month
12 when we closed out, we were already about 3 percent
13 ahead on revenues from where we thought we would be.
14 And 3 percent is six and a half million dollars.

15 MEMBER MARTIN: On the offenders side you
16 have 7,085,000. Where is that plugged into on the
17 financial plan?

18 MR. PATTILLO: That's the number of
19 positions. That's a product of the budget, the
20 7,000 offender positions.

21 MEMBER MARTIN: Thank you.

22 CHAIR KERNAN: Is this the salaries, the
23 pay for those offenders?

24 MR. PATTILLO: It is part of goods sold.

25 MEMBER TRUJILLO: Going back to your

1 comment regarding women in the trades. Let me
2 elaborate a little bit on that. President
3 Balgenorth of the State Building Trades in
4 California implemented a program called Women in the
5 Trades, which was given to Debra Chamflin
6 [phonetic], who is in charge of special projects.
7 They're celebrating, I think, ten years of Women in
8 the Trades. And just a little bit of history for
9 some of the younger folks in the crowd.

10 There was a woman known as Rosie the Riveter
11 during World War II. Women took these jobs and did
12 a fantastic job when the men left. The only mistake
13 that they made is when the men got back they went
14 back home. They should have stayed on.

15 Women in the Trades is a great program the
16 Nation has bought into now. Women all over the
17 United States and even Canada come to the meetings
18 where they break bread and talk about issues that
19 they have on the job site already, that maybe some
20 have experienced already. And these jobs are not
21 jobs; they are actually careers, where you can go
22 anywhere in the world and work when you become a
23 journey level person.

24 We understand women in the trades is a very
25 good thing, and we need more.

1 MR. PATTILLO: I will tell you,
2 Mr. Trujillo, around Northern California and
3 actually Southern California, too, if you go out to
4 any major job and you go find the women that are on
5 the jobs, I will guarantee that there is one or two
6 from PIA that are working on it, whether it's a dam
7 or the Golden One Center down here, as well as men
8 out there, too. We have more men out there.

9 But if you talk to the folks that work for you
10 that train for us, they will tell you they would
11 rather work with female trades people or trainees
12 because they have better attention to detail and
13 they don't always say that they know what they're
14 doing. The females work so much better for you.
15 Such a successful program.

16 MEMBER KELLY: I was just wondering, what
17 is the health of our trucks or trucking industry? I
18 know I called you one time, and you were driving
19 down the road a lot and you might not notice the
20 brand new, shiny truck driving down the road not
21 smoking. But when you find one of those, you do
22 notice it. You pull up along side of it, and you
23 noticed it has CALPIA on the side of it. I was
24 wondering are we keeping up with our fleet of
25 trucks?

1 MR. PATTILLO: We are, Mr. Kelly. As part
2 of it, when we get into capital, I think we're
3 adding 11 this year. We rotate through about every
4 five years. It's a five-year cycle, a couple
5 hundred thousand miles per truck per year. We meet
6 all ARB requirements for our trucks, California Air
7 Resources Board for exhaust, as well as all the
8 maintenance. From where we started, when I had
9 trucks that were seven different colors, we had
10 seven different colors that we ran. We run an all
11 white fleet now, as you see. Newer trucks, we are
12 buying new again. We were doing a lease-back for a
13 while. New works for us. Better than lease-back.
14 We are keeping up.

15 The best part is we maintain our own
16 equipment, so a lot of times you'll see our trailers
17 going down the road. They may not look that pretty.
18 We haven't got to them, the painting part of it, but
19 underneath it's perfect.

20 MEMBER KELLY: Thank you.

21 CHAIR KERNAN: Mr. Jenkins.

22 MEMBER JENKINS: Mr. Pattillo, you
23 mentioned that there is a 20 percent vacancy rate on
24 the offender positions.

25 MR. PATTILLO: Yes, sir.

1 MEMBER JENKINS: You commented also with
2 the Governor's budget there's going to be an
3 expansion in reentry service to more prisons. But
4 did you also say that there would be a relationship
5 to that expansion of reentry services to the vacancy
6 rate?

7 MR. PATTILLO: Yes, sir. Right now out of
8 34 institutions that are actual penal institutions,
9 13 of those are reentry hubs, as they call them.
10 What they were doing is they were taking inmates from
11 everywhere all over the state and sending them to
12 those 13. Well, some of those were in our programs.
13 Now they are not going to be transporting people all
14 over the state. One, we'll save on transportation
15 costs. We won't be losing those folks all the time
16 like we are, so we have this constant turnover.
17 We've got reentry at 34; we are at all 34 now. That
18 should reduce our vacancy rate. That's what the
19 correlation we believe will happen.

20 MEMBER JENKINS: Thank you.

21 CHAIR KERNAN: Any other questions?

22 MEMBER SINGH: Just want to know how much
23 the joint venture's reimbursement, somewhere around
24 719,000, and other career technical education
25 reimbursements.

1 MR. PATTILLO: The reimbursement,
2 Mr. Singh, is the reimbursement to the Department of
3 Corrections. We manage three programs for them
4 right now. I know they're looking for us to manage
5 a few more, so this is the reimbursement rate from
6 them. Some of it, though, is our own stuff that
7 we're looking at, and we'll get greater
8 reimbursement as we have more success.

9 MEMBER SINGH: Other is \$150,000 legal
10 settlement.

11 MR. PATTILLO: Those are the settlements,
12 the minor settlements. We just wanted to lay it out
13 there to show what we do. That is an average;
14 that's actually over an average of three years minor
15 employee stuff, a minor car accident that we might
16 be writing the check for. Employee issues. Minor
17 employee issues.

18 I'm trying to think what other --

19 Jeff, what is the other description on other
20 settlements that we have that would fall under
21 there?

22 MR. SLY: Some victim compensation and
23 government claims board. Some is for contractors
24 that have done work for us without -- that are
25 exceeding the value of the contract or where there

1 are change orders in some of construction forms that
2 overshot the dollar amount in the contract and
3 became a dispute about what we should actually pay.
4 The way we were able to settle was kind of going
5 through this way rather than trying to back date a
6 contract or figure out a way around the contract.

7 MEMBER SINGH: This was already settled
8 then?

9 MR. PATTILLO: Yes. Already settled.
10 Anytime we have a major settlement, we won't settle
11 anything. There has only been one time in the
12 entire time I've been at PIA where we've settled
13 something that had to be settled that day. It was a
14 settlement down in Lancaster. Matt Cate was
15 Secretary at the time, where we had to either settle
16 that day for half a million dollars. We briefed the
17 Board on it after that, or it was going to be a
18 million dollars if we waited about a month. So we
19 took the high road on that one.

20 CHAIR KERNAN: CDCR spends about a hundred
21 million on settlements and legal fees.

22 Any others questions from the Board?

23 Mr. Martin.

24 MEMBER MARTIN: I have one real quick one.
25 I know that you'll probably talk about the capital

1 expenditures schedule. Is that taking into account
2 the cost of the new equipment? Is that taken into
3 account into this budget already or is there --

4 MR. PATTILLO: That is part of the capital
5 schedule that we're going to talk about next.

6 MEMBER MARTIN: You obviously expensed it
7 to cost of goods sold, correct?

8 MR. PATTILLO: As it says, depreciation.
9 As depreciation. We depreciate it out. Capital
10 expenditure that doesn't fall under a one-year
11 expenditure plan. The only thing that shows up in
12 here is the depreciation of that equipment.

13 MEMBER MARTIN: You only have the
14 depreciation of the equipment. You actually don't
15 have the depreciation of the capital expenditures
16 you intend to incur?

17 MR. PATTILLO: Only the previous
18 expenditures are depreciated, and this is what we're
19 going to talk about next, future capital.

20 MEMBER MARTIN: But we're talking about
21 next year's budget, and we're going to be talking
22 about capital expenditures. My question: Are any
23 of those costs included in this future budget?

24 MR. PATTILLO: The depreciation is.

25 MEMBER MARTIN: For the capital

1 expenditures?

2 MR. PATTILLO: Not for the new ones because
3 they won't start depreciation until a full year's
4 past, after we've spent the money. We have
5 \$9,000,000 in capital improvements that won't see
6 their first -- well, it is taken into consideration
7 as expenses made in the current year. There is some
8 depreciation. So the depreciation number does
9 include some current year, but budget year
10 expenditures -- but it's only of the \$9,000,000,
11 depending if we're doing on the 7, 15, or 20 acre
12 schedule, it could be anywhere from \$10 to a couple
13 hundred thousand dollars. There is a small portion
14 of the current year capital expenditures that are in
15 the budget.

16 MEMBER MARTIN: They are in there?

17 MR. PATTILLO: A small amount. But the
18 budget is based on a -- give me one second here.

19 So in the budget year we have depreciation of
20 \$7.8 million of all capital. That is previous year.
21 Some of the current budget year expenditures that
22 we're talking about, which will be about \$9.8
23 million capital expenses, some of that will be in
24 that amount if you start depreciating from day one.

25 MEMBER MARTIN: My question -- I understand

1 the next year's budget. When you give us the actual
2 number, it will be in there. My question is:
3 Included in this budget that you're presenting to us
4 right now, are part of those depreciations included
5 in the projections that you're giving us for '16-17?

6 MR. PATTILLO: Yes. The entire
7 depreciation is in the projection.

8 MEMBER MARTIN: Including the new
9 expenditures that you intend to present?

10 MR. PATTILLO: The depreciation of the new
11 expenditures. I hope I got that right.

12 CHAIR KERNAN: Any other questions?

13 Seeing none, is there any public comments on
14 this item?

15 Seeing none, can I have a motion to approve
16 Action Item B?

17 MEMBER SINGH: I move the item,
18 Mr. Chairman.

19 CHAIR KERNAN: Second.

20 MEMBER STEEB: Second.

21 CHAIR KERNAN: We have a second. Will the
22 Board Secretary please call the role.

23 MS. VUONG: Mr. Davidson.

24 MEMBER DAVIDSON: Aye.

25 MS. VUONG: Ms. Davison.

1 MEMBER DAVISON: Aye.
2 MS. VUONG: Mr. Kelly.
3 MEMBER KELLY: Yes.
4 MS. VUONG: Mr. Jenkins.
5 MEMBER JENKINS: Aye.
6 MS. VUONG: Mr. Martin.
7 MEMBER MARTIN: Aye.
8 MS. VUONG: Mr. McGuire.
9 MEMBER MCGUIRE: Aye.
10 MS. VUONG: Ms. Steeb.
11 MEMBER STEEB: Aye.
12 MS. VUONG: Mr. Trujillo.
13 MEMBER TRUJILLO: Aye.
14 MR. VUONG: Mr. Singh.
15 MEMBER SINGH: Yes.
16 MS. VUONG: Mr. Kernan.
17 CHAIR KERNAN: Aye.
18 MS. VUONG: Ten zero.
19 CHAIR KERNAN: Mr. Pattillo, Item C.
20 MR. PATTILLO: Item C is the Designation of
21 Cash. We're going to go to Page 6.
22 Pull it back out, Mr. McGuire. We're doing it
23 a little bit different this year and part of it is
24 to answer questions like Mr. Martin has. We can
25 really show where we are allocating cash to. The

1 current year designation of cash -- we used to be
2 able, not used to. We used to have a budget, and we
3 didn't talk specifically about what the designation
4 of cash and how much cash would be needed to run the
5 organization. We're going to be talking about the
6 two columns, the '16-17 proposed Annual Plan and the
7 approved midyear.

8 What we included is all of our long-term
9 liabilities are in here, and we're going to show
10 them in a little bit different example. I don't
11 want anybody to get nervous by the red numbers that
12 you see on the bottom. This is more of a
13 demonstration to folks that we have sufficient cash,
14 but we also have assets to cover our liabilities. I
15 will start with the --

16 We expect in the current year that at the
17 beginning of the year we will be -- go to 2015-16,
18 approved Mid-Year Revise. There is beginning cash
19 of \$98,536,000. There on the top. And as we go
20 through down the columns, you see the total
21 operating income or loss of \$851,000 that would be
22 added. As we spoke earlier, we anticipate our
23 operating profits will be more in the range of about
24 \$5,000,000. So it would be an additional \$4,000,000
25 in cash at the end of the year. That is not

1 included in here because we can't declare that until
2 after our books are closed.

3 As you come down, you see the depreciation
4 number that we were just talking about. In the
5 current year we're estimating \$7.4 million
6 depreciation. We show that as cash in. As we get
7 farther down, there are our OPEB obligation of \$9.2
8 million; is also a pay-in because that is money we
9 are dedicating toward our OPEB.

10 As we keep coming down, we have \$14.2 million,
11 as what our current year expenditures are for
12 capital. That was approved previously, and
13 \$16,000,000 will be in process work that was carried
14 over the last year. Some of that ended over on the
15 first month of the year. Some of it is still going.
16 A lot of that is equipment we are delayed in
17 installing.

18 As you come all the way down, I want to focus
19 on the \$27,122, which is in the red.

20 Everybody follow me? We're on the bottom
21 column, the second \$27,122.

22 If you go up six, cash on hand before
23 commitments is \$85,895,000. Cash we're saying this
24 year what we had before commitments. We're saying
25 that we have additional commitments of accrued leave

1 time of \$8.4 million for the current year. Our
2 workers comp liability was \$16,000,000. Our net
3 OPEB obligation was \$62,000,000. And our net
4 pension liability of \$25,000,000, which we just got
5 tagged with last year for the current year.

6 Now the reason we're showing this this way is
7 because we wanted -- we don't want anyone to think
8 that the cash that we're carrying is free money.
9 That is kind've what happened a couple years ago.
10 Folks thought we had sufficient cash to operate and
11 we had too much money. They weren't taking into
12 consideration was that we have these long-term
13 liabilities.

14 What we're not showing on our long-term
15 liability is the assets that we have that are
16 non-cash assets, which you see is a hundred million
17 dollars, which are capital equipment, property,
18 buildings, whatnot, that are above. If we had to
19 liquidate today, we'd sell that hundred million
20 dollars worth of stuff and we'd cover ourselves. We
21 wanted to show that cash is accounted for. So it
22 doesn't hurt us in our operating, per se, because we
23 do have the assets of it. I just don't want to give
24 anybody the impression that we're flush and that
25 cash can be transferred. Whether that be the

1 Legislature or Department of Finance, as previously
2 happened.

3 So for '16-17, I'm going to take you back up
4 to the top, and it's \$85,000,000; \$85,895,00 is what
5 we're estimating on today is what we have in cash in
6 our account that we take into consideration all
7 other commitments.

8 Coming down, adding to that cash, \$2.4 million
9 in adjustments, for total operating income.
10 Depreciation will add another \$7.8 million in the
11 budget year. Cash in OPEB obligations, all the way
12 down, and then capital expenditures is
13 approximately, in the current year, \$9.8 million.

14 And if we can go to capital equipment list.
15 This is the capital schedule we're looking at the
16 one that was sent out to you separately. On the
17 bottom, statewide total cash for capital
18 expenditures of \$9.8 million. That corresponds to
19 that red item of \$9.846, far right column, ten
20 figures down. That is our capital expenditures.

21 This is what we're looking at, Mr. McGuire.
22 Sorry, to pick on you, Mr. McGuire. I see better
23 out of my left eye.

24 MEMBER MCGUIRE: Can I sit somewhere else
25 next time?

1 MR. PATTILLO: Major items in the schedule
2 this year is all facilities items. We have \$800,000
3 in there under a line item that says surveillance.
4 That is for adding cameras systemwide. We have been
5 doing a camera system at almost all our food
6 factories. Anywhere where we have sensitive
7 activities that are going on. By doing that, also,
8 we also allow CDCR to reduce some of their costing
9 because these are places where they're eventually
10 going to have camera systems themselves. We will
11 have ours there. We also have them fed back to the
12 institution so the institution can monitor our
13 facilities also.

14 The benefit of having a camera, for all you
15 folks that worked out there, if something goes down
16 in the facility, something bad, and things do
17 happen, we have a video record of it. Instead of us
18 being down for a week while everybody figures out
19 who's pointing fingers at who, what happened - I'm
20 talking about inmate assaults, staff assaults, those
21 things - we have it on video tape already. We are
22 usually up. We know who the perpetrators are, and
23 we are up within less than 24 hours. Since we've
24 been doing this, we haven't lost any time over these
25 kinds of incidents.

1 We are also assisting the Department right now
2 on their camera setups up in Susanville, which was
3 an issue where they were putting a pilot test
4 program up there, and we're working well with them,
5 sharing our data with them.

6 As you go through, you see the capital
7 expenditures for each institution as we go through.
8 Although we had a total of \$9.8 million total
9 capital expenditures, we had about \$35,000,000 in
10 requests that we still were working on over the next
11 couple years. And I'm sure that will keep going up.

12 The total Central Office allocation is
13 \$439,000 for the Central office; and that then
14 consists of HVAC upgrades for areas with basically
15 no AC. An addition of an MIS building where we are
16 having to upgrade our IT facility, higher security
17 facility, in the back of the property with a modular
18 building, as well as the new classroom that's been
19 previously approved up at Camp 12, which will be a
20 high tech class room where they will be able to
21 teach CAD and coding in a more secure environment.

22 That corresponds, our capital expenditures
23 there of \$9.8 million on this designation of cash.
24 And as we go through there, we did the same kind of
25 flow, as where we got down to the end here, we said

1 cash on hand, before commitments after taking in
2 consideration our capital expenditures, is \$97.2
3 million. From there we went again and subtracted
4 out what these other cash obligations could be. We
5 are not taking into consideration that our capital
6 could be backing that up as an asset. Again, the
7 reason we're doing that is we don't want to give
8 anybody the impression that we have cash that is
9 available for the taking, which it's not.

10 CHAIR KERNAN: Any comments from the Board?

11 MEMBER KELLY: Regarding the IT building.
12 We're having that on the grounds of Folsom Prison?
13 What's the thinking process of having our backup
14 on-site other than having it off-site someplace?

15 MR. PATTILLO: Well, it's actually not our
16 backup. That's actually not our backup. That's our
17 actual operations. Right now we run a separate IT
18 system from CDCR. We are working with CDCR to see
19 if we can integrate our two networks because they
20 have a better network.

21 We run our entire IT system at 34 institutions
22 with 20 people. That's not a whole lot. What we're
23 concerned about is the servers that we have on-site
24 aren't of a security level that we're comfortable
25 with. Basically, I could break into our servers

1 with a brick and two bricks, and I'm into the thing.
2 That's how concerning it is. The building that
3 we're building is one of our modulars, which you've
4 been in, that are a little bit higher security. You
5 can't get into them. All of our backup, though, is
6 done elsewhere. This year we're also moving the
7 cloud operation. We won't have the servers on-site.

8 MEMBER KELLY: Thank you.

9 MEMBER MARTIN: You'll have to excuse the
10 bean counter.

11 MR. PATTILLO: No, no.

12 MEMBER MARTIN: Looking at this budget,
13 looking at the numbers you gave me, I asked you
14 about the depreciation, and you said the
15 depreciation is included in the operating expenses.
16 So that \$7,8000,000 is already in the operating
17 expenses, correct?

18 MR. PATTILLO: The --

19 MEMBER MARTIN: What you show is
20 depreciation?

21 MR. PATTILLO: It is.

22 MEMBER MARTIN: You wouldn't want doubling
23 it up.

24 MR. PATTILLO: This is accounting for cash;
25 and this is the expenditure budget.

1 MEMBER MARTIN: That 7.8- in depreciation
2 is already included in the operating expense.

3 MR. PATTILLO: Right.

4 MEMBER MARTIN: So you're already expensing
5 it to the operating expense so you wouldn't put it
6 in again.

7 MR. PATTILLO: This is not an expense.
8 This is designation of cash. It went into expense;
9 it's expensed here as a payin.

10 MEMBER MARTIN: I understand. Once it's
11 expensed to where?

12 MR. PATTILLO: It's shown as a pay-in to
13 our cash. This is our cash account. So when we're
14 accounting for cash, I've expensed it on the budget,
15 and it's a pay-in as an expense and it shows up as a
16 positive on the cash, as cash coming back in. It
17 wouldn't be a double count.

18 MEMBER MARTIN: Showing the expense, you're
19 showing the increase to your expenses for your
20 operating?

21 MR. PATTILLO: Yes.

22 MEMBER MARTIN: And it would be increase to
23 your cash.

24 MR. PATTILLO: This red here -- this black
25 here, \$7,801, that is an increase to our cash from

1 the depreciation.

2 MEMBER MARTIN: Now looking at the
3 difference from 7,440 for the previous year to
4 7,801, that's 361,000, roughly, depreciation in
5 cash. Based on \$9.8 million, that's 27 years'
6 depreciation. Is that about right?

7 MR. PATTILLO: We've used several different
8 acre levels.

9 What is our average? What do we use, Mr.
10 Bush, on our average?

11 UNIDENTIFIED AUDIENCE MEMBER: Between 15
12 to 20. Then things fall off.

13 MR. PATTILLO: We are using about 15 to 20.
14 I would like to give you a full depreciation
15 schedule. That is a good question.

16 MEMBER MARTIN: Thank you.

17 MR. PATTILLO: We've rolled in on the
18 capital, as you see. We've rolled in short-term
19 equipment, buildings and improvements, which all
20 under the accelerated depreciation schedule have
21 three different levels. Three different levels of
22 depreciation.

23 MEMBER MARTIN: Thank you.

24 CHAIR KERNAN: Other questions from the
25 Board?

1 Seeing none, is there any public comment?

2 Seeing none, may I have a motion to approve

3 Action Item C?

4 MEMBER STEEB: So moved.

5 MEMBER TRUJILLO: Second.

6 CHAIR KERNAN: We have a second. Will the
7 secretary please call the role.

8 MS. VUONG: Mr. Davidson.

9 MEMBER DAVIDSON: Aye.

10 MS. VUONG: Ms. Davison.

11 MEMBER DAVISON: Aye.

12 MS. VUONG: Mr. Kelly.

13 MEMBER KELLY: Yes.

14 MS. VUONG: Mr. Jenkins.

15 MEMBER JENKINS: Aye.

16 MS. VUONG: Mr. Martin.

17 MEMBER MARTIN: Aye.

18 MS. VUONG: Mr. McGuire.

19 MEMBER MCGUIRE: Aye.

20 MS. VUONG: Ms. Steeb.

21 MEMBER STEEB: Aye.

22 MS. VUONG: Mr. Trujillo.

23 MEMBER TRUJILLO: Aye.

24 MS. VUONG: Mr. Singh.

25 MEMBER SINGH: Yes.

1 MS. VUONG: Mr. Kernan.

2 CHAIR KERNAN: Aye.

3 Motion carries.

4 MR. PATTILLO: Actually, I'm going to have
5 Jeff Sly, our General Counsel, come up.

6 Mr. McGuire, you can put that away.

7 MEMBER MCGUIRE: Thank you.

8 MR. PATTILLO: Mr. Sly is going to come up
9 and talk about substance abuse testing. Before we
10 go into it, I want to let you know that this is not
11 something new. We are just aligning ourselves with
12 current policy, and it's actually advancing
13 ourselves on what the current chemistry is out
14 there.

15 MR. SLY: Good morning, I'm Jeff Sly,
16 General Counsel for the Prison Industry Authority
17 and Counsel for the Board. So let me start with
18 maybe a minute or so of history about drug-testing
19 state employees just to kind of give you a
20 background of where things started.

21 Back in 1986, Governor George Deukmejian
22 issued an executive order declaring that all state
23 agencies, all state employees will have a drug free
24 workplace. That executive order essentially
25 changed. Then DPA, Department of Personal

1 Administration, which is the currently CalHR, with
2 establishing regulations, coming up with identifying
3 sensitive positions which are positions that would
4 be subject to employee drug testing. All
5 drug-testing in the state essentially got started
6 with that process and through those regulations.

7 PIA employees have been subject to
8 drug-testing beginning of PIA's existence back in 1982
9 or actually 1986 when it went into effect. Our
10 program, currently, is being operated through the
11 Office of Employee Wellness at the Department of
12 Corrections. So our drug-testing our employees are
13 through their designation of sensitive positions,
14 which basically says every position inside of an
15 institution is a designated sensitive position.

16 A while back, a few years ago, the Office of
17 Employee Wellness came to us and said, "Hey, you
18 guys are doing your own regulations. You have your
19 own employee base. Why don't you develop your own
20 sensitive positions and then start administering
21 your own drug-testing program."

22 So we started working with CalHR back then to
23 establish our sensitive positions, which are on the
24 cusp of being done. I think just now we're waiting
25 for a meeting with Bargaining Unit 15 of SEIU who

1 asked to meet with us before implementing our
2 policy. Our policy is what is going to drive our
3 drug-testing program. These regulations that we're
4 going to get to in a minute are just expanding the
5 existing CalHR drug-testing program.

6 Because when we started working with CalHR in
7 developing the program that we were going to
8 administer, we discovered that their testing
9 regulations and their testing program is antiquated.
10 They haven't updated it. They test for only eight
11 substances. And with our working with the drug lab
12 that does all their testing and is going to be our
13 testing facility, they suggested that those
14 substances are not the current popular substances
15 that people are abusing.

16 And on the second page of our Exhibit 2D,
17 where the question was asked: Why aren't we just
18 doing all of these drugs? It's because it's easier
19 to list what we are going to expand our testing to
20 than it is to list the million drugs that we are not
21 going to test for. Essentially, the recommendation
22 of the testing facility is that we increase our drug
23 testing panel, the package of drugs that we're going
24 to test for. We determined in order to do that we
25 needed to have regulations to do that.

1 So the CalHR regulations, which are found in
2 Title 2, Section 599.961, lay the foundation for
3 drug-testing that we're using as our authority to
4 drug-test our employees. What we're going to do now
5 is work on expanding upon those regs with the regs
6 -- the regs that you have the before you today as
7 the beginning. It's not the end. Essentially, what
8 we are going to try to do is expand from the current
9 testing which is through a gas chromatographic --
10 chromatography testing, which is now becoming
11 obsolete, to liquid chromatography testing. Pardon
12 my pronunciations here, but those words are about
13 that long. I'm only pronouncing half of it.
14 Anyway, that's where we are headed. That's what our
15 regs address today.

16 We are saying in the future we are
17 implementing our program or are going to be
18 implementing the program that is existence through
19 CalHR regulations, but we will come to you with
20 these regulations and go through the process to
21 expand that program, that's all we're doing. We're
22 expanding an already existing program.

23 MEMBER STEEB: Jeff, if I remember
24 correctly, CalHR is really interested in our doing
25 this because they want to use it as a model for how

1 they expand.

2 MR. SLY: Well, in our discussions with
3 them, when determining the need for our regulations
4 because what we discovered was a need for them to
5 change their regulations. They haven't changed
6 their regulations in, I don't know how long. Maybe
7 never. They've been administering their programs in
8 contract language. They've got a contract, and if I
9 set it on the desk in front of me, it would be about
10 an inch and a half to two inches thick. That's
11 where they do all their administering of the changes
12 and the things they need to do.

13 The problem is that's not regulatory. When
14 you're doing testing based on regulations and you're
15 using some other method that changes and alters that
16 testing, you are now subjecting yourself to a
17 challenge for underground regulations, which then
18 could challenge the results of any tests based on
19 those.

20 We are trying to make sure that while we're
21 going to do this limited testing right away, as we
22 get our regulations in place and expand the program,
23 expand the panels and expand the testing and the
24 method of testing, we'll have a better testing
25 program, and ultimately they might want to follow.

1 We've offered to let them use our language to update
2 their own. We just don't have time for them to get
3 around to do it.

4 I hope that's a little bit of history of what
5 we're doing and trying to do. I'll answer any
6 questions that you have in particular. Otherwise, I
7 would ask that you approve these regulations and get
8 us started on expanding our program.

9 MEMBER MARTIN: I think it's great that
10 you're expanding the program. Obviously, it is also
11 important to make sure that the program that you
12 implement is not just pre-employment, but also post
13 accident and random screening. So expanding what
14 you test for is great. It's important to make sure
15 whatever plan you put in place is not only just
16 pre-employment, post-accident and random.

17 MR. SLY: Right now, the regulations
18 provide for what is called "reasonable suspicion"
19 drug and alcohol testing. So the way this works for
20 us and our employees, we can only test folks who
21 show up to work whose position is designated
22 sensitive, which for us is ultimately going to be
23 anybody working in our factories out in the
24 institutions. If they're exhibiting signs of
25 inebriation, and we've got a whole process -- in

1 fact what I can do, we're just about to go live with
2 our policy, I will forward that to all of you so you
3 can see exactly what the process looks like and
4 exactly how it is going to operate.

5 Essentially, it requires two people present
6 observing this individual, documenting on a
7 checklist that we have, a two-page checklist, that
8 sets forth all the signs they're exhibiting, all the
9 observations. That information is transmitted to
10 the General Manager and our testing coordinator and
11 myself to make a decision - Is testing appropriate
12 for this individual at this time?

13 Right now, we don't have a prescreening
14 situation. The only time a post-accident situation
15 would come, other than truck drivers - truck drivers
16 do the DOT testing program. While we're ultimately
17 going to move in that direction of taking that over
18 from CDCR as well, that is way down the road. Right
19 now we're trying to get our reasonable suspicion
20 testing process in place before we go any farther
21 than that.

22 MEMBER TRUJILLO: Counsel, I have a couple
23 questions. Those that belong to a collective
24 beginning agreement, the workers in your industry,
25 have they signed on to this or do they have their

1 own drug-testing for their members?

2 MR. SLY: Well, if I understand what you
3 are saying, all of our employees that are going to
4 be subject to, that are already existing, subject to
5 testing are going to continue to be subject to it in
6 our program, all belong to either a bargaining unit,
7 SEIU, or Bargaining Unit 12, International Union of
8 Operating Engineers. And the other represented
9 people have some representation.

10 We've had meetings with all of them, and they
11 understand that we are not doing anything new. None
12 of them have opposed what we are doing. I don't
13 think that any of them have their own separate
14 process. Some of them are kind of concerned about
15 what it was we were doing, because initially they
16 thought we were doing something new. Once we
17 explained to them that these people have been
18 subject to testing since 1986 or '87, whenever CalHR
19 actually got the program started back in the day,
20 nobody is having any objections to us going forward
21 with this.

22 MEMBER TRUJILLO: My next question: If
23 somebody fails the test, is there a mechanism that
24 they can go to a private laboratory for a retest?

25 MR. SLY: Our policy and the policy

1 established that CalHR started with does have a
2 retesting possibility right by the employee. So the
3 employee is taken to the testing facility. What
4 happens, their sample is taken. It's divided into
5 two samples. One is stored; the other one is
6 tested.

7 If that test comes back positive, one, the
8 employee is notified of that by the lab, they have
9 the option at that point of doing one of two things.
10 They can have that lab retest the second specimen at
11 their expense, or they can go out and take it
12 somewhere else and have it tested somewhere else at
13 their expense. They have that option. It's a test
14 and retest.

15 MEMBER TRUJILLO: The last question I have:
16 If the employee is on medical marijuana, they are
17 going to probably test positive. Is there a
18 mechanism for that?

19 MR. SLY: Well, currently medical marijuana
20 is not permitted in the workplace in the State of
21 California. If anyone tests positive for marijuana,
22 regardless of what caused them to get to that point
23 in the first place, that will still be deemed a
24 positive test and subject to the ramifications of
25 the test positive, which under our policy will be

1 potentially dismissal from state service.

2 You touched on something that I'll expand on,
3 a thought here. When a sample is taken, when a test
4 is conducted, before a test result is released to
5 us, to the employer, it's reviewed by the medical
6 reviewing officer. That medical reviewing officer
7 communicates with the employee, subject of the test,
8 to determine whether or not they are on any
9 medically prescribed medications. And if they are
10 and they tested positive for medicines that are
11 legally prescribed by a physician, that would be
12 deemed a negative test.

13 MR. TRUJILLO: Thank you, Counsel.

14 MR. SLY: Truck drivers are under -- the
15 process we are talking about today, reasonable
16 suspicion drug-testing people that are not truck
17 drivers. DOT truck driving situation operates
18 similar, but it is handled a little bit differently.
19 And truck drivers are held to a little higher
20 standard.

21 MEMBER JENKINS: I have just a couple
22 clarifying questions then. One, from your earlier
23 response, because of the requirement for reasonable
24 suspicion, I take that to mean there is no random
25 testing?

1 MR. SLY: That is correct.

2 MEMBER JENKINS: Then on Page 2, under (b),
3 it says that "of this section shall be concurrently
4 tested for following substances at specified cutoff
5 levels."

6 Are theses new? Because I don't see THC on
7 this list.

8 MR. SLY: THC is part of the -- when I
9 mentioned before, under the CalHR regulations, they
10 test for eight substances. So amphetamines,
11 methamphetamines, cocaine, marijuana, opiates, PCP,
12 barbituates, benzodiazepines, and I think that is
13 methaqualons, which I think might be quaaludes. I'm
14 not sure what that is. I'm not familiar with that,
15 but THC would be under the marijuana testing under
16 the currently existing tests.

17 What our subdivision (b) is looking to do is
18 take the tests that are already being done under
19 subdivision (a), which are CalHR testing, and
20 expanding these new, more popular, more currently
21 abused drugs that aren't being tested under the
22 CalHR regs.

23 MEMBER JENKINS: That's helpful.

24 In terms of what you just mentioned, in terms
25 of if somebody is on a prescription medication, a

1 lot of prescription medications that control for
2 pain have an opiate base. So opiates is one of the
3 eight that you just read.

4 If I understood correctly, there is
5 responsibility on the part of the employees to let
6 you know that they have that prescription medication
7 and that they are likely to -- that that test is
8 going to show an opiate metabolite.

9 Did I understand that correctly?

10 MR. SLY: Well, as far as advanced
11 notification, it would seem to me logical that an
12 employee taking those kinds of medications should
13 probably discuss that with their supervisor if
14 they're going to be working around some dangerous
15 machinery we have. What we are looking at is if
16 somebody arrives at work and they're taking so much
17 of that medication that they're clearly inebriated
18 at work and it's observed by others, that's when
19 they're going to be taken out of that work place to
20 an isolated location, observed, documented. That's
21 going to go up the chain of command, and if testing
22 is deemed appropriate, will be administered at that
23 point.

24 Once that test is taken, they have the
25 opportunity to disclose to the medical review

1 officer that they have a prescription for this
2 medication, and they are taking that pursuant to the
3 doctor's certification. Like I said, at that point
4 that test result is going to reported back to us as
5 negative. That doesn't mean that they are off the
6 hook. We are not just going to let somebody go back
7 to the factory and work under those conditions
8 There's going to be some discussion about that
9 medication and what they're taking and going to work
10 in that condition.

11 MEMBER JENKINS: That is good.

12 MEMBER KELLY: Couple questions.

13 Eventually there is going to be a test that's going
14 to come up for -- to see if you're impaired or not,
15 the THC problem. Will we be able to add that to the
16 process pretty simply?

17 MR. PATTILLO: When they design --

18 MEMBER KELLY: When they design --

19 MR. PATTILLO: When the level is .08 on
20 alcohol. Eventually, I think that we'll all be
21 adding it all at the same time when somebody can
22 agree what it is.

23 MEMBER KELLY: What are we doing to train
24 our staff who makes these observation and writes
25 them down to make sure that they are covered for

1 some kind of training that they have gone through to
2 show that I do know what I am doing here, I'm just
3 not picking on an employee out that I don't happen
4 to like and open them up to some kind of litigation?

5 MR. SLY: Two part answer to that question.
6 First, under the CalHR program there is an
7 educational process which we are going to have every
8 employee that is either in a designated position or
9 supervisor, it's online training. I believe it took
10 me, when I did it just to see what is there -- I
11 think there are four elements to it. Most employees
12 will take three. Supervisors will take four. And I
13 believe it took me about four hours to do that. Not
14 as comprehensive as I would like it to be.

15 When we go out -- the way this is going to
16 work is when we go out and send out our 60-day
17 notice, we've already done the 30-day preliminary
18 notice. We went through our process with CalHR. We
19 are just waiting on one final bargaining unit, that
20 they asked to meet with us. They asked us to delay
21 that meeting while they were doing their
22 negotiations on the contract. We're at the point
23 now where we think they should be at least done
24 enough with that so they should meet with us. We're
25 going to push for that next week.

1 When we go out with the 60-day notice, all
2 those employees who are getting that 60-day notice
3 are also going to get a notice that you have 60 days
4 to complete this training. The're going to complete
5 that training. Myself and Mr. Pattillo will also be
6 talking about some secondary training that I think
7 we're going to try to do to enhance what they're
8 doing in the online training that they're going to
9 take to make sure that we're comfortable with the
10 level of knowledge that people have with regard to
11 making these observations. But the fact that
12 they're making these observations doesn't mean that
13 that's where drug-testing going to be determined.

14 All their observations are going to come to
15 Mr. Pattillo and the testing coordinator to make a
16 determination based upon what they see with regards
17 to the observation checklist, which is two-page
18 document that has to be filled out. In other words,
19 there is kind of a check and balancing. It's more
20 than those two people making a determination of
21 whether testing is appropriate.

22 Right now at institutions for us we have not
23 actually tested anybody for drugs, but CDCR in the
24 past couple of years has tested three of our
25 employees, based on observations that they made, the

1 institution. If I'm not mistaken, in each one of
2 those circumstances, they had statements from three
3 or four or five people that identified there was a
4 real problem there. That's how we're going to try
5 to model that and use that process.

6 MEMBER KELLY: Last question. Is there,
7 like, a return to work policy? If one of our
8 employees is tagged and they go get treatment, is
9 there a way for them to get back into the --

10 MR. SLY: Well, part of our policy has what
11 we'll call a last chance agreement mechanism. If
12 the General Manager determines that the
13 circumstances surrounding an employee's testing
14 positive for drugs warrants it, we might enter into
15 a last chance type agreement with them, and that
16 would be part of the process.

17 Yes, they would have to go to some type of
18 drug treatment program. There would be a reentry
19 back into the workplace. But it would be under the
20 idea that they will be under regular, random testing
21 and, if they test positive at anytime, they are out.
22 At that point, it would be dismissal from state
23 service without an opportunity to appeal that
24 dismissal.

25 MR. PATTILLO: I don't see any case where

1 we have an automatic -- most egregious case I can
2 understand if there were some other effects that
3 happened, something to influence, to cause great
4 bodily injury or harm. I can see in every single
5 case that people are given a second chance if it's
6 warranted.

7 MR. SLY: Our program is no different from
8 -- when we met with CalHR, they were talking to us
9 about the Parks & Recreation program, CalTrans. I
10 think there was one other. That they have a first
11 time. You test positive, you are fired. They have
12 a last chance agreement. Under certain
13 circumstances, they will allow somebody under
14 certain circumstances their hiring authority comes
15 up with, to determine, yes, we'll give this person a
16 second chance. For the most part, if you test
17 positive in their environment, you're out.

18 MEMBER KELLY: Again, I'd like to think
19 that CALPIA is special. We do things differently
20 for a good reason, and we're all about giving people
21 second chances. I think that is the way we live and
22 die by here. I think that it's important that we
23 make sure that happens.

24 MR. SLY: That is written into our policy.

25 MEMBER MARTIN: I would like to add a

1 little more to Mr. Trujillo's comments. I am a
2 union employer. I have union employees. We had to
3 do something similar to what he did. We created our
4 own drug testing policy. We presented it to the
5 union. The union signed off on it before we
6 implemented it.

7 Obviously, there are certain conditions within
8 the bargaining agreement that you have to follow.
9 Some of the unions do have the second chance or
10 rehabilitation written in their agreement, so you
11 have to allow them to go to some sort of treatment
12 and provide for a second chance. I don't know what
13 the agreements allow for in these other unions, but
14 obviously that controls some of this.

15 But in our policy that we did write, we did
16 have a random testing portion in there. The same
17 thing with reasonable suspicion. We had to train
18 all of our supervisors. Actually brought in someone
19 to train every single one of our supervisors on
20 observing the different conditions - the eyes,
21 everything. They trained us all.

22 With the random we were having a lot of
23 incidents with accidents and other conditions that
24 the random had drastically reduced. In the last
25 three years we have zero DART rate. And I don't

1 know if you know what the DART rate is. That is
2 basically accidents of any sort within the company.
3 We have had zero. That's pretty amazing for a
4 construction company when you have employees coming
5 from all walks of life. We have some inmates,
6 ex-felons, that work for us that we do random. I've
7 even been picked for random. I think that is a huge
8 deterrent on who works to ensure that if you do get
9 in that second chance, not only do you have a second
10 chance but they might be picked at some point. And
11 you want to make sure that, you know, if they want
12 to keep that job, they know they're going to keep
13 it.

14 Is there any possibility that in the future
15 that -- I know you're doing these agreements now and
16 you only have reasonable suspicion, are you going to
17 consider doing random at a future date?

18 MR. PATTILLO: I would like to. I would
19 like that to be handled the same way the peace
20 officers are handling it. I may have a different
21 opinion if I wasn't working in a penal institution.
22 Let's say I was running the Department of Consumer
23 Affairs, I may not have that issue. The
24 ramifications of having anybody under any influence
25 of any kind in that environment where people get

1 killed is something that we have to look at on a
2 global scale. It is a collective bargaining issue
3 all the way across there. If they were smart, they
4 would allow it.

5 The other issue part that Mr. Jenkins brought
6 up is I think there should be notification of when
7 you're taking opiates or anything else, it could be
8 there. I come from a military background. If you
9 had to take that, your security clearance got
10 suspended while you're doing that. I know officers
11 have to up front say they do that.

12 So it's a bigger global for questioning, but
13 we also have to have the backing of CalHR. Yes, I
14 would like to have that.

15 MR. SLY: Just from me kind of follow-up.
16 Right now reasonable suspicion drug testing is all
17 that is regulated. Right now we are on-your-own to
18 expand our program. Which means we could take this
19 even further if the Board wants and the General
20 Manager wants us to do that. We can write proposed
21 regulations to expand this into random testing.
22 Right now we're going to take a baby step. We are
23 trying to get our program out from under CDCR, which
24 they asked us to do. Get it established. Get it so
25 it's effective.

1 Right now, the program that currently exists
2 under CalHR, according to the drug laboratories, is
3 basically ineffective because nobody, I won't say
4 nobody, but in their opinion, very few people are
5 still using the drugs they test for. There are more
6 commonly used drugs on subdivision (b) on Page 2
7 that you're looking at. Also, so until we get
8 liquid chromatography testing; we can't detect those
9 other drugs.

10 MEMBER MARTIN: You have to do a 40 panel
11 test on every single employee, pre, post, random.
12 It's a 40 panel test.

13 MR. SLY: We can expand this to whatever
14 the Board wants us to do. It's just we're taking
15 baby steps. We are seeing how much resistance from
16 the outside we're going to get, and then we'll move
17 forward accordingly.

18 MEMBER MARTIN: The cost is only \$35 per
19 test.

20 MEMBER TRUJILLO: I have a comment also on
21 random drug testing. When you do random drug
22 testing what you're going to find is you're going to
23 find the addicts, the people who are addicts. The
24 bad thing about that, if you smoked marijuana two
25 weeks ago at a party and you have random drug test

1 coming up and two weeks ago you smoked it, it's
2 still in your system. It stays in your system for
3 40 days. Here is an individual that will be
4 randomly tested; he's going to turn up dirty because
5 he smoked marijuana two weeks ago. That's the bad
6 part. That is my comment on random drug testing.

7 MEMBER SINGH: You have listed here 26
8 different substances.

9 MR. SLY: Yes.

10 MEMBER SINGH: And do we have some
11 procedure, how you test them? Who do for us?

12 MR. PATTILLO: We actually use the same
13 contractors that CDCR uses at the local facilities.
14 Whoever they're using, we contract with them also.
15 We have certified facilities that meet not only the
16 California but the United States Department of
17 Transportation requirements. I'm not sure -- what
18 do you do locally here?

19 MR. SLY: That contract that I was telling
20 you that was that thick, is a statewide contract
21 master agreement through CalHR for all drug testing,
22 all up and down the State. They have facilities
23 that are local that also come to your location with
24 portable testing capabilities. So that is who would
25 be doing our testing, which is the same facilities

1 that are doing the drug testing all up and down the
2 state.

3 MR. PATTILLO: We ourselves are not
4 involved in the testing process.

5 MEMBER MARTIN: Why wouldn't you expand to
6 a 40 panel test? The other thing is on random, the
7 company that administers our drug-testing they are
8 given the names of everyone. They are the ones that
9 administer the random. So it's actually out of our
10 hands. It's the third party handling it. So
11 there's no impropriety about it. It's strictly
12 random. Similar to the DOT program.

13 MR. SLY: The panel that we have proposed
14 at this moment in time is what was recommended to us
15 by the testing facility. We didn't get -- again,
16 trying to do this incrementally. It's not that this
17 can't be expanded at some other time. They just
18 told us if you are going to do this, this is what
19 you need to do right now in order to have an
20 effective program.

21 MR. PATTILLO: Will you give us a list of
22 panel? Then he will come back and we can add to
23 this.

24 MEMBER STEEB: How many people does this
25 affect on average annually? How many people are --

1 MR. PATTILLO: In ten years, we've done
2 three. In 11 years we've done three.

3 MR. SLY: Let me get clarification. Do you
4 mean how many people are subject to or how many
5 people actually have been tested?

6 MEMBER STEEB: How many people have
7 actually -- you know, there are employees that have
8 come forward --

9 MR. SLY: In ten years we have four
10 employees tested. All three -- one was -- our truck
11 drivers are tested all the time. We had one that
12 came up positive a couple years ago, and then we
13 have had three employees tested by CDCR staff over
14 the last two years.

15 MEMBER STEEB: They were all positive?

16 MR. SLY: Might have been over the last ten
17 we have three. And I believe of the three only one
18 came back positive. That person no longer works for
19 us.

20 MEMBER JENKINS: On the reasonable
21 suspicion process, in terms of how that works, what
22 is the timeline from when the reasonable suspicion
23 is first noted by whomever notes it, and I
24 understand at least two people would be required to
25 have the same concerns, and at some point it comes

1 up to Mr. Pattillo before the decision is made that
2 that employee would be subject to submitting a test.
3 Is that accurate?

4 MR. SLY: Yes.

5 MEMBER JENKINS: What is the timeline for
6 that? The reason that I ask is because with the
7 substances that would be tested on the 40 panel or a
8 smaller panel, if it's a long time frame, there is a
9 window of time within the testing process that even
10 in here that drug is no longer detectable.

11 MR. SLY: That is correct. Our policy is
12 based on minutes and hours, not days and weeks. So
13 I would anticipate if everything goes the way that
14 it should, testing would be administered within less
15 than two hours of the time somebody -- and that
16 includes transporting them to the facility or having
17 the testing agency come to the facility to do the
18 test.

19 Now that's not to say that that is infallible.
20 In the couple tests that I have been aware of that
21 happened to our employees over the last couple
22 years, it looked to me, looking at the -- not
23 everything was date/time stamped, but looking at how
24 all the statements that were written and all the
25 documentation that they provided, it looked to me

1 like two hours was the maximum.

2 MEMBER JENKINS: Great. I just wanted to
3 make sure it was the same day. I wasn't sure if we
4 were talking a day, couple day process. But same
5 day.

6 MR. PATTILLO: I think in just about every
7 case it was actually a CDCR security staff that was
8 enough occasion for somebody observing it.

9 MEMBER KELLY: As you can see, drug-testing
10 is a big issue for both sides of the table. You
11 know, if we think that we want to go down further
12 testing to a 40 panel or random, maybe we should
13 look at having a sub committee of experts see what
14 we can come up with and bring it back to the Board,
15 if that's something you want to try to do.

16 MR. PATTILLO: I would like to actually get
17 this one approved so I can get down the road.

18 MEMBER KELLY: Absolutely.

19 MR. PATTILLO: I would like to see what
20 those other 14 that are out there. I'm really
21 curious to see what the other ones are out there.
22 I'm just using the basic ones. And now that the
23 opiate derivatives are really what's driving things,
24 ecstasy and the designer drugs.

25 CHAIR KERNAN: Any other questions?

1 Seeing none, is there any public that would
2 like to comment on this?

3 Seeing none, can I have a motion to approve
4 Action Item D?

5 MULTIPLE UNIDENTIFIED BOARD MEMBERS: So
6 moved.

7 MULTIPLE UNIDENTIFIED BOARD MEMBERS:
8 Second.

9 CHAIR KERNAN: Several motions to approve
10 and a couple seconds. Madam secretary, please call
11 the role.

12 Ms. VUONG: Mr. Davidson.

13 MEMBER DAVIDSON: Aye.

14 MS. VUONG: Ms. Davison.

15 MEMBER DAVISON: Aye.

16 MS. VUONG: Mr. Kelly.

17 MEMBER KELLY: Yes.

18 MS. VUONG: Mr. Jenkins.

19 MEMBER JENKINS: Aye.

20 MS. VUONG: Mr. Martin.

21 MEMBER MARTIN: Aye.

22 MS. VUONG: Mr. McGuire.

23 MEMBER MCGUIRE: Aye.

24 MS. VUONG: Ms. Steeb.

25 MEMBER STEEB: Aye.

1 MS. VUONG: Mr. Trujillo.

2 MEMBER TRUJILLO: Aye.

3 MS. VUONG: Mr. Singh.

4 MEMBER SINGH: Yes.

5 MS. VUONG: Mr. Kernan.

6 CHAIR KERNAN: Aye.

7 MS. VUONG: Ten zero.

8 MR. PATTILLO: Thank you, Members.

9 Going on with the information item. I'll have
10 Mr. Bechtel come up.

11 MR. BECHTOLD: Good morning, everyone, Mr.
12 Chairman, Members of the Board. My name is Rusty
13 Bechtold. I am the CALPIA Administrator over the
14 Workforce Development Branch.

15 We are reviewing, summarizing, the Information
16 Items E through G that are located in your Prison
17 Industry binder there. There is a lot of detail
18 carried in that binder. We are not going to be
19 going over that in detail or we'd been here for
20 several hours. I will summarize and answer any
21 questions that you have on each section.

22 In E in your binder, we are dealing with the
23 Lost Hours report, which is a summary tool that's
24 used in the field to analyze production time lost
25 and referred to in our case as lost hours of our

1 offender workforce. In combination with the
2 Industry Employment Branch and the Operations
3 Division, we work together in regards to collecting
4 that information. Some of the hours are attributed
5 by CALPIA and some of them are attributed by CDCR,
6 and they're broken down as such in that section.

7 So in regards to comparison from quarter to
8 quarter, just a couple highlights. Our available
9 hours and our actual paid hours just for the quarter
10 are down 4 percent. I don't expect that to be
11 anything to be concerned about, other than the
12 fluctuation from one quarter to the next. More
13 importantly, what I am compare this to, going from
14 year to year. Those available hours comparison to
15 last year at the same time are up 19 percent. The
16 actual paid hours are up 8 percent. The reason I'm
17 bringing that to your attention is that that would
18 have more available time for our offender to be
19 trained and get exposure to that work environment,
20 which is what we're trying to do at the end of the
21 day.

22 Primarily related to the total lost hours,
23 going down for this particular time period was for
24 the industry related hours, we were down 21 percent.
25 Better working in the field, increasing our

1 supervisor staff. PIA's just doing a better job in
2 regards to getting offenders in those positions.

3 Any questions about lost hours?

4 Referring to a picture of the lost hours,
5 Exhibit E2 is a good reference in regards to that
6 pie graph.

7 Moving onto F, which is the Accredited
8 Certifications and Certificates of Proficiencies.
9 Accredited certifications, again, are nationally
10 recognized organizations and companies that PIA uses
11 to give those recognitions out to those offenders.
12 Currently we have 124 accredited certifications
13 offered to offenders.

14 I want to point out in regards to the
15 enrollment from one year to the next in regards to
16 how we've progressed over time increasing that.
17 We've increased 23 percent in regards to the total
18 enrolled in the programs. So in regards to
19 enrolling in our certifications, we are up 23
20 percent, which was a good sign. That's primarily
21 done or the reason that is going up is our offenders
22 are constantly having this presented to them if
23 they're available and also the introduction of our
24 HFM program is also assisting in that increase.

25 MEMBER STEEB: Twenty-three percent over

1 last year?

2 MR. BECHTOLD: Yes. At the same time, yes.
3 We were up from 4,600 to 5,700.

4 MEMBER DAVISON: Do all the programs
5 produce a certificate?

6 MR. BECHTOLD: Yes. All programs are
7 eligible for some type of certification.

8 More importantly, and here at the end -- I
9 want to -- we had also an increase in regards to the
10 closures. We talk about where they're enrolled, but
11 also the closures, that meaning they somehow we
12 captured information about the end of that
13 certification.

14 We had an increase of 933 closures, which is a
15 22 percent increase. But more importantly, we had
16 an increase in our pass rate which is very important
17 in regards to not only having an increase in
18 closures, but we also had an increase of
19 successfully completing, which is another 26
20 percent. So out of the ones that enrolled, closed,
21 26 percent of them also passed, which is also a good
22 sign. So not only are we just trying to run them
23 through the program, but we are also getting them
24 the certifications with a passing score.

25 Then moving on to the Proficiency

1 Certifications. This program is under flux this
2 last year. We currently offered two certifications
3 this last year, proficiency certifications and SOC
4 certifications. The SOC certification was the new
5 one that we progressed to. And as of June 3rd,
6 after a two-year transition, we are now fully
7 implemented under the SOC code certification.

8 In regards to the data, it's very mis-skewed
9 in regards to the available information. But all at
10 this point we are showing down in regards to who was
11 eligible and who actually got into those
12 certification processes. I don't think that is a
13 fair thing in order to look at, especially since we
14 were taking programs up and taking them down and
15 adding on all the SOC codes.

16 As of June 3rd, there will be a new baseline
17 because only B level offenders will be captured in
18 this data going forward. Any of the offenders that
19 have reached the B level pay scale will be getting
20 that SOC code exam, and they will have to pass that
21 exam, a written exam, with their skills, knowledge
22 and ability about that position before they actually
23 can get paid the B level position. Prior to this,
24 those offenders didn't have to do that. They just
25 had to obtain the hours and not demonstrate those

1 skills, knowledge and ability.

2 We are adding more meat to the actual SOC code
3 certifications.

4 Any questions on F?

5 Section G is GED/high school equivalency. You
6 guys have already heard some of that information
7 already in regards to where we are at and how we're
8 doing. I just want to point out that with our new
9 database inside PIA and the assistance of SOMS,
10 there has been an increase in regards to the
11 GED/high school equivalency. We've gone from
12 reporting last year at 71 percent and this year
13 we're at 81 percent of our offenders have a GED or
14 high school equivalency in our factories. This is
15 our goal in our unit, to increase that 1 percent in
16 the next five years. So we hope we can accomplish
17 that goal. So far, we are on the right path.

18 Any questions on the GED?

19 MEMBER JENKINS: Just a quick one. I
20 raised an earlier question. It's really good
21 numbers. But getting a GED is not easy sometimes
22 for individuals, particularly if they haven't had
23 any success in education over the course of their
24 lives. I was curious, again even with these
25 positive numbers, for the inmates that are enrolled

1 in the programs are offered any sort of mentoring
2 assistance or any type of assistance when they
3 become enrolled in a GED program?

4 MR. BECHTOLD: Yes, they do. We try to
5 work hand-in-hand in the factory, and it's based
6 upon what is available at the institution. A lot of
7 the institutions have a voluntary education program
8 where an instructor will come to our factories and
9 help tutor them in regards to that information.

10 We try to enforce or promote that type of
11 educational environment. We try to give them the
12 best adult education environment that we possibly
13 can. Some of that time requires them to be away for
14 work for an hour or two to do that, to get that
15 tutoring. We allow that.

16 MR. JENKINS: Thank you.

17 MR. BECHTOLD: One last thing I would like
18 to add here at the end. It just has to do with the
19 work program we kind've brought back to life, and
20 that's our transition program. We actually have
21 some data to report at this time, and that is what
22 we try to do, and that is the transition of our
23 offenders to meaningful employment after they're
24 released. We've done this for the last four, five
25 years, but we haven't been able to record that. But

1 now that we have a web-based portal that we can
2 capture that, we can actually nominate offenders
3 from their work site, put them into a transition
4 program 180 days before they're released and help
5 them with all of those needed bits of information
6 they need to be successful in employment.

7 So from '14-15 to '15-16 we've gone from 115
8 transitions to 139 transitions, and that's a 21
9 percent increase from the previous year.

10 MEMBER JENKINS: Where are --

11 MR. BECHTOLD: I expect that to continue.

12 MEMBER JENKINS: Which tab are you still
13 on?

14 MR. BECHTOLD: There was no tab. This is
15 something I added that I thought was for important
16 for you guys to know.

17 Transition offers a lot of things in regard to
18 what we are doing. So I think it is a good
19 transition, and we're making headway on that.

20 MEMBER STEEB: That means everyone of those
21 ones all that are employed, that they all received
22 employment or that is how many --

23 MR. BECHTOLD: That is how many people
24 transition through that particular nomination
25 process. We gave them the information so that way

1 they could go out and help them with their Social
2 Security card or getting their birth certificate or
3 help them find a place of employment.

4 MEMBER STEEB: Do we know how many were
5 actually employed?

6 MR. BECHTOLD: No. It's hard to get that
7 post-employment information back. We would like to.

8 MEMBER STEEB: I know.

9 MEMBER DAVISON: What were those numbers
10 again?

11 MR. BECHTOLD: 115 in '14-15 and 139 in
12 this year. There is a nomination process, just like
13 the certification process. The supervisor nominates
14 them. They go through the program. We help them
15 get the information, send it to them before they're
16 released.

17 MR. PATTILLO: The one thing we've done
18 this year is, and we've been doing it for a few
19 years, is there is a lot of money out there in the
20 communities for ex-offenders. CDCR has put a lot of
21 money out there. We've been of the opinion that --
22 we survey all resources that are out there, such as
23 Ms. Steeb's shelter.

24 What we've done is we have a web-based ability
25 that lists every resource for ex-offenders

1 statewide, cross-divided by type of resource as well
2 as county that it's located in. We load that up
3 where anybody can access it. So family members.

4 When you go back to the county, someone is
5 rolling out, they know exactly what resources are
6 out there. Rather than trying to be the resource,
7 let's work on what the resources are already out
8 there. A big saving of money and also allows the
9 family to become involved. Also, when folks do
10 leave, we give them the resources that they have in
11 their county.

12 It's a pretty cheap way to do it. We actually
13 run it with a bunch of Sac State students. It's not
14 a huge investment but has a great return.

15 MR. BECHTOLD: That completes my
16 presentation. Are there any question or comments?

17 Thy's going to hand out some data based upon
18 Mr. Jenkins' request. We appreciate you asking
19 that. We'd like the rest of the Board to have that
20 information. It is about data that we talked about
21 before, of capturing our ethnic make-up in regards
22 to PIA. We've modified our policy and are now
23 collecting a breakdown of all offenders. How it is
24 broken out done out in the field. There should be a
25 second form in regards to the population, in regards

1 to all of our offenders that are enrolled in PIA.

2 MEMBER DAVISON: These are males and
3 females?

4 MR. BECHTOLD: Correct.

5 MR. PATTILLO: We will be incorporating
6 this in the future reporting. What we're looking at
7 doing over the next two quarters is looking at
8 either way to report the data that is more succinct.
9 I've talked to Mr. Jenkins a lot about this. What
10 is relevant to the Board. What the Board wants to
11 see.

12 We know certain people have very much
13 interests in GED certifications, but also
14 demographic data. Both Mr. Singh and Mr. Jenkins
15 have brought this up before. Everything that's
16 relevant to the Board should be in one easily
17 accessible document so we don't have to have so many
18 informational items.

19 MEMBER DAVISON: I would like to see people
20 broken down by women and men, as well.

21 MR. BECHTOLD: Sure.

22 MEMBER KELLY: Can I ask one question? One
23 is the difference between Hispanic and Mexican?

24 MR. PATTILLO: Mexico is from Mexico and
25 Hispanic is everything else.

1 MEMBER KELLY: We haven't broken down
2 anything more obvious than Spanish, Hispanic?

3 MR. PATTILLO: We are using these
4 classification off of --

5 MR. BECHTOLD: We are using the
6 classification based upon what --

7 MR. PATTILLO: -- where CDCR has collected
8 similar data. So you're right, Nicaraguan should be
9 put in Hispanic or Latin American.

10 MEMBER KELLY: I'm seeing a lot of profiles
11 broken down like this. It's broken down quite a
12 ways.

13 MR. BECHTOLD: We took the standardization,
14 I believe, off the U.S. census in regards to how
15 they broke it down. What was discussed at that
16 meeting, that every Board Member felt it appropriate
17 at that time.

18 MEMBER KELLY: Does EDD do this? Is this
19 the same profile that EDD would use, also?

20 MR. PATTILLO: Actually, there are roles
21 that are more into Mexican and Hispanic. There is
22 not so many breakouts. We are going off of how CDCR
23 is collecting it, plus we did the outside data for
24 the census data. If it didn't offend anybody, I
25 would roll it all in there. My wife is not

1 Hispanic; she's Mexican. Those kind of things.
2 People break it out like that.

3 Mr. Trujillo, you have thoughts on that?

4 MEMBER TRUJILLO: No.

5 MEMBER MARTIN: Hispanics could include
6 Mexican.

7 MR. PATTILLO: In this it doesn't.

8 MR. MARTIN: But it could.

9 MR. PATTILLO: It could, unless you talked
10 to certain Mexicans like my wife. I would say no.

11 MEMBER MARTIN: I would say it may. There
12 are some Mexicans that were born in the U.S. that
13 have declared themselves Hispanic.

14 MEMBER MCGUIRE: I believe that most of
15 these are self-designated.

16 MR. PATTILLO: Self-reported.

17 MEMBER MCGUIRE: Whether Mexican or
18 Hispanic or Nicaraguan, there is no DNA kind of
19 verification.

20 MR. PATTILLO: I really don't want to
21 offend anybody here, but there are people who have
22 some very strong opinion, like I mentioned my wife,
23 how she identified on census forms, how my kids
24 identify.

25 MEMBER SINGH: Hispanic or Salvadoran, what

1 is the difference?

2 MR. PATTILLO: Which ones?

3 MEMBER SINGH: Salvador.

4 MR. PATTILLO: It's just self-reporting,
5 Mr. Singh. I will tell you that some of these also
6 on the CDCR self-reporting ones, it's also a
7 management tool because we need to know where some
8 of these folks are coming from, as far as managing
9 in the prison who can be with each other. There are
10 certain areas of the prison where we you can't -- I
11 will use the example of Salvadorans, we're not going
12 to mix them with certain other Hispanic races
13 because of the dangers of it.

14 MEMBER MARTIN: You go to prison, you have
15 your Porter Brothers which are the Mexicans. Then
16 you have your Norteños which are the Hispanics.

17 MR. PATTILLO: We break it down even six
18 more after that now.

19 MEMBER JENKINS: Thank you for the
20 additional information. I wasn't sure, Mr.
21 Pattillo, if you were looking now for the Board to
22 offer some additional things that might be of
23 interest. I am happy to follow up later with some
24 things.

25 MR. PATTILLO: Yes. We will follow up

1 later, Mr. Jenkins. I know you and I are going to
2 talk some more. I know you and I are going to San
3 Diego next month together.

4 MEMBER JENKINS: Sounds good. Thank you.

5 MR. BECHTOLD: Thank you.

6 CHAIR KERNAN: Next up is in Ms. Kane to
7 give us the External Affairs report.

8 MS. KANE: Good morning, Chair. Good
9 morning, Members. I am Michele Kane, Chief of
10 External Affairs for the California Prison Industry
11 Authority.

12 As you may have seen recently, we had some
13 wonderful press coverage with our Folsom Women's
14 graduation as well as the joint venture launch at
15 San Quentin State Prison.

16 To bring you up to date on just a couple of
17 legislative matters. AB 2012. That is the Jail
18 Industry Authority bill that the Board voted to
19 support at our last meeting. That's in Senate
20 Appropriations Committee right now. More counties
21 are wanting to join in on that bill and sign on. We
22 have San Luis Obispo as well as Lake County to date.

23 Another bill the Board voted to support, AB
24 2061, unsupervised population workforce training
25 grant. That has made it out of all the committees,

1 and I am told it is on the Senate floor today.

2 Looking ahead, CALPIA will be out at the State
3 Fair. Hopefully, you will all come by. We will
4 have a booth set up. We are there from July 8th
5 through the 24th. It is a great way we reach out to
6 the public. Inform them of what we do, all the
7 great things we do for the State of California.

8 Our annual Golf Benefit is coming up, and that
9 is September 16th. So mark it on the calendar. We
10 hope to see you all out there. The event raises
11 money for local charities, and it is always a good
12 time.

13 With that, I will see you at the next Board
14 meeting coming up, I believe, in the fall. Possibly
15 September.

16 MR. PATTILLO: I will tell you, the Cal
17 Expo item is a great recruiting tool. We also do
18 recruiting for CDCR. We get a lot of folks that
19 want to be either custodians or they want to be
20 correctional officers. So we try to steal as many
21 as we can.

22 CHAIR KERNAN: You push them one way or the
23 other. --

24 Any member questions for Ms. Kane?

25 Thank you very, very much.

1 So we move on to the portion of the meeting
2 reserved for comments regarding items not on the
3 agenda. Under the Bagley-Keene Act, the Board
4 cannot act on items raised during public comment,
5 but may respond briefly to statements made or
6 questions posed or may request clarification or may
7 refer the item to staff.

8 Is there anyone who would like to make a
9 comment or address the Board?

10 MR. PATTILLO: One more Information Item.

11 CHAIR KERNAN: Why didn't you tell me
12 before.

13 MR. PATTILLO: You don't have to read it
14 again.

15 Information Item H is presentation of the
16 annual employee award. We do two types of awards.
17 We do Department of Corrections award every year,
18 which we awarded last week at the Wardens meeting,
19 Warden Ron Rackley who is at Folsom State Prison.
20 Very engaging Warden who has helped us kick off a
21 lot of programs.

22 Correctional Officer of the Year was Carlos
23 Hall, Correctional Officer at California State
24 Prison at Los Angeles. We will go down and present
25 that to him in person.

1 Our Employee of the Year, Field, is Richard
2 Williams, Industrial Supervisor. Not here with us
3 today. And our Supervisor of the Year, Field, is
4 Valerie Dupree, Custodian Supervisor III, who is
5 just a ball of fire in the HFM program.

6 The two employees that are here today are
7 Donna Orth, who is our Promotional Specialist, who
8 is the Employee of the Year in Central Office.
9 Donna.

10 Folks, at the end we're going to take a
11 picture in the back with the employees with you
12 behind the wall.

13 And the second one would be the Supervisor of
14 the Year who is Nanette Chester, who heads our
15 Business Service Section. I know Nanette is back
16 there.

17 But the last one that I want to talk about
18 real quick is Mr. Johnson, Fred Johnson. Fred, can
19 you stand up? If you have been to Chino, you met
20 Fred Johnson. Fred Johnson is our very first CTE
21 Instructor when we, two years ago, brought back the
22 Dive Program. He's been running the Dive Program
23 for the last ten years. He's announced his
24 retirement after 55 years in the industry and ten
25 years with us.

1 And I would tell you that that Dive Program
2 has received international and world attention
3 because of Fred Johnson, what he brings to the
4 program. I don't think we'd have gotten the program
5 up and running or run as well as it is. He is
6 helping us replace him. He is helping us with the
7 new interviews.

8 We also have Jeff Powers, who is the deputy
9 down there, will be taking over the program. Jeff
10 just retired as a Naval Reservist on the Submarine
11 Recovery Program for the United States Navy.

12 Fred, if you want to say anything.

13 MR. JOHNSON: Well, first of all, I would
14 like to say that we couldn't have the program
15 without you. You make it possible. And we built
16 the best program in the world. That makes me
17 emotional because I love it. And I love you guys
18 for providing the opportunity to take people and
19 give them back their lives and turn them into
20 productive men.

21 I have seen men come into the program
22 completely lost and within four months turn them
23 around and give them all pride in what they're
24 doing. And that's because of you. I'm just your
25 tool. Because without you and your support, it

1 couldn't happen. And I hope it continues to have
2 that same support, and I will support the program
3 internationally and continue to find jobs for the
4 diver's and equipment donations. Anything I can do.

5 But our school is the only one in the world
6 that teaches inmates to be divers. Has the highest
7 reputation in the industry for can-do divers. We
8 have priority hire over any other school. And that
9 really is a big deal. So, when a guy leaves our
10 prison and the school, he's walking out with all the
11 support of all the divers and the industry. He
12 doesn't have to be a diver. He can be a truck
13 driver. He can a welder. He can be anything. But
14 when he leaves, he knows nothing is impossible. And
15 that is the key. That is what you have given him.
16 And I appreciate it, and they do, too.

17 And thank you.

18 CHAIR KERNAN: Before we adjourn, is there
19 any comment from the Board?

20 MEMBER TRUJILLO: Yes. I would like to
21 make a comment, Mr. Secretary. That emotional
22 testimony from Mr. Johnson on the diving program was
23 very well accepted. And at this time I would like
24 to close the meeting in honor of Leonard Greenstone,
25 a previous member who was very instrumental in the

1 diving program.

2 MR. PATTILLO: He hired Fred.

3 MEMBER KELLY: I would like to say also
4 these are really nice words to say about the Board.
5 Hopefully, no one on the Board has a big, giant ego.
6 I am going to crush it.

7 We pretty much come and go. We see new faces
8 here all the time. New head of Corrections. We
9 come and go, but our employees are the ones out in
10 the field who do the heavy lifting every single day
11 for year after the year, for a whole career, for a
12 whole retirement.

13 So we appreciate the kind words of us doing
14 things for you. In all reality you're doing things
15 for the Board and for the State of California. We
16 all really appreciate it very, very much.

17 Thank you.

18 MR. SINGH: Mr. Chairman, I would like to
19 give a hand to Chuck for a wonderful job that he is
20 doing.

21 CHAIR KERNAN: There is a lot of love going
22 on right now.

23 May I have a motion to adjourn meeting?

24 MEMBER KELLY: So moved.

25 CHAIR KERNAN: The meeting is adjourned.

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(Public Meeting concluded at 11:23 a.m.)

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REPORTER'S CERTIFICATE

STATE OF CALIFORNIA)
) ss.
COUNTY OF SACRAMENTO)

I, ESTHER F. SCHWARTZ, certify that I was the official Court Reporter for the proceedings named herein, and that as such reporter, I reported in verbatim shorthand writing those proceedings;

That I thereafter caused my shorthand writing to be reduced to printed format, and the pages numbered 3 through 116 herein constitute a record of the proceedings.

IN WITNESS WHEREOF, I have subscribed this certificate at Sacramento, California, on this 3rd day of November, 2016.

ESTHER F. SCHWARTZ
CSR NO. 1564