

**MINUTES OF THE JOINT MEETING OF THE  
ASSEMBLY COMMITTEE ON WAYS AND MEANS  
AND THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-Sixth Session  
April 4, 2011**

The Joint Meeting of the Assembly Committee on Ways and Means and the Senate Committee on Finance was called to order by Chairwoman Debbie Smith at 8:40 a.m. on Monday, April 4, 2011, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 5100 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.leg.state.nv.us/76th2011/committees/](http://www.leg.state.nv.us/76th2011/committees/). In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: [publications@lcb.state.nv.us](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**ASSEMBLY COMMITTEE MEMBERS PRESENT:**

Assemblywoman Debbie Smith, Chairwoman  
Assemblyman Marcus Conklin, Vice Chair  
Assemblyman Paul Aizley  
Assemblyman Kelvin Atkinson  
Assemblyman David P. Bobzien  
Assemblywoman Maggie Carlton  
Assemblyman Pete Goicoechea  
Assemblyman Tom Grady  
Assemblyman John Hambrick  
Assemblyman Crescent Hardy  
Assemblyman Pat Hickey  
Assemblyman Joseph M. Hogan  
Assemblyman Randy Kirner  
Assemblywoman April Mastroluca  
Assemblyman John Ocegüera

**SENATE COMMITTEE MEMBERS PRESENT:**

Senator Steven A. Horsford, Chair  
Senator Sheila Leslie, Vice Chair  
Senator Barbara K. Cegavske  
Senator Moises (Mo) Denis  
Senator Ben Kieckhefer  
Senator David R. Parks  
Senator Dean A. Rhoads

**GUEST LEGISLATORS PRESENT:**

Assemblywoman Marilyn K. Kirkpatrick

**STAFF MEMBERS PRESENT:**

Rick Combs, Assembly Fiscal Analyst  
Mark Krmpotic, Senate Fiscal Analyst  
Mike Chapman, Principal Deputy Fiscal Analyst  
Rex Goodman, Principal Deputy Fiscal Analyst  
Connie Davis, Committee Secretary  
Cynthia Wyett, Committee Assistant

**Assembly Bill 449:** Revises provisions relating to economic development.  
**(BDR 18-726)**

Chairwoman Smith opened the hearing on Assembly Bill 449, which she described as "exciting" legislation that revised the provisions related to economic development. For those listening over the Internet, the Chairwoman announced that exhibits had been uploaded to the Nevada Electronic Legislative Information System (NELIS), which allowed members of the public to follow along and to view the same exhibits the members of the Joint Committee were viewing.

Chairwoman Smith welcomed Governor Brian Sandoval to the hearing and invited the bill's sponsors, Senator Steven Horsford, Senate Majority Leader, and Assemblyman John Ocegüera, Assembly Speaker, to begin their presentations on A.B. 449.

In his opening remarks, Assemblyman John Ocegüera, Clark County Assembly District No. 16, advised that A.B. 449 was the result of two years of

"hard work" and credited the Nevada Vision Stakeholders Group (Senate Concurrent Resolution No. 37 of the 75th Session [2009]), whose members, he said, worked diligently to develop some of the ideas that appeared in the bill.

Assemblyman Ocegüera reported that he, Lieutenant Governor Brian Krolicki, and the Senate Majority Leader, had worked in a spirit of "bipartisan cooperation" to bring business leaders and others in the community together to discuss Nevada's economic future. He said that on January 7, 2011, the Lieutenant Governor hosted the Nevada 2.0 Conference: New Economies for a Sustainable Future, at the University of Nevada, Las Vegas.

Assemblyman Ocegüera advised that after the election, the Governor, who made strengthening Nevada's economic development a priority of his administration, also became involved in the process of developing A.B. 449. Assemblyman Ocegüera credited the hard work of members of the office of the Governor with much of the information included in the bill.

Assemblyman Ocegüera advised that all of the parties involved in the process worked to improve the bill by talking to industry leaders, economic development agencies, the Secretary of State, and minority leadership with the goal in mind of creating more jobs. He said that passage of A.B. 449 would shift the manner in which the state did business to improve accountability, oversight, and transparency, as well as coordinate the efforts of development agencies. Assemblyman Ocegüera said the "performance-based system" would bring jobs and change the future of Nevada.

Additionally, Assemblyman Ocegüera said that A.B. 449 had been a work in progress and those involved had reached out to industry, to all four caucuses, to the press, and to others to explain the legislation because it was such a departure from past practices. Subsequent to the hearing, Assemblyman Ocegüera said that a roundtable discussion would be scheduled with representatives of the development agencies to discuss any remaining questions.

Assemblyman Ocegüera noted that A.B. 449 provided an opportunity for both political parties and both branches of government to work together on behalf of Nevada's economic development.

Governor Brian Sandoval appeared before the Joint Committee to testify in support of A.B. 449 and expressed agreement with Chairwoman Smith's definition of the bill as an "exciting" piece of legislation.

Governor Sandoval reported that while Nevada's Governors had worked on economic development for at least one hundred years, the current system, established in 1983, needed to be updated to meet contemporary challenges. The Governor said that economic development was a top priority for his administration, and A.B. 449 followed through on his commitment to address and remake the State of Nevada's economic development infrastructure. Although Nevada businesses were struggling, the Governor said their expansion was the key to "perhaps as much as 80 percent of future job growth." Elsewhere he said firms were considering relocating, and although Nevada had much to offer, an inefficient plan currently existed for "closing a deal."

Against that backdrop, Governor Sandoval said that Nevada's "highest-in-the-nation" unemployment rate and insufficient public dollars to address the hopes of so many in search of work made it doubly necessary to "get Nevada working again," and to do so meant private-sector job growth fueled by a statewide vision through the tools presented in A.B. 449.

In his State-of-the-State address, Governor Sandoval discussed the importance of his involvement in the economic development process, and he said that A.B. 449 "delivered on his promise to make the economic development chief a cabinet-level position in his administration."

Governor Sandoval expressed his appreciation for the hard work of the Majority Leader, the Speaker, the members of the Joint Committee, and all of the stakeholders involved in the legislation. He said he believed the cooperation and collaboration that had occurred and that resulted in the bill's current form was unprecedented. The Governor also expressed his appreciation for the work of Lieutenant Governor Brian Krolicki, the Commission on Economic Development, and the New Nevada Task Force, a coalition of Nevada business leaders tasked with identifying steps to strengthen and diversify Nevada's economy.

Governor Sandoval said the bill would redouble collective efforts to make economic development an even greater priority and to bring more jobs to Nevada. He said more would be done to recruit new businesses and to grow existing Nevada firms, and as previously indicated, the bill would draw together the commitment of the Governor, the Lieutenant Governor, the Secretary of State, and the Legislature working in tandem with the private sector and the

Nevada System of Higher Education to make the new plans for economic development a reality.

As Assemblyman Ocegüera had mentioned, the Governor said some technical amendments were required, which would improve the bill. He said that all involved in the process should be reminded that Nevadans were watching the development of the economic development infrastructure very closely. He expressed confidence, however, that members of the public would see the commitment of those involved to restructuring economic development in Nevada. The Governor pointed out that the opportunity existed, through passage of the bill, to link state government, the private sector, higher education, and local entities in a concerted effort that went well beyond any prior model the state had seen.

Governor Sandoval said A.B. 449 provided the opportunity to "jump-start" the recruitment of new firms and growing small business and promised he would continue to work to ensure the appropriate appointments to the incoming Board. Additionally, he said he would continue to call those businesses interested in relocating to Nevada, meet with business people within the state, and ensure the availability of a suitable "atmosphere and environment" to promote economic development growth in Nevada.

In closing, Governor Sandoval expressed his appreciation to Chairwoman Smith for the opportunity to testify before the Joint Committee and encouraged the members of the Legislature to approve A.B. 449 at their earliest convenience.

Chairwoman Smith, in turn, thanked the Governor and commended the efforts of the Lieutenant Governor and legislative leadership for their work and coming together to present the bill to the Joint Committee.

Lieutenant Governor Brian Krolicki spoke in support of A.B. 449, which he said was "a great opportunity" to move the state's economic development efforts forward. The Lieutenant Governor also welcomed the assistance of the Governor and legislative leadership in recognizing economic development as one of the primary needs of the state. In keeping with improving the state's economic development, the Lieutenant Governor commented that the New Nevada Task Force, as previously mentioned by the Governor, was a coalition of 27 Nevada business leaders dedicated to bringing new business and industry to Nevada that would strengthen and diversify the state's economy and identify economic-development opportunities.

Additionally, in response to a 2010 request for proposal (RFP), the Lieutenant Governor advised that NIREC (Nevada Institute for Renewable Energy Commercialization) completed an exercise on technology commercialization by reviewing and moving the "finest intellectual property in the state" and applying it in a manner that would create jobs.

The Lieutenant Governor lauded the efforts of the Governor and legislative leadership on behalf of A.B. 449 and agreed with the Speaker's comments that the legislation was a "work in progress" that required some additional fine tuning.

The Lieutenant Governor discussed the section of the bill that proposed the use of unclaimed property proceeds as a funding source for the "Catalyst Fund." He explained that the Catalyst Fund could be used to grant money to rural governments and other local government jurisdictions for economic development or potentially to make those monies available to the Board of Economic Development. He also discussed the importance of accountability and "urged" consideration of a "dual-tracking process for unclaimed property proceeds."

Additionally, the Lieutenant Governor mentioned that questions had been raised in regard to rural development authorities, who he advised would be required to specifically identify their needs. He indicated that some thought had been given to taking rural development authority requests directly to the Economic Development Board.

Lieutenant Governor Krolicki thanked the members of the Joint Committee for the opportunity to speak in support of A.B. 449 and thanked the state's leadership for recognizing the importance of improving Nevada's economic development system.

Senate Majority Leader Steven Horsford, Clark County Senatorial District No. 4, a cosponsor of A.B. 449, said it was time to "change business as usual" to make it possible for the State of Nevada to improve in areas such as, economic development, education, and the budget. Senator Horsford indicated he was hopeful that the bipartisanship shown by members of the Legislature and the Administration to find common ground on issues that would move the state forward would be used as an example on how other issues were approached for the remainder of the legislative session. Along with the Speaker, the Governor, Lieutenant Governor, and members of the minority leadership, Senator Horsford said he was pleased to support A.B. 449 and to change the usual way of doing business in Nevada.

Prior to beginning his presentation, Assemblyman Ocegüera advised that Ross Miller, Secretary of State, could not join the speakers to testify in support of A.B. 449 because he was speaking about the bill at a previously scheduled meeting of the National Association of Manufacturers in Las Vegas. Secretary Miller's April 4, 2011, letter was uploaded to the Nevada Electronic Legislative Information System (NELIS) and would be made a part of the record as [Exhibit C](#).

The following summarizes the Secretary of State's comments:

The Secretary advised, in the letter, that his Office was the first point of contact for businesses to establish operation in Nevada and the second largest filer of commercial recordings per capita in the country. Consequently, he said his Office had an opportunity to use the contact information and the data generated to promote Nevada's business-friendly environment directly to those businesses and to manage a part of the regulatory structure that met the needs of businesses.

The Secretary advised that his Office also administered the state business license and after studying filing statistics, it was determined that the volume of new entity filings and total list filings were "leading and lagging economic indicators" that could provide valuable forecasting guidance to the public and private sector.

The Secretary explained that the term "leading indicator" referred to a measurable economic trend that occurred before the rest of the economy exhibited that trend. The Secretary also advised that a "dramatic decline" in new filings in his Office began in mid-2005 that "essentially predicted the economic downturn." The Secretary said that the current message from the data was that Nevada's economy was slowly rebounding. The number of new business filings in the first quarter of 2010 showed positive growth for the first time since 2006, and current trends pointed to increased stabilization.

The Secretary, a strong proponent of technology, said it was his goal to use "technology to facilitate innovation, and during the 2009 Legislative Session, legislation was enacted that allowed his Office to create the Nevada Business Portal. He said the Portal would "offer businesses a single, web-based point of entry where they would be walked through the process to create a new business "via wizard technology."

The letter closed with the Secretary's statement that everyone shared a role in the state's economic development efforts and that A.B. 449 established a new framework that would benefit "collective efforts to maintain Nevada's business-friendly environment while investing in efforts to grow Nevada's economy for existing and new businesses."

Assemblyman Ocegüera began his presentation ([Exhibit D](#)) and advised that passage of A.B. 449 would reinvent Nevada's economic development system with specific goals of coordinating and focusing economic development efforts and would directly stimulate business, research and development, and new industry.

Assemblyman Ocegüera pointed out that Nevada, with its high unemployment rate, "had to do better," and because the current economic development system was not working as well as it could be working, he said Nevada needed a statewide long-term plan to diversify the economy and create jobs. Assemblyman Ocegüera pointed out that the state had relied too long on only a few main industries that made for a difficult budgeting situation during economic downturns.

Senator Horsford began his portion of the presentation ([Exhibit D](#)) with the following information:

- Current economic development programs were not well coordinated or funded adequately in comparison with other states.
- The state had many fragmented entities with no unified plan although over the last year, "building blocks" for strategic economic development planning had been established with the formation of the New Nevada Task Force; the Nevada 2.0 Conference: New Economies for a Sustainable Future; and the Nevada Vision Stakeholder Group.
- No one person or group of individuals had complete oversight or regulatory authority over economic development.
- A lack of transparency and accountability existed for companies that received incentives and tax abatements.
- There was no direct state investment in economic development that could be compared to other states.



- A chart on page 4 of the presentation reflected information on why it was difficult for businesses or industry to relocate to Nevada or existing Nevada business to know where they could receive support or resources and how to be aligned to an overall economic development effort.

Assemblyman Ocegüera provided the following information beginning on page 5 of the presentation ([Exhibit D](#)):

- Assembly Bill 449 would completely renovate Nevada's economic development structure and focus and create a cabinet-level agency that would oversee all economic development programs. A cabinet-level agency would provide total oversight and direction and would promote accountability and efficiency.
- A Catalyst Fund would be created that would provide direct state investment in new industries and new jobs.
- A Knowledge Fund would be created to provide research money that would be focused on promoting research and development to help spur innovation, new technologies, and new jobs.
- A chart on page 6 of the presentation provided information on long-term economic development structure, which included:
  - Ø An Economic Development Board that directed overall goals and development strategy.
  - Ø An Economic Development Office whose Executive Director (a cabinet-level position) would oversee and implement economic development strategy.
  - Ø Existing development programs that included the business portal and the Workforce Investment Board.
  - Ø Regional development agencies, located in the southern and rural parts of the state, to which money from the Catalyst Fund would be awarded through a grant process.
  - Ø The Knowledge Fund, similar to Utah's USTAR model, would be used to recruit and hire STAR (Science, Technology and Research) faculty for the Nevada System of Higher Education (NSHE).

Assemblyman Ocegüera noted that Assemblywoman Marilyn Kirkpatrick, Chair of the Assembly Committee on Government Affairs, had arrived to speak about the "state ambassadors," a concept planned for the transitioning process to the long-term economic development structure.

Assemblywoman Marilyn K. Kirkpatrick, Clark County Assembly District No. 1, advised that using the state's top elected officials as ambassadors to promote economic development would strengthen the goals of the legislation. "Local and state leaders, acting as state ambassadors, could bring a new level of credibility to economic development efforts by offering qualified opinions about the strengths of the state and local communities based on their personal knowledge and success."

Assemblywoman Kirkpatrick noted that many groups from 4-H clubs to parent-teacher associations included ambassador programs, and with easy accessibility to elected officials at all levels in Nevada, she said ambassadors around the state would benefit the long-term economic development structure.

Senator Horsford continued his portion of the presentation on page 8 ([Exhibit D](#)) that included the following first steps of the transition:

- A "baseline study" would be conducted, and a business plan model would be developed working with a number of "key stakeholders."
- A search would be conducted for the best director of economic development in the country.
- A Board of Directors would be appointed based on the appointment process outlined in A.B. 449.
- A grants process would be established for the Catalyst Fund and the Knowledge Fund to ensure an efficient, transparent method to distribute money and oversee state investments.
- A shift toward regional economic development agencies that would promote and submit proposals for funding.

Senator Horsford advised that the transition structure, outlined on page 9 of the presentation, began with an interim study and a proposal to develop a business plan in partnership with the Brookings Institution and SRI International, Palo Alto, California. Additionally, a grants process would be developed for the Interim Board that would eventually become the future ambassadors

Assemblywoman Kirkpatrick referred to, and they, in turn, would provide information to the newly established Economic Development Board.

Senator Horsford noted that three development agencies were listed at the bottom of page 9. He said that the existing development agencies would remain for the present, but that ultimately the northern, southern, and rural redevelopment agencies would be established.

Assemblyman Ocegüera next discussed the long-term economic development structure, which he advised would include transitioning from:

- The Commission on Economic Development (NCED) to the Economic Development Board, which would direct overall goals and development strategy and provide guidance to the Director.
- The Interim Board, elected officials, to state ambassadors.
- The Interim Study to the grants process, target sectors, and investment opportunities.

Assemblyman Ocegüera pointed out that the flowchart on page 11 of the presentation provided the following information:

The Economic Development Board would manage the Economic Development Office that would provide oversight for the existing development programs, including the business portal, Tourism Commission, and Workforce Investment Board; the Regional Development Agencies; and the Knowledge Fund under which STAR faculty would be recruited and hired.

Assemblyman Ocegüera moved to page 21 of the presentation and discussed a prospective aggressive timeline for A.B. 449 that included the following information:

The bill would be passed and take effect in April 2011.

- The interim study would begin after passage of the bill, followed by appointment of members to the Interim Board and a search for the Director prior to May 2011.
- The interim study would be completed by June 2011.

- Prior to July 2011, the initial grant process would be in place and shortly thereafter application for grants would begin.
- Grants would begin to be awarded in September 2011.
- The Advisory Board would provide a recommendation for a permanent Director by the end of October 2011.
- A new Board and Director would be put in place by late November or early December 2011.

Assemblyman Ocegüera said the bill included goals to coordinate and focus economic development efforts and to stimulate business, research and development, and new industries.

In summary:

- The Board of Directors would guide strategy.
- The Director and the Office of Economic Development would provide total oversight.
- Development agencies would be consolidated.
- State ambassadors (the Governor, Lieutenant Governor, the Majority Leader, the Speaker and others) would carry out "high-level, focused outreach."
- The Catalyst Fund would grow and bring businesses to Nevada.
- The grants process would facilitate transparency and accountability.
- The USTAR model would facilitate research and development in the universities and commercialize resulting technology.

Chairwoman Smith thanked the presenters and Chrystina Coates and Riley Sutton, members of the leadership staff, for their hard work in putting the presentation together.

Chairwoman Smith asked the members of the Joint Committee for their comments regarding the bill.

Assemblyman Grady recalled the honor of serving as an ambassador in the Ambassador Program, under the leadership of former Governor Richard Bryan. Assemblyman Grady said the Program, at that time, was a successful undertaking and that perhaps the former Governor could be consulted.

In response to a question from Assemblyman Grady concerning the northern, southern, and rural development agencies, Assemblyman Ocegüera advised that Clark County, Washoe County, and rural Nevada were envisioned as the Northern, Southern, and Rural Development Agencies. He advised, however, that local economic development activity was not subject to change. Assemblyman Ocegüera explained that the Northern, Southern, and Rural Development Agencies would have to apply for state funds through a competitive grant process based on performance.

Senator Horsford commented on the Ambassador Program and pointed out that Nevada was unique in its ability to bring together top elected officials and representatives from regulatory agencies to meet with out-of-state business and industry leaders concerning the prospect of relocating their businesses to Nevada. Senator Horsford said that Nevada should capitalize on that easy access to state leaders for which the Ambassador Program provided an excellent opportunity to promote doing business in Nevada and agreed that perhaps former Governor Bryan could be persuaded to provide assistance.

Chairwoman Smith agreed with the preceding comments and indicated that in an earlier meeting with several "high-tech" business leaders from California, one made the point that, in his experience covering the entire western United States, it was unprecedented to attend meetings with so many leaders all in the same room.

Assemblywoman Mastroluca asked for additional information on the Knowledge Fund.

Senator Horsford explained that the Knowledge Fund, based on Utah's model, was intended to provide state resources that would align higher education research activities with private enterprise. Senator Horsford explained that Utah recruited STAR (Science, Technology, and Research) faculty in key research areas to attract research projects to Utah that resulted in products and patents.

Continuing, Senator Horsford said that the Knowledge Fund would better align the Nevada System of Higher Education curriculum with the new economic development strategy, although some work had already been initiated in that area. He said, for example, that the University of Nevada, Las Vegas, had

developed a minor degree in solar engineering because of renewable energy interest, which was a good illustration of how the Knowledge Fund could be used. Senator Horsford commented that university faculty working with private enterprise could apply, through a competitive grant process, to the Knowledge Fund to support their work. He pointed out, however, that those involved would be held accountable to a high level of performance based on the number of research projects that resulted in new enterprise, new patents, and new products brought to the market beyond what was currently being provided.

Assemblyman Ocegüera also pointed out that the Knowledge Fund was not about taking money from NSHE but rather about coordinating the effort so that the grant award process would be in addition to the System's base level of funding.

Assemblyman Hickey asked for additional information on the selection of the Board of Directors and the cabinet-level position.

Assemblyman Ocegüera responded that the members of the Economic Development Board would include the Governor, the Lieutenant Governor, the Secretary of State, or their designees, and eight private-sector appointments. Three members of the private sector would be appointed by the Governor, two by the Speaker of the Assembly, two by the Senate Majority Leader, and one appointment alternating between the Minority Leaders of the Senate and the Assembly. Additionally, one nonvoting Board Member from NSHE and one from the Department of Employment, Training and Rehabilitation (DETR) would be appointed. Assemblyman Ocegüera advised that the Board would recommend candidates to the Governor for Director of the Economic Development Office and would also have the ability to terminate the Director.

Senator Denis asked for information concerning the relationship the Director of the Office of Science, Innovation and Technology had in restructuring the economic development system.

Assemblyman Ocegüera advised that the Office of Science, Innovation and Technology was established in 2009 under *Nevada Revised Statutes* (NRS) chapter 223.600. He said that although the position was currently vacant, once it was filled, the appointee would coordinate directly with the Director of the Office of Economic Development.

Senator Kieckhefer asked for additional information concerning the interim study, the Brookings Institution, and SRI International and why the Secretary of State would manage the project.

Senator Horsford advised that a process existed for the interim study beginning with a request to the Interim Finance Committee (IFC) for a portion of the funding to support the business plan. The IFC funding would be matched by private-sector resources. Additionally, Senator Horsford advised that he believed representatives from SRI would provide testimony later in the hearing concerning their collaboration on a statewide baseline study. He further advised that information would be collected on Nevada's current workforce, as well as on the assets within the state such as airports, rail lines, and research facilities that would be included in a business plan for strategic planning purposes by the Economic Development Board.

Senator Horsford advised that the Governor had met with representatives of SRI and Brookings concerning what they could provide to further the economic development process, and it was believed with their assistance, the state could move forward in a more sophisticated manner than in the past.

Assemblyman Ocegüera responded to the question concerning the Secretary of State's involvement in the process and advised that the Secretary of State's Office was the first point of contact for businesses in the state and, as such, had a deeper awareness of the state's business activity. Additionally, Assemblyman Ocegüera advised that the Secretary of State's business portal, approved during the 2009 Legislative Session, was the first point of entry where businesses incorporated in the State of Nevada could conduct all of their state and local government business transactions online without having to visit several different agencies. Additionally, Assemblyman Ocegüera said that the Secretary of State had a larger staff that dealt with the business community and had a "settlement fund" that could be used in expanding Nevada's economic development process.

Senator Rhoads asked for additional information concerning the \$10 million from unclaimed property proceeds for the Catalyst Fund.

Assemblyman Ocegüera advised that funding from the Catalyst Fund could be negotiated as either a grant or loan to bring a company to Nevada. Additionally, he said that A.B. 449 included a clawback provision for misuse of funds.

Senator Cegavske asked whether unclaimed property funds would be diverted from any other area of the budget for expansion of the economic development system.

Assemblyman Ocegura advised that the \$10 million from unclaimed property funds for the Catalyst Fund was placed in The Executive Budget and was not diverted from another area of the budget.

Senator Cegavske asked whether any criteria existed for appointments to the Economic Development Board other than that the eight appointees must be from the private sector.

Assemblyman Ocegura advised that the membership requirements that appeared in the proposed amendment ([Exhibit E](#)) of the bill included language that *"the appointing authorities shall coordinate the appointments, when practicable so that the members of the Board represent the diversity of the state, including without limitation, different strategically important industries, different geographic regions of the state and different professions."* He said, however, the study would determine the industries the state should focus on and that over time the membership could change.

Senator Cegavske asked why the Senate Minority and Assembly Minority Leaders shared one appointment.

Assemblyman Ocegura advised that the Executive Branch proposed the number of appointments.

Senator Cegavske pointed out that education and economic development shared a close association and said that she would like to see the same kind of activity in A.B. 449 applied to the P-20 (pre-school through higher education) Education bill.

Assemblyman Kirner asked for additional information concerning the Knowledge Fund and whether the funding would affect the autonomy of the universities' research activity.

Assemblyman Ocegura indicated that the Knowledge Fund would provide a coordinated effort between higher education and economic development and reiterated that the funding would be in addition to funding already provided to NSHE.

Senator Horsford elaborated that the basic level of support the state provided for higher education would be determined through the legislative budget process and would be separate from funding provided to the Knowledge Fund. He said the funding for the Knowledge Fund would be decided in the final weeks of the legislative session from which the University of Nevada Las Vegas, the



University of Nevada, Reno, and the Desert Research Institute would be eligible to compete for allocations.

Assemblyman Conklin asked for information concerning current and future abatements under the new economic development system.

Assemblyman Ocegura advised that the Executive Director of the Office of Economic Development would make recommendations for the approval or disapproval of applications for abatements, financial incentives, and grant awards. Assemblyman Ocegura indicated that the Director would ensure abatements matched economic-development strategy.

Assemblywoman Carlton indicated she wanted to talk to her constituents about the plan to bring businesses to Nevada and asked how to relate the plan to her constituents who were looking for jobs.

Senator Horsford said that the new economic development strategy was ultimately about jobs, and the new structure would create for the first time "a streamlined, accountable, and transparent process" by which new businesses or existing businesses in Nevada that wanted to expand could be better aligned to the state's economic development strategy. He said that when those businesses were successful, they employed workers who would stimulate the economy. Senator Horsford noted that focusing on a few key industries was no longer viable. He said the 21st century economy was knowledge-based and that aligning education, the workforce, and economic development toward meeting those goals would benefit all Nevadans.

In response to Senator Cegavske who asked whether the amendments to the bill would be reviewed during the hearing, Assemblyman Ocegura said that because the bill amendments had been received just prior to the hearing, he was not prepared to discuss them but would be happy to do so in a work session subsequent to the hearing.

Chairwoman Smith suggested that the staff that had worked so diligently on the amendments put together a bullet-point document that could be shared with the Joint Committee prior to a work session.

Steve Hill, Chair, Las Vegas Chamber of Commerce State Policy Task Force, expressed his appreciation for the opportunity to be involved in restructuring economic development in Nevada. He thanked the Governor, the Lieutenant Governor, the Majority Leader, and the Speaker for their "strong bipartisan approach" to moving the state forward and also thanked those

Nevadans engaged in professional careers who were cooperative and enthusiastic about working to improve economic development in the state.

Mr. Hill recalled that the Majority Leader and the Speaker had spoken about alignment and how higher education, K-12 education, workforce development, state agencies, and the Secretary of State's Office were all affected by economic development and how the state's available tools and resources could be allocated toward that alignment. Mr. Hill said that all areas affected by economic development would be brought into alignment according to a state plan. He advised that the Brookings Institution and SRI International, formerly the Stanford Research Institute, would conduct research and collect the data needed to generate a state plan. He said a state plan was needed to determine economic possibilities for the state and to gain a better understanding of the state's assets and the competitive assets of other states and other countries and the type of workforce needed to improve Nevada's economy. The study would be overseen by the state's top elected officials and would allow all involved in the process to know specifically what that state was attempting to become and how the tools and the resources created in the bill could be used.

Mr. Hill said it was important to keep in mind that relocating businesses from one state to another was less than 10 percent of job creation in any state; a recent Brookings study showed that it was 2 percent. More importantly he said were larger companies expanding into the state, which southern Nevada had recently experienced with IBM, Xerox, and Toys"R"Us. Mr. Hill pointed out, however, that some of those companies bought businesses that were already established in Nevada and had the opportunity to leave. He said the state needed to ensure the retention of businesses and advised that not only providing a "great environment" but gaining an understanding of what would assist various business and industry sectors to grow would be decided in the state plan. He explained, for example, that there might be "holes" in a sector that the state would need to fill for a business to relocate to Nevada or an already established business to fit well. Mr. Hill said that it was up to the state to know that information and to reach out into the private sector to let them know about opportunities and the availability of the workforce and how future state growth was envisioned.

Additionally, Mr. Hill discussed the critical importance of creating new businesses with new technology in expanding the Nevada economy. He reiterated that the Brookings study said 2 percent of new jobs were created by relocation, and the remaining 98 percent was split between businesses in states that were growing and new businesses that were started based on new technology. He also discussed the importance of the economic development

effort being focused solely on primary jobs. Mr. Hill defined primary jobs as those that attracted money to Nevada in exchange for goods or services and said it was important that resources were allocated to companies that provided primary jobs.

Mr. Hill noted that A.B. 449 would provide opportunities to advance economic development and to learn about and respond to changes in the market. He said that the language in the proposed amendment ([Exhibit E](#)) broadened the use of the Catalyst Fund so that funding could be used creatively and more effectively to increase jobs in Nevada. Citing an example, Mr. Hill discussed a recent call from an organization in northern Nevada looking to have a company expand into Nevada. He said, however, that the organization that called him did not have the funding to produce the information that could have created perhaps 200 jobs. Mr. Hill pointed out that it was the smaller grant, in the \$10,000 to \$20,000 range from the Catalyst Fund, that might provide a "big payoff" in the number of jobs created.

Closing his remarks, Mr. Hill again expressed his appreciation to all who were involved in helping to move Nevada's economic development forward.

In response to a question from Senator Cegavske concerning whether the request for proposal (RFP) process was used in selecting Brookings and SRI, Mr. Hill discussed the sense of urgency connected with the legislation and the desire to move quickly to begin the study. He said the Brookings Institution had made a commitment to the state by starting Brookings Mountain West at the University of Nevada, Las Vegas (UNLV). He said Brookings was familiar with the state and had worked with the Majority Leader and the Speaker on the Nevada Vision Stakeholders Group. Mr. Hill explained that it was upon Brookings' recommendation that the Stanford Research Institute became involved in the process of restructuring economic development. Additionally, he said that Brookings and SRI were highly respected throughout the country and had the ability to conduct the research, collect the data, and respond to the state plan as the market changed over time.

Senator Cegavske said that since RFPs were the norm on most contracts, she was surprised it was not a part of the process for the legislation before the Joint Committee.

Chairwoman Smith thanked Mr. Hill for his work on A.B. 449.

Dan Klaich, Chancellor, Nevada System of Higher Education (NSHE), expressed his pleasure in sharing the witness table with Steve Hill and in working with him

over the past months to develop the recommendations contained within the bill. Mr. Klaich also thanked the Governor, the Lieutenant Governor, the Majority Leader, and the Speaker for their work in sponsoring such "significant legislation," which he said NSHE supported wholeheartedly.

Mr. Klaich recalled a question concerning funding and the response by the Majority Leader and the Speaker that clarified the state had set aside funding to enhance research efforts that would move the state toward economic diversification. He also recalled a question concerning whether the legislation would direct the research activities of UNLV, UNR, or the Desert Research Institute (DRI). Mr. Klaich advised that the answer to that question was both yes and no. He said that the research under the aegis of the Knowledge Fund was not the only research that would be conducted, but to the extent that research was conducted as a part of the entire process, that research would be directed by the legislation, which he said was important and appropriate.

Mr. Klaich also recalled that NSHE representatives had discussed the need to align private business, higher education, and the State of Nevada with economic development in almost every appearance before the legislative committees during and prior to the current session. Additionally, Mr. Klaich said that to the extent that those interests were brought together under a unified structure and under direct research, NSHE was prepared and happy to participate.

Mr. Klaich said NSHE representatives had been active participants in the process prior to the legislative session and would continue to participate as the bill progressed through the legislative process. Additionally, Mr. Klaich expressed his appreciation that NSHE was recognized as a significant partner in the economic development efforts of the state and by legislative leadership and the Governor.

Senator Horsford asked the Chancellor to discuss how the model for the Knowledge Fund would allow NSHE's research institutions "to move that approach forward" recognizing it might appear incongruent that an investment separate from basic support funding could be made at a time when the higher education budget was facing a 27 percent reduction.

Mr. Klaich commented that when NSHE representatives appeared before the Joint Subcommittee on K-12 and Higher Education on March 22, 2011, NSHE representatives were directed to provide budget reduction plans by April 5 that fully complied with the Governor's request. Mr. Klaich reported that the adjusted plan was severe and that an inconsistency existed that was not being discussed. He said that because of the adjusted budget reductions, NSHE could

not become a full partner in economic diversification, although it was a good idea that should be moved forward.

Mr. Klaich said that the successful USTAR model was developed by Utah's governing board and state leadership who had defined state goals and hired superstar entrepreneurial faculty who could spinoff their research to products and businesses that would create a greater tax base for the state. Mr. Klaich said the Utah model, which was the model Nevada wanted, in six years, had surpassed MIT (Massachusetts Institute of Technology) in the number of businesses that were developed because of that research. Mr. Klaich said NSHE wanted to decide what was good for Nevada and how the strengths of DRI, UNLV, and UNR could add to that focus with critical faculty to spin off businesses, jobs, and taxes.

In closing, Mr. Klaich thanked the Chairwoman, the Majority Leader, and the Speaker for the opportunity to speak in support of A.B. 449.

Chairwoman Smith thanked Mr. Klaich and said an exciting opportunity was being provided for the Nevada System of Higher Education to be involved in the legislation.

Chairwoman Smith advised that Ted McAleer who was associated with USTAR in Utah would provide testimony via the telephone.

Ted McAleer, Executive Director, USTAR (Utah Science Technology and Research Initiative), identified himself for the record and advised that he had met many of the members of the Joint Committee during the Nevada 2.0 Conference and the Reno Economic Development Conference earlier in the year.

Mr. McAleer said that as he listened to the testimony, he was pleased to hear the way the Governor, Lieutenant Governor, and legislative leaders were working on a collaborative bipartisan economic development plan. As a resident of Utah, Mr. McAleer said he was interested in seeing Nevada succeed in its economic development plan because he believed in the 21st century economy that drove innovation through regional higher education institutions. He said regional economic development was important and that his colleagues in Utah were ready and willing to work with their Nevada associates to help implement some of Utah's best practices and to move forward together.

Mr. McAleer said it was important, however, to ensure that all who were committed to the effort understood that while Utah had the benefit of starting USTAR with a revenue surplus, Nevada was beginning the program with a

revenue deficit. He noted, however, that Nevada's plan was well thought out and advised that it was important to leverage higher education assets through the Knowledge Fund and stimulate recruitment and retention through the Catalyst Fund, but that it was also important to ensure that the K-20 Program would graduate individuals who could work in the current and future economies.

Mr. McAleer also discussed the importance of identifying entrepreneurs who could drive business growth and innovation in existing companies and higher education and how to grow new entrepreneurial companies, how to bring in investment capital "that might be sitting on the sidelines at the banks," and how to deploy that capital to benefit the economic development plan.

In closing, Mr. McAleer said he was more than happy to work with the bill's sponsors in any capacity.

Chairwoman Smith thanked Mr. McAleer for calling in and for all of the time he had spent in assisting with the economic development plan based on Utah's model and looked forward to continuing to work with him.

Chairwoman Smith asked others who wanted to testify in support of the bill to come to the witness table.

Tom Clark, Director of Legislative and Regulatory Affairs, Holland & Hart LLP, appeared before the Joint Committee to represent the interests of several renewable energy companies. Mr. Clark expressed support for the bill and said that although "Nevada could become the Saudi Arabia of renewable energy, he was working to make Nevada the Silicon Valley of renewable energy." Mr. Clark said that the bill took important steps in moving Nevada toward the Silicon Valley part of the analogy and that he looked forward to working with the sponsors.

Larry Mosley, Director, Department of Employment, Training and Rehabilitation (DETR), advised that he also had worked with the Governor, Lieutenant Governor, and legislative leaders on A.B. 449. Mr. Mosley said the timing was perfect to take a look at what Nevada's workforce supported in conjunction with economic development, and as such, he said DETR was very much in support of the legislation.

Michael Skaggs, Executive Director, Commission on Economic Development, expressed his support for A.B. 449 and thanked the Governor, the Lieutenant Governor, the Senate Majority Leader, and the Speaker for their exemplary work on the bill.

Mr. Skaggs described the Commission on Economic Development as "resource constrained" as the remainder of state government agencies were and that because of those constraints, the Commission did not have the ability to fund areas that would stimulate a "brain-based economy" and help new businesses "get started."

Mr. Skaggs said that A.B. 449 was "a giant step forward" that would make Nevada competitive both nationally and internationally. He said the recovery had started and that the Commission on Economic Development fully supported the bill and looked forward to the economic benefits that it would provide for the state. Mr. Skaggs thanked the Chairwoman for the opportunity to speak in support of the bill.

Chairwoman Smith thanked Mr. Skaggs for the assistance he had provided in developing the bill.

Walt Borland, Executive Director, Clean Energy Foundation, and former CEO of Windspire Energy, Inc. formerly Mariah Power, identified himself for the record. Mr. Borland advised that Windspire Energy was the manufacturer of vertical access wind turbines, a technology developed by a group of entrepreneurs in the Reno area. While the initial capital for the company was provided by the Sierra Angels investment group, Mr. Borland said that Windspire was forced, as were many startup companies in Nevada, to go to San Francisco to look for the capital to continue to "grow" the business. He said that capital investment was a problem that could be addressed by A.B. 449 and S.B. 75, a bill that would establish a program to provide private equity funding to businesses engaged in certain industries in Nevada.

Mr. Borland reported that the Windspire turbine was first manufactured in Nevada, and although northern Nevada manufacturing capabilities were impressive, Windspire turbine manufacturing was moved to Michigan by his predecessor. He explained that Nevada could not compete because Michigan had the ability to offer economic incentives that encouraged Windspire to relocate their manufacturing function. Those incentives, he said were greater than the entire budget of the Commission on Economic Development.

Mr. Borland said that A.B. 449 was an exciting piece of legislation because important steps were finally being taken that would allow Nevada to compete with other states and other countries. During his tenure at Windspire, Mr. Borland said he received a number of offers, one of which was an all expenses paid relocation, including manufacturing and the executive office, to

Copenhagen, Denmark. He pointed out that other countries and other states were aggressive in developing clean-energy companies, and the bill provided Nevada a unique opportunity to provide such assistance.

Mr. Borland recalled that one of his first objectives when he joined Windspire was to attempt to bring the manufacturing function back to Nevada. He called on Mike Skaggs, the Executive Director of the Commission on Economic Development, who he said was immediately responsive, mobilized resources throughout the state, and put a plan together. Mr. Borland said, however, that the plan failed because Nevada lacked the tools needed to compete against what Michigan offered.

Mr. Borland said that at the same time A.B. 449 was being considered, he also hoped that members of the legislative committees would address the *Nevada Constitution*, Article 9, Section 8 (prohibition of gifts or loans to certain corporations). He said Nevada had to become competitive for opportunities to build companies like Windspire Energy and to create clean-energy jobs needed "to turn the economy around over the long term."

Mr. Borland extended his congratulations to both executive and legislative leaders and recalling the Senate Majority Leader's earlier comments, he said he was hopeful that the impressive bipartisanship displayed in developing the bill would lend itself to more of the type of negotiations needed to be undertaken to continue to move Nevada forward. Mr. Borland emphasized the fact that more tools were needed to be competitive and that both the Knowledge Fund and the Catalyst Fund were important steps in that undertaking. In closing, Mr. Borland said the sooner A.B. 449 could be enacted, the better for Nevada, the citizens of Nevada, and the entrepreneurs of Nevada.

Chairwoman Smith thanked Mr. Borland for his testimony in support of A.B. 449.

Robert C. Hooper, Executive Director, Northern Nevada Development Authority (NNDA), appeared before the Joint Committee to testify in support of A.B. 449. Mr. Hooper advised that NNDA was the regional development authority for the Sierra region, which included Douglas, Lyon, and Storey Counties and Carson City. The NNDA also provided services to Washoe County and partnered with economic development authorities for Churchill, Elko, and Mineral Counties. Mr. Hooper said that NNDA's consistent message was that the Sierra region of Nevada had the perfect business climate.



Mr. Hooper began his presentation by thanking the Senate Majority Leader, the Speaker, and Governor Sandoval for their leadership in developing the bill. He noted that the presentations and discussion thus far had focused on the "what" and the "how" of the bill, and he would discuss the "why."

Mr. Hooper advised that two years ago when he was on the NNDA Board of Directors, NNDA was financially upside down and with only twenty supporting members was "totally ineffective." At that time he was asked by Mike Skaggs, the Executive Director of the Commission on Economic Development (NCED), to step in as the Executive Director of NNDA.

Mr. Hooper further advised that he wrote a strategic plan based on NCED strategic plan to bring forward "a broad basis of economic development that would support an optimum environment" built around the following components:

- Workforce education
- Community development
- Infrastructure development
- Leadership
- Resident business support
- New business development
- Regionalism
- Marketing the values of Nevada's favorable business climate

Mr. Hooper reported that NNDA had gone from 20 supporters to over 250 volunteers on 10 different action committees that met each month to discuss strategic goals for local communities. He said that during the past year the action committees achieved the following results that proved the system was working:

- 17 new relocations to the Sierra region.
- Hundreds of new jobs.
- An increased tax base.
- A direct economic impact measured by economic modeling tools of over \$100 million.

Mr. Hooper also said that NNDA recently announced the arrival of a new electronics manufacturer to Reno and two major Internet fulfillment operations

in the Tahoe-Reno industrial center. Additionally, during the next Storey County Commission meeting, NNDA would present the following three companies NCED recently approved for tax incentives:

- Toys"R"Us Internet fulfillment operation.
- GSI Commerce Solutions, "an e-commerce company specializing in creating, developing, and running online shopping sites for brick and mortar brands and retailers," recently purchased by eBay for \$4 billion.
- Schluter Systems, which was building a 92,200 square-foot Leadership in Energy and Environmental Design (LEED) certified showcase facility as a training center in Storey County. Schluter Systems used a local developer, Miles Construction, who hired local workers who were currently at the job site.

Mr. Hooper reported that the three companies would be bringing in top architects, designers, and technicians from around the western United States, and dozens of top executives from other companies would be visiting Nevada. Even more significantly, Mr. Hooper said that over 300 permanent jobs and approximately 200 or more seasonal jobs would be created. In addition to the construction, the companies would be using over 800,000 square feet of commercial space. Additionally, Mr. Hooper said that the NNDA commercial real estate team was finalizing one lease for another 50,000 square feet of commercial space and negotiating another for 180,000 square feet with additional prospects that had a high probability of success.

Outlining additional initiatives, Mr. Hooper advised that NNDA was launching new industrial parks focused on strategic industry targets, supporting new agriculture business, mining, manufacturing distribution services, and helping to find capital and support for entrepreneurs, intellectual property development, innovation and technology conversions, and more. Additionally, he said that NNDA would launch a workforce development program, *Dream It. Do It.*, which "used cutting-edge marketing to inform students, transitioning workers, and military servicemen and women about exciting career opportunities in manufacturing and other key sectors, such as construction, health care, mining, renewable energy, and public service." He said that NNDA had conducted and coordinated other studies to identify existing clusters of industry, identify gaps, establish marketing targets, and implement outreach promotions to attract and grow those industries.

Mr. Hooper reported that there were many more amazing programs the "local partnership within their community of leaders had underway," a strategy he attributed to Mr. Skaggs and the staff of the Commission on Economic Development and implemented by NNDA. He said similar efforts were going on in Elko, Churchill, and Mineral Counties. Mr. Hooper said that the only limit to the programs was the availability of resources.

Mr. Hooper said he wanted to believe the reason for A.B. 449 was not because the system had to be fixed but rather because a "winning program" was needed, and he wanted to ensure that implementation of the bill did not "inadvertently break what was already working." He pointed out that over the past several years Mike Skaggs and the Commission on Economic Development had taken economic development to a "new and superior level of capability," and "Lieutenant Governor Krolicki had orchestrated an excellent economic development program that was working." He said the economy was recovering, and Nevada was positioned to capture a great share of the return because of its economic development community.

Chairwoman Smith thanked Mr. Hooper for his work, for his support of the bill, and for sharing his thoughts with the Joint Committee.

Mary O. Simmons, Vice President, External Affairs, NV Energy, appeared before the Joint Committee on behalf of NV Energy to express support for A.B. 449. Ms. Simmons said that the legislation laid the groundwork strategy for the critical support of economic development in Nevada.

Ms. Simmons also commented that NV Energy's Foundation provided support of \$250,000 each year to the University of Nevada, Las Vegas, and the University of Nevada, Reno, for the development of renewable energy programs. Ms. Simmons pointed out that the support NV Energy's Foundation provided to the universities fit in with the Knowledge Fund that would promote research and development. Ms. Simmons thanked the Joint Committee members for the opportunity to speak in support of A.B. 449.

John Griffin, representing TechAmerica, appeared before the Joint Committee to testify in support of A.B. 449. Mr. Griffin advised that TechAmerica, "a leading voice for the U.S. technology industry," was comprised of over 1,200 members from brand name companies, such as Google, eBay, Hewlett Packard, Microsoft, Amazon, and Yahoo, to smaller technology companies and biotech firms.

Mr. Griffin advised that TechAmerica representatives "had enjoyed and were appreciative" to have been involved in a series of meetings regarding economic development advancement with the Governor, Lieutenant Governor, Speaker, Majority Leader, "legislators from both sides of the aisle," and the Chancellor and university presidents. Mr. Griffin reported that while TechAmerica representatives were impressed with what Nevada had to offer, they were also impressed that Nevada's leaders had come together to speak with them. He said representatives from the various companies had commented that for some it was the first time such meetings had taken place even when they were being recruited to go into a state for a distribution center.

Mr. Griffin expressed his thanks for the "open-arms" policy Nevada had shown to TechAmerica, and for that reason, he expressed its full support of A.B. 449.

Glenn C. Christenson, Chairman, Nevada Development Authority (NDA), and Managing Director, Velstand Investments, LLC, testified in support of A.B. 449. Mr. Christenson said that NDA applauded the work done in preparing the bill and collectively "believed that a comprehensive, collaborative, and coordinated statewide effort to diversify Nevada's economy was critical to the future of the state." He said that it had become clear to the NDA Board, comprised of some of southern Nevada's most respected business and civic leaders, that changes were needed to the method Nevada used to approach economic development, and the bill added needed structure to discussions concerning those changes.

About a year ago, Mr. Christenson said NDA prepared a new strategic plan for its organization, and a part of that plan was to reach out to other influential groups in the community. Working with the Las Vegas Convention and Visitors Authority (LVCVA), he said NDA now had a booth at the Las Vegas Convention Center, which allowed "literally millions of convention attendees" to learn about why they should move their business to southern Nevada. Mr. Christenson said NDA also worked closely with the Las Vegas Chamber of Commerce in developing a "suggested strategic plan for economic diversification in southern Nevada" and both organizations were pleased to see that many of their ideas were consistent with those expressed in A.B. 449. Additionally, Mr. Christenson advised of working with NAIOP, the Commercial Real Estate Development Association, on various matters, as well the Las Vegas Chamber of Commerce to reach out to a group of twenty business, education, labor, and civic leaders to discuss its strategic plan and the importance of economic diversification. He said that the new associations had caused the NDA to expand its thinking regarding economic development.

Mr. Christenson said that the NDA Board had begun preparation on its next strategic plan, and while the Board enjoyed a public-private partnership with all municipalities in southern Nevada represented on their Board, a primary focus of the strategic plan would be to ensure that a broad spectrum of ideas and resources were considered.

Mr. Christenson said, however, that economic diversification could not be considered in a vacuum since it was entwined with education, health care, and cultural advantages. He advised that "to be successful in economic diversification, a community effort was needed that embraced a culture of attracting, expanding, retaining, and diversifying the economy" and that it would take a comprehensive effort by the entire community to accomplish.

Mr. Christenson said that in the coming weeks NDA would provide the Joint Committee with more specific comments regarding the content of A.B. 449, and he reiterated that NDA fully supported the effort to provide structure to "reinventing" economic development in Nevada.

Chuck Alvey, President/CEO, Economic Development Authority of Western Nevada (EDAWN), spoke in support of A.B. 449 and joined others in applauding the Governor, Lieutenant Governor, Senator Horsford, Assemblyman Ocegüera and their staff members for working on the bill in a spirit of cooperation and bipartisanship. Mr. Alvey recalled that a small group of community leaders had the good fortune in June 2010 to meet with former Governors Robert Miller, Richard Bryan, and the late Kenny Guinn to discuss restructuring economic development from the perspective of the former Governors. He said their most important advice was to urge top elected officials to come together to find bipartisan Nevada-focused solutions to the economic problems that challenged the state.

Mr. Alvey said that EDAWN's Board of Trustees, similar to the Nevada Development Authority's Board, was made up of business, community, and government leaders, who supported A.B. 449 and encouraged passage of the bill. He said economic development "was all about jobs," and as mentioned by others in earlier presentations, "inbound activity" had increased dramatically. In the previous fiscal year, Mr. Alvey said representatives of 20 companies visited the region, and since November 2010, representatives of 36 companies had visited. Although inbound activities increased, he said the real key that would make the difference to sustaining jobs in the long term was job growth from existing companies. Mr. Alvey said that the companies already established in Nevada could quickly add employees or infrastructure, and while the economic development community would work to continue to bring new

companies to Nevada, it was important to focus on that portion of Governor Sandoval's State-of-the-State address that said 80 percent of the job creation in the short term would come from those companies already doing business in Nevada.

Mr. Alvey said that Mark Sweeney, a national consultant with McCallum Sweeny Consulting, testified before the Senate Select Committee on Economic Growth and Employment on April 1, 2011, that it was important for Nevada to "think of economic development like a business that has three primary functions," one segment that would "attract investment and jobs from outside the area," a second segment of "additional investment and jobs from inside the state, or expansion and retention," and a third segment of "new investment and jobs from inside the state—entrepreneurial development."

Additionally, Mr. Alvey discussed the percentages from a study reflected on the online site, [YourEconomy.org](http://YourEconomy.org) that indicated from 2006 to 2008, companies headquartered in Nevada lost 0.2 percent in jobs, while companies headquartered outside of the state, but with operations in Nevada, lost 6.2 percent of their jobs. Mr. Alvey pointed out that state leaders had little political influence on companies that were headquartered outside of the state but obviously more influence on companies within the state. The same study also indicated that from 1999 to 2008 while Nevada enjoyed 14 percent job growth only 1.5 percent of that job growth came from relocating companies and about 2 percent from new startups, while 10.5 percent of job creation during those "boom" years came from existing companies adding jobs.

Mr. Alvey commented that he was "excited" to learn about the Catalyst and Knowledge Funds, which he said were critical to innovative economic development. He expressed his appreciation for recognition of NNDA, NDA, and EDAWN economic development plans and incorporating those plans with A.B. 449, for which he said the Catalyst and Knowledge Funds would make a big difference. He said that there were several key companies that EDAWN had been unable to help because of a lack of funding, and as indicated in earlier testimony, other states, in comparison to Nevada, were much more aggressive in funding innovative endeavors. Mr. Alvey said that EDAWN had strong partnerships with the Desert Research Institute, the University of Nevada, Reno, and Truckee Meadows Community College, which they wanted to continue, and indicated that a plan for transition funding needed to be established.

In summation, Mr. Alvey said that EDAWN, as a community group, was eager to "roll up their sleeves and make the initiative work so that more Nevadans could get back to work."

Senator Horsford asked whether analysis existed concerning how much of the state's economic development and new industry that occurred during the economic boom period could be attributed to population increase or to those businesses being recruited and brought to the state.

Mr. Alvey responded that he would forward several reports concerning targeted industries that EDAWN recruited during that period. He advised that during the good economic years about 6,000 to 7,000 jobs were created in target industries, and many of the jobs that were lost after the economic downturn were related to those in the industrial and residential construction industry. Mr. Alvey recalled that Jeremy Aguero, a Principal Analyst with Applied Analysis, also had reports concerning the number of base target industries that were brought to Nevada and remained in Nevada.

Mr. Skaggs pointed out that many of the businesses that relocated to Nevada during the economic upswing were from San Francisco and Los Angeles because Nevada was friendly to their needs, and workforce training dollars were available to help accelerate growth. Mr. Skaggs said that Nevada continued to enjoy an economic relationship with California.

Senator Horsford reiterated that he was interested in learning how much of the state's economic growth during the period of prosperity was related to normal occurrences or to recruitment methods. Recognizing that major industries were not likely to grow at the same level, Senator Horsford said that it appeared Nevada would need to use more traditional methods of attracting new businesses or assisting existing businesses.

Mr. Skaggs agreed and indicated that one of the reasons the Knowledge Fund was so important to grow Nevada's economy was that it would allow the state not to be placed in a position of reacting to occurrences in the California economy. He discussed the importance of the recent study with NIREC (Nevada Institute for Renewable Energy Commercialization) and the state's intellectual property around which new industry could be built.

Mr. Skaggs also indicated he would be interested in reviewing the changes that occurred after the spike in the economy. He recalled a recent discussion with representatives of a company that relocated to Las Vegas and learned that the workers' compensation insurance cost differential between Nevada and California was \$1,000 per person. He indicated the difference in the regulatory climate was enormous and pointed out that the cost for each employee would amount to between \$200 and \$300 per paycheck.

Mr. Alvey recalled that about four years ago NCED, NV Energy, NDA, and EDAWN collectively spent about \$1.5 million, using a "leveraged earned media campaign" to attract California businesses to Nevada, which generated about \$22 million. He said that campaign led to much of the growth that occurred, but in areas not within the targeted areas, and that with additional funds and resources and the passage of A.B. 449, new business and industry would be attracted to Nevada. Mr. Alvey reiterated that Jeremy Aguero had the data from an analysis he had provided for NDA.

Senator Horsford recalled that when the Vision Stakeholder Group began its review of Nevada's revenue structure and economic diversification, one of the presentations included information that Nevada should not attempt to attract certain industries because the state lacked the necessary programs, education, or workforce to support them. He said it was that kind of empirical data that he hoped would better inform future economic development strategy and noted that Nevada had to act aggressively to attract investment because of competition with other states that were just as aggressive.

Assemblyman Bobzien asked Mr. Alvey to comment on EDAWN's merger with the Chambers of Commerce.

Mr. Alvey advised that discussions concerning the details of a merger were underway and indicated that as the principals worked to combine their organizations, they would ensure there was complete separation of economic development operations, but the merger would bring resources together that could be leveraged to avoid a duplication of effort. He said that the merger would formalize a centralization of operation, collaboration, and coordination for EDAWN and the Chambers that would "pull the community together as one voice."

Trevor Hayes, who represented Capgemini Government Solutions, a technology solutions and consulting company with more than 100,000 employees in forty different countries and about \$11.5 billion in value, testified in support of A.B. 449.

Mr. Hayes reported that Capgemini Government Solutions recently began working in Nevada to replace the Department of Employment, Training and Rehabilitation's (DETR) unemployment insurance system and to build the business portal for the Office of the Secretary of State.



Mr. Hayes advised that other states were considering similar endeavors, and because Capgemini had sixty employees already working in Nevada on the unemployment insurance system and the Secretary of State's business portal, the company was considering establishing a Knowledge Center or Center of Excellence in Nevada that would employ several hundred employees. Mr. Hayes reported that Capgemini had successfully established a similar headquarters for the banking sector in Charlotte, North Carolina, and wanted to replicate that for its public sector work in Nevada. However, the location was not yet decided.

Mr. Hayes said that the timing for A.B. 449 was perfect and that Capgemini fully supported the legislation.

Geno Martini, Mayor, City of Sparks, testified in support of A.B. 449 and applauded the Governor, Lieutenant Governor, Senator Horsford, and Assemblyman Ocegüera for their work in developing the legislation. He discussed the importance of top elected officials being available to speak with businessmen who wanted to relocate their businesses to Nevada.

Mr. Martini said that the legislation fit in with the City of Sparks' future economic development plans and expressed his thanks to the Joint Committee for allowing him to testify in support of A.B. 449.

Chairwoman Smith expressed her appreciation that the Mayor could take the time from his schedule to testify in support of A.B. 449.

Hearing no response to her request for additional testimony either in support of or in opposition to A.B. 449, Chairwoman Smith closed the hearing on A.B. 449 and adjourned the meeting at 10:52 a.m.

RESPECTFULLY SUBMITTED:

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Connie Davis  
Committee Secretary

APPROVED BY:



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Assemblywoman Debbie Smith, Chairwoman

DATE: \_\_\_\_\_

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Senator Steven A. Horsford, Chair

DATE: \_\_\_\_\_

**EXHIBITS**

**Committee Name:** Assembly Committee on Ways and Means/Senate Committee on Finance

**Date:** April 4, 2011

**Time of Meeting:** 8:40 a.m.

<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A		Agenda
	B		Attendance Roster
A.B. 449	C	Ross Miller, Secretary of State	Letter Dated April 4, 2011
A.B. 449	D	Assemblyman Ocegueda and Senator Horsford	Reinventing Nevada's Economic Development System
A.B. 449	E	Assemblyman Ocegueda	Proposed Amendment to A.B. 449