

**MINUTES OF THE
SENATE SELECT COMMITTEE ON ECONOMIC GROWTH AND EMPLOYMENT**

**Seventy-sixth Session
June 3, 2011**

The Senate Select Committee on Economic Growth and Employment was called to order by Chair Ruben J. Kihuen at 1:11 p.m. on Friday, June 3, 2011, in Room 2144 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412E, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Ruben J. Kihuen, Chair
Senator John J. Lee, Vice Chair
Senator Valerie Wiener
Senator Mark A. Manendo
Senator Don Gustavson
Senator Ben Kieckhefer
Senator Greg Brower

GUEST LEGISLATORS PRESENT:

Assemblyman John Oceguera, Assembly District No. 16

STAFF MEMBERS PRESENT:

Kelly Gregory, Policy Analyst
Bryan Fernley-Gonzalez, Counsel
Riley Sutton, Policy Analyst
Leslie Sexton, Committee Secretary

OTHERS PRESENT:

Heidi Gansert, Chief of Staff, Office of the Governor
Cadence Matijevich, Office of the City Manager, City of Reno
Daniel J. Klaich, J.D., Chancellor, System Administration Office, Nevada
System of Higher Education
Brian K. Krolicki, Lieutenant Governor

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Bill Miles, CEO, Miles Construction
Pam Borda, Elko County Economic Diversification Authority
J. David Fraser, Executive Director, Nevada League of Cities and Municipalities
Mendy Elliott, State of Nevada - State Small Business Credit Initiative
Lee Bonner, Board of County Commissioners, Douglas County
Nicole Lamboley, Chief Deputy, Office of the Secretary of State
Chuck Alvey, CECD, President, Economic Development Authority of Western Nevada
Jeffrey Fontaine, Nevada Association of Counties
Robert C. Hooper, Executive Director, Northern Nevada Development Authority
Jason Watkins

CHAIR KIHUEN:

Today we are pulling Senate Bill (S.B.) 502 from the agenda. There are some legal issues regarding the language which need to be settled before we can hear the bill.

[SENATE BILL 502](#): Revises provisions governing local improvements. (BDR 21-1308)

We will start with a hearing on Assembly Bill (A.B.) 449.

[ASSEMBLY BILL 449 \(1st Reprint\)](#): Revises provisions relating to economic development. (BDR 18-726)

ASSEMBLYMAN JOHN OCEGUERA (Assembly District No. 16):

I have submitted a copy of my presentation ([Exhibit C](#)). I am presenting A.B. 449, as amended by the first reprint. Two years ago we set the foundation for this bill when the Nevada Vision Stakeholder Group met in May 2009. It was discussed at the Nevada 2.0 Conference in January 2011. Many people have worked hard to bring this bill to where it is today, including the Governor, the Lieutenant Governor and the Senate Majority Leader.

This bill represents a large change, and change is difficult. You will hear from some people who have issues late in the game. I will address some of the lingering questions. After hearing some of the questions, it may sound like some will want to go back to the old way of doing business, which is not working. From the beginning, the concept was to change the way we have been doing business.

There are two goals of A.B. 449: coordinating and focusing economic development efforts; and directly stimulating business, research and development, and new industries. We need this legislation because the current economic development system is not working as it should and because we need a statewide long-term plan to diversify the economy and create jobs. We all know that Nevada continues to rely on only a few main industries.

In my presentation, [Exhibit C](#), page 4 describes the state of economic development programs in Nevada. It is not coordinated or funded adequately. It consists of fragmented entities with no unified plan. There is no one point of oversight or regulatory power. There is inadequate transparency and inadequate accountability. There is no direct State investment. Page 5, [Exhibit C](#), graphically depicts these conditions.

Assembly Bill 449 accomplishes three main objectives. It completely overhauls Nevada's economic development structure and focus to create a cabinet-level agency to oversee all economic development programs and to provide total oversight and direction, promoting accountability and efficiency. The Governor proposed a Catalyst Fund in his *Executive Budget*, and this bill creates that Catalyst Fund to provide direct State investment in new industries and new jobs or to assist those existing businesses that need a push to expand. The bill creates a Knowledge Fund of research money focused on promoting research and development to spur innovation, new technologies and new jobs. We found we need to have a connection between the higher education system, economic development and the business community.

My presentation, [Exhibit C](#), page 7, graphically represents the long-term economic development structure as set forth in A.B. 449. This flowchart shows the relationships between the components of the structure. The State Ambassadors would be the Governor, Lieutenant Governor, Assembly Speaker, Senate Majority Leader and others who can reach out to businesses. The ambassadors would oversee the transition process as an interim board. They would act as the face of the State for business outreach and development. Businesses told us it is amazing they have the opportunity to talk to elected officials. They are not able to do that in many other states. They are surprised by the access. When we met with TechAmerica, the Governor, the Lieutenant Governor and the Senate Majority Leader were present. The company mentioned that it would be nice to meet with someone from the

Nevada System of Higher Education (NSHE). Two weeks later, we had every university president in the room. We should take advantage of this accessibility.

The proposed Board of Economic Development (BED) would oversee and direct the overall goals and development strategy and give guidance to the director of the Office of Economic Development (OED), a cabinet-level office. This person would oversee the implementation of the economic development strategy. We can keep the existing development programs such as the Nevada Business Portal and the Governor's Workforce Investment Board. The regional development agencies (RDA) would have a role in distributing the \$10 million Catalyst Fund. The Knowledge Fund would be similar to the Utah Science Technology And Research initiative (USTAR) and would benefit NSHE.

My presentation, [Exhibit C](#), page 9, summarizes a transition procedure to implement A.B. 449. There has already been a baseline study conducted by the Secretary of State. It is due for review by the State Board of Examiners. It will have to be combined with other studies. We will have to search for a director of the OED and appoint and set up a BED. A grants process will have to be established for the Catalyst Fund, the Knowledge Fund and other operating funds. Those funds must have an efficient and transparent way to distribute and oversee state investments. There will be a shift towards regional development agencies.

Page 10, [Exhibit C](#), graphically depicts the structure of the transition to implement the bill. Existing development agencies will transition into three agencies, more at the discretion of the OED director. The interim study will be used by the interim board to advise the Commission on Economic Development.

Page 11, [Exhibit C](#), depicts the long-term structure for economic development. The BED would set the overall strategy and would oversee the OED director. The OED would be headed by the director, a cabinet-level position. The OED would coordinate the implementation of economic development strategy. The OED would provide oversight in the administration of the Knowledge Fund, the Catalyst Fund and existing development programs. State ambassadors would be the face of the State for high-level outreach. They would guide businesses through the process of expanding or relocating.

There were amendments to the bill in the Assembly, the majority of which were meant to clarify the original intent of the bill. Other changes were substantive. First, all distribution of funds must be accompanied by a contract. This makes clawbacks easier and takes local government off the hook if private business misuses funds. Second, the director of OED will be able to designate more than three RDAs. Third, the director of OED must consult with local governments in designating the RDAs. Fourth, the director of OED is empowered to sign off on grants of less than \$250,000 and loans below \$500,000 without BED approval, to allow more rapid response and flexibility.

Two further amendments need to be made, proposed on page 13, [Exhibit C](#). First, we should remove the dollar amount of the Catalyst Fund because the budget has already been closed with that amount included. To leave that amount in this bill would double the allocation. The State cannot afford it. Second, we need to clarify and give examples of "administrative and operating expenses" to tighten and clarify the original intent. This has been requested by local government.

Page 14, [Exhibit C](#), is a flowchart depicting the long-term economic development structure contained in A.B. 449. Page 15, [Exhibit C](#), is a summary of the goals contained in the bill.

Several RDAs are now operating independently, and it makes sense to consolidate them. They can continue to exist, but they will have to compete for Catalyst Fund money. The Catalyst Fund will grow and bring new business to the State.

CHAIR KIHUEN:

The existing RDAs receive money from the State. Under this bill, would that money go directly to them or to a coordinator or a director and then be funneled to the RDAs?

RILEY SUTTON (Policy Analyst):

Until the transition structure gives way to the long-term structure, the money would continue to go directly to the existing RDAs. We do not want to stop funding them and then have to resume once the long-term structure is in place. In the long-term structure, and to align the system with the *Constitution of the State of Nevada*, local governments could voluntarily decide to create their own economic development oversights, depending on what

makes sense for them in their region and how many of the jurisdictions want to work together. That could work in many different ways. They could decide to take a hands-on approach in the local governments and be directly involved in decisions, outreach and marketing. They could decide to outsource the work to an existing RDA or other entity. In order to adhere to the State Constitution, a decision of the local governments in collaboration with each other should guide their decisions.

CHAIR KIHUEN:

We will be seeing more accountability from some of these agencies. Earlier in the Session, we had many presentations. We heard many times that some of these agencies were not working together. We were told that businesses would consult with an RDA about their specific requirements, and if that RDA was unable to fulfill their needs, the business would be turned away rather than referring them to another RDA in Nevada. It appears that this bill will facilitate communication and accountability between agencies.

MR. SUTTON:

Yes.

SENATOR BROWER:

Please explain the constitutional issue involved with this bill.

MR. SUTTON:

Upon the advice of the Legislative Counsel Bureau (LCB), Article 8, section 9, of the *Constitution of the State of Nevada* prohibits the State from giving money directly to private business. That includes private, nonprofit organizations. The local government piece was added because there is no such constitutional prohibition for them.

HEIDI GANSERT (Chief of Staff, Office of the Governor):

We support A.B. 449. We have some amendments or discussions we would like to have about the bill. In the Governor's State of the State Address, he talked about changing economic development in the State. To that end, he requested an additional \$5 million for the Division of Economic Development, and he established the Catalyst Fund. The Assembly Speaker and the Senate Majority Leader brought the idea of a Knowledge Fund to the Governor, and he agreed that such a fund to encourage commercialization of new technologies was a good idea for economic development.

The Governor spoke of establishing a cabinet-level position, which is included in this bill. He spoke of a public-private partnership because he recognizes that the private sector is important for economic development. A new section, section 7.5, was added to the original bill. It creates an RDA. That term is used throughout the bill. This is a new concept. We wanted to work more closely together and make sure the different RDAs were also doing so. In the original version of the bill, local government entities would pass through money to the private RDAs. With the addition of section 7.5, the system becomes government-to-government. It passes money from the State to local governments. This is a significant change. There are some private development authorities that have performed well for the State. We want to make sure they are part of the new system.

According to my discussion with the LCB Legal Division, local governments can contract for services with private entities, using requests for proposals (RFP). This will streamline the process, in contrast with the original version of the bill which went from State to local government to private entities. We have gone from State to local government to private entities to State to another local entity or governmental entity, and we have cut out the private sector. If we want to include the private sector, we can do that, but we must do it per contract. With that method, we would not be appropriating money to nonprofit organizations. We would have a list of services. They would provide the services. We will have accountability. There is great accountability in this bill. That accountability can be required of the private sector entities that are doing the job.

We have had discussions about the composition of the BED, section 10 of A.B. 449. In the Assembly Committee on Ways and Means hearing, we asked that the selection process for the positions referred to in section 10, subsection 1, paragraph (a), subparagraph (4) call for nomination by the referenced Legislators and actual appointment by the Governor because of the separation of powers between the branches of government.

In section 8, there is reference to travel and per diem. Travel should be preapproved. If a Legislator travels, the per diem should come from the Legislature's budget, not the economic development budget. In section 11, subsection 6, the limits on the OED director's authority to approve grants and loans are too high. Those should be lowered to \$50,000 on loans and

\$100,000 on grants. The language of section 15, subsection 3 should be located elsewhere in the bill. This would be a technical change.

In summary, the Governor likes what A.B. 449 does to ensure accountability and to bring the various entities engaged in economic development under one umbrella. He is concerned that the system has become a government-to-government process as opposed to a government-to-private sector through contract or somehow involving the private sector. He also wants to make sure the existing development authorities can participate in the process.

CADENCE MATIJEVICH (Office of the City Manager, City of Reno)

The City Council of the City of Reno supports this bill in its original form and in its first reprint. We are excited to plug into a global plan for our State that has the flexibility to be tailored to different areas of the State and meet the needs of businesses in those areas—things that might fit region-by-region. The sponsors of this bill have heard the concerns of local governments and have addressed them in this bill. We look forward to being part of this new system.

DANIEL J. KLAICH, J.D. (Chancellor, System Administration Office, Nevada System of Higher Education):

This bill is beyond the scope of NSHE, but the Knowledge Fund, a critical piece of the bill, does involve higher education. We have talked about this concept for a long time. It brings economic development entities together with NSHE to ensure our goals are focused and everyone is working together to move our State forward. I recognize that you are still looking for resources with which to fund the Knowledge Fund. We understand that State resources are constrained. The structure proposed by A.B. 449 is critical and has been missing from our overall economic development strategy.

BRIAN K. KROLICKI (Lieutenant Governor):

I speak in opposition to A.B. 449. I am the current chair of the Commission on Economic Development. We assembled, from the ground up, a crew that is beyond the capacity of any other state. Nevada's economy has been severely challenged. This is not because of the Commission on Economic Development and teams that are working together. They have done exceedingly well. With the private sector, we have created tens of thousands of jobs, brought billions of dollars worth of investment and a pathway to the future. The New Nevada Task Force outlined nine areas of interest where we think Nevada's future can

go, beyond the traditional hospitality, tourism and mining industries. This has involved bipartisan effort. We have worked with the Nevada Institute for Renewable Energy Commercialization and NSHE to explore technology commercialization. We are doing well. Our problem is lack of resources. I welcome the part of A.B. 449 that attempts to cure relationships and to integrate economic development. It has been unfortunate the various economic development authorities sometimes did not work well together or had competing interests. We are taking steps to improve in those areas. The BED construction as outlined in A.B. 449 could put more discipline in the process, and I welcome that. Mr. Skaggs and his team have been experts in economic development for decades, and they have done amazing things for Nevada.

I want this bill to work. The amendments proposed by the Governor are very important. We do not need politicized political appointments and elected political officials making decisions on economic development. This BED would be under the Executive Branch to eliminate the separation of power issues and would be exclusively private sector. The language in the bill does not say we will have venture capitalists, patent attorneys, corporate chairmen or angel investors on the board. These are the people who really know economic development. My opinion is that we do not have the imagination and the ingenuity of the private sector infused and guaranteed into the current governance.

This is not about government; it is about the private sector. Government sets the bars, does certain things, creates a catalyst fund and creates various avenues. We want to attract the private sector to Nevada to create jobs. Having government-to-government or public-to-public exercise is dangerous. It is not always productive. We can contract with development authorities, make them compete and be accountable by using RFPs. This is what is good about this Country and this opportunity. I support the ability to be able to move these monies. We have talked about unclaimed properties, which we think is outside the traditional bounds of the State Constitution. This unclaimed properties fund is composed of abandoned and lost money that would normally escheat to the State after a time period. We should allow the State to move funds to the private sector or the Catalyst Fund before they escheat to the State. We believe the courts will agree with that position. We can contract with a think tank or an organization like USTAR that is not touched by the public and politics, that is composed of talented people who are dedicated exclusively to do economic development. The New Nevada Task Force identified international capabilities, renewable-energy capabilities and medical tourism capabilities. There needs to

be central coordination. I am not sure how to make the system work with ambassadors.

Every Governor over the last 20 years has been actively involved in economic development. I have travelled with the current Senate Majority Leader for economic development purposes. Establishing the Ambassador Corps is redundant. These individuals are already doing the job. The structure is critical. If we do not get this right, it may not be better than the current system which is working very well. We would like to improve the system and fund it at a higher level with greater coordination. I am not convinced that passing this bill in its current form without the Governor's suggestions and amendments would be beneficial.

SENATOR LEE:

Were you referring to section 8 and the Advisory Council on Economic Development (Advisory Council)? Will it be composed of the individuals named in section 64?

LIEUTENANT GOVERNOR KROLICKI:

Section 64 is one of the pieces of this bill that must be integrated, and I am not sure how that will happen. The Advisory Council is the bipartisan, multi-branch political leadership of the State. This is a great concept and would be impressive to companies considering a move to Nevada. The challenge, of which you are aware, is that it is usually difficult to get all of the members of such a group to agree on economic development issues.

SENATOR LEE:

The bill provides for an Advisory Council, the BED and a council that seems to be people who have an interest or knowledge of economic development. Are you suggesting the bill be amended to eliminate these three groups? Do you like the rest of the bill?

LIEUTENANT GOVERNOR KROLICKI:

The bill needs to be streamlined to include accountability. The topic of this bill concerns a typical Executive Branch operation. The bill, as written, involves other branches of government and different agendas. It is not clear who is in charge. There is a cabinet-level position. Conceivably, control of the process, if it were in opposition to the Governor, could pose a problem. The Governor needs to be accountable for the function of economic development. If that issue

could be addressed, I would still have some minor concerns about the bill. My roadmap is the set of amendments proposed by the Governor.

BILL MILES (CEO, Miles Construction):

I concur with Lieutenant Governor Krolicki and Ms. Gansert. There are parts of economic development in the State that are not broken. The team at Northern Nevada Development Authority (NNDA) has produced more leads and more jobs than I have seen in the last 20 years I have been in business. They have devised an open-source economic development system, and it is working very well. Consequently, I disagree with Assemblyman Ocegüera that the current system is not working. We face the problem of the cost of living. When our housing market went out of control and the cost of housing rose, moving employees to Nevada was not economical. With the diminution in the value of housing, it is now affordable for companies to move here and bring their employees.

SENATOR LEE:

Communication is needed. There is a lot of activity in the State being done by many different entities.

MR. MILES:

We are members of NNDA and the Economic Development Authority of Western Nevada (EDAWN). We receive leads from both organizations. There is duplication of effort. Companies exploring relocation to Nevada have differing needs regarding demographics and may need to contact more than one development authority before making a decision. There is another problem in economic development with leads being lost. We recently completed a building in an industrial park in Lyon County. We had worked with that company for ten years before they made the decision to build. The open-source economic development system was useful in that case because we had seen three different directors of the development authority during that ten-year period, and we were able to maintain direct contact with the company.

SENATOR LEE:

I want to know about overall communication between the development authorities.

CHAIR KIHUEN:

Yes, we have heard there has been some lack of communication between the development authorities. They are doing their jobs, and there is a lot more we

can do. We need to diversify the economy of the State. It is a long-range process.

PAM BORDA (Elko County Economic Diversification Authority):

I am opposed to this bill in its current form and to some amendments that have been proposed because we have not done all of the homework we need to do. When decisions are made without sufficient information, new and bigger problems are created. We are not ready for RDAs because they will be more difficult to implement than we believe. Our organization in rural Nevada works well with our peers and with the Commission on Economic Development. We share leads. If we cannot fulfill a need, we pass on that lead. There is more communication and cooperation happening than some people may realize. The RDAs have the potential to do great things. We do not know if putting the RDAs in place now will solve those problems because we do not know enough about what we want to do or what problems need to be solved. We need to study the plan and decide what exactly is broken. We can then come back to the Legislature with proposed effective legislation.

We are sometimes eager to make changes for the wrong reasons, and in doing so, we have to undo them later. Rural counties have serious concerns about the impact of this bill and the RDAs. We need their input. If changes are forced upon us and we do not know why or what preparations we need to make, many will be hesitant. Mr. Skaggs at the Commission on Economic Development has done a good job of pulling together the development authorities in the State to work together for the betterment of the State. We share information, and we share leads. We try to do the right thing, and we are willing to do better, even though we have limited resources. We need help from the State, not additional burdens.

SENATOR KIECKHEFER:

Is your agency a private agency?

MS. BORDA:

We are a development authority created by an interlocal agreement between the county and cities within the county.

SENATOR KIECKHEFER:

Under your interpretation of an RDA under the bill, do you qualify as a local government entity, or are you composed solely of two or more local government entities?

MS. BORDA:

I have no idea. That is our problem with this bill. The definitions have changed and I have received several different explanations.

SENATOR KIECKHEFER:

Are there other people employed by Elko County who have separate offices for economic development?

MS. BORDA:

No. We are the sole representatives for Elko County for economic development.

J. DAVID FRASER (Executive Director, Nevada League of Cities and Municipalities):

Officially, we are neutral on this bill. This is a very healthy discussion. It is important the local government voice be heard and be part of this process because local government is tasked with developing a vision for their communities. They have a keen interest in economic development. Please remember their interests when considering further amendments.

SENATOR WIENER:

We have heard testimony about constitutional issues involved with government giving to private-sector entities, or State government giving to local government who then give to private-sector entities. We also have the proposal to allow government-by-contract to private-sector entities. What is your opinion about leaving the local government out of the flow of funds?

MR. FRASER:

I am not clear about the latest proposal for direct contracting. I understand the constitutional issues.

SENATOR WIENER:

The proposed amendment would allow the State to contract with private-sector entities so the private sector has a larger portion of the funds and has it sooner than going through local governments. There is also a concern that local

government may not be required to pass the funds on to the private-sector entity.

MR. FRASER:

The private sector is an important component. If the latest proposal is accepted, it should be structured to involve local government because they have a keen interest, knowledge and responsibility in the issues. They should be participants, not spectators.

SENATOR KIECKHEFER:

I agree that local governments can serve as points of contact for businesses that are considering location in Nevada. Local government can be an asset. I am concerned that the private sector does not seem to be as well-represented as it needs to be in this bill.

When we were closing the budget, there was a question about the source of funding for the Catalyst Fund. There was discussion about the General Fund and also unclaimed property. Can our legal staff clarify the difference in terms of constitutionality?

BRYAN FERNLEY-GONZALEZ (Counsel):

The *Constitution of the State of Nevada* prohibition applies to both the General Fund and unclaimed property because the unclaimed property money goes into an account within the General Fund.

MENDY ELLIOTT (State of Nevada - State Small Business Credit Initiative):

I am neutral on the bill. I represent a \$14 million grant coming to the State from the federal government in September. Our application is due back to the U.S. Treasury Department on June 26. I will be here with the Interim Finance Committee when we have approval. The Office of the Governor and the Department of Administration have hired me to facilitate the grant-writing process. This grant is important for economic development. Under the Small Business Jobs Act of 2010, President Obama created a catalyst fund for the states. We, and the U.S. Treasury Department, are watching A.B. 449 closely so we can determine the mechanism for delivery of funds in the fall. We need the flexibility to pass dollars through a funds-to-funds program. We will have approximately \$2 million with which to create a venture capital fund. We will allocate \$500,000 to Nevada Microenterprise Initiative which provides

micro-lending to assist small businesses. Each of their loans represents two new jobs. Assembly Bill. 449 needs to have a sound system in place

LEE BONNER (Board of County Commissioners, Douglas County):

We oppose this bill. The original version had merit. Creating a cabinet-level position, creating a Catalyst Fund and creating the Knowledge Fund were good ideas. The current version of the bill would impact Douglas County. There are problems when new bureaucracy is added to economic development. We have \$91,000 we were going to invest to attract bioscience and energy technology companies to our county. The bill was created to fix a problem. In Douglas County, economic development is not broken. Do not fix something for us that is not broken. Fix it where it is broken. We are seeing businesses move into our county. We are seeing a lot of economic development happen in our county. We are talking to other businesses that may relocate to our county and we have strategies to bring them. We are working with NNDA and the Commission on Economic Development. We do not want you to fix or break that.

When I came to Nevada, I was employed by the General Electric Company in Minden. There were 800 employees, and they had revenue of \$2 billion from a worldwide market. When we moved here, we had a problem with the education level of the workforce. We were not able to hire the people we needed from the local workforce. We had to import talent from other areas. Since Mr. Skaggs of the Commission on Economic Development came to Nevada, we have been able to improve the education of the available workforce. We have seen positive changes for our business in the past two years in working with the university and the chancellor. We have explored ways to have the right programs that bring the right people to the jobs in Nevada. One year ago, we could not find hardware, firmware and software engineers in Nevada. We looked in Silicon Valley, California; Washington; Oregon and Montana. We are starting to see changes in education in Nevada. Please fix what is broken but do not make fixes that will negatively impact our progress.

NICOLE LAMBOLEY (Chief Deputy, Office of the Secretary of State):

We support A.B. 449. The Office of the Secretary of State can play a role in economic development. There is room for all of us to work cooperatively to bring our limited resources together for the collective good. Assembly Bill No. 146 of the 75th Session created the Nevada Business Portal. The Speaker of the Assembly was the author of that legislation. The bill had a

preamble identifying the role of the State business portal in supporting economic development. Our office is the first point of entry for most businesses to begin activities in the State. Each of the local development authorities and the Commission on Economic Development have discussed with our office ways to coordinate our efforts in gathering and sharing information about companies that may potentially locate in Nevada or that are already domiciled here. We support A.B. 449 and look forward to playing a supporting role in implementing it.

SENATOR KIECKHEFER:

Does the Secretary of State support the current draft of the bill?

MS. LAMBOLEY:

Yes.

CHUCK ALVEY, CECd (President, Economic Development Authority of Western Nevada):

I represent our board of trustees. We have been supportive of A.B. 449 from the beginning. We can work with the bill in its current form, with local and regional government entities, because we have great relations with our local government entities. The Governor's proposals may streamline and make the process more efficient, and this makes sense while maintaining the involvement of government entities. We agree that accountability can be improved, and we are seeking such improvement. I do not want to give the impression there is not accountability already. We, and other development authorities, submit quarterly reports. We welcome anything that you can do to improve the clarity of the expectations under the bill and the efficiency of what we do in economic development. We are ready to be part of the team to move economic development forward in the State.

SENATOR KIECKHEFER:

Would your organization qualify as an RDA?

MR. ALVEY:

Under our interpretation, it would not seem so. We are a private, nonprofit corporation. We are not a local government entity. We would work with local government entities to determine our role.

ASSEMBLYMAN OCEGUERA:

The mock-up of a proposed amendment to A.B. 449 ([Exhibit D](#)) has been out since May 13. On May 14, we discussed it with the Commission on Economic Development and the Governor's Office. The last testimony heard in the Assembly on this bill was on May 17. The only point of disagreement at that time concerned the BED. It represents a disagreement between the authority of the Legislative Branch and the authority of the Executive Branch.

We already have a "strong executive" State. The Legislature only convenes every two years. The composition of the BED created by section 10 of the bill coincides with the Governor's initial proposal. It gives the Governor more authority because the director of the OED is elevated to a cabinet-level position. The Governor sits on the BED. The Governor appoints multiple members of the BED. Giving the Governor more authority over the appointments by the Legislative Branch does not make sense. We have looked at other states that have successful economic development programs. They do not appoint members in the manner proposed by the Governor.

There was a question about travel expenses and per diem. The point of contention seems to be whether the Legislative Branch will pay those expenses or whether the Executive Branch will pay them. If we decide the appointments issue, we will have decided the expense issue.

There was testimony that money from grants and loans should flow quickly, and that flexibility was needed to achieve this. However, the lower amount you make those payments, the more time it will take for full funding and the greater the bureaucracy will be involved. The director of the OED should have broader authority.

The proposal regarding contracting has a legal problem. If we want the status quo we should go in that direction. The proposal does not allow for buy-in or collaboration. Putting local government involvement in the system does allow for those things. The leaders of the economic development authorities are doing a good job. However, there have been times when they have not done so. There is competition without communication. In response to Commissioner Bonner from Douglas County, this bill is less bureaucracy, rather than more.

SENATOR KIECKHEFER:

When RDAs and local government entities take on the new function of economic development, do you think the local governments will have the local expertise in-house to perform this function? Will they need to hire economic development experts to perform this function?

MR. SUTTON:

Many local governments already have economic development organizations that have the capacity to perform under this bill. Those organizations would be bolstered under the bill. They may decide to contract out with an existing economic development authority in their area. This bill enables them to do that.

Ms. Gansert spoke about the additional funds in the Executive Budget, as closed, for economic development. This will allow the RDAs more resources with which to hire an executive director of their own if they so choose.

It is possible for the State to contract with private business, such as EDAWN or NNDA instead of the work being a budget line item. This would move us more in compliance with the State Constitution. The problem would then be that those agencies would still not be allowed to distribute the Catalyst Fund money. The result would be they could find a business that would be a candidate to receive these funds, but the request must still go through local governments. This would put those local governments in a bind. Suddenly, the entity contracted by the State over which the local government has no control, is giving the local government an application when the local government has had no hand in working with the company, even though the company is requesting the local government to send the request to the OED. Will the local governments deny those requests because they have not been part of the process up to that point? Will they forward the request for funds and hope the RDA has done the proper preparatory work? That raises the issue of clawbacks. Who is responsible if a private business misuses those funds? Who is responsible for getting the money back? Who is responsible for oversight?

Local governments are held responsible by letting them choose the direction of their economic development; letting them choose the manner in which their economic development is coordinated, either in-house or by contract with an outside business; and giving them control of Catalyst Fund money. The funding for the Knowledge Fund is still under study. Assembly Bill 449 allows both funds to accept private grants and gifts.

We do not disagree with the Lieutenant Governor's statement that the Commission on Economic Development is doing a good job. According to A.B. 449, in the interim structure, the Commission on Economic Development is given a greater role. They will be working with the advisory council and formulating the grants process with the results of the interim study. They will work with local governments on establishing their RDAs. They will be responsible for allocating funds from the initial round of grants. They will have oversight to see who is doing well and who is not. After transition to the long-term structure, the Governor and the legislative leadership will have to appoint individuals to the BED and will make decision about what the Commission on Economic Development will continue to do in the long term.

We do not disagree that we have a problem with the lack of resources. That is why we have tried to create a structure that can distribute more resources in alignment with the State Constitution.

It was mentioned that the BED would not be required to have private-sector experts serve on it. In the language of the bill, the appointments of the legislative leadership must be from private sector. There is language to ensure they represent a broad spectrum of business and regions, as much as is practicable.

The State Council on Libraries and Literacy (SCLL), loosely referenced in section 64, is an existing council that is now overseen by the Commission on Economic Development. The change in the bill is to provide that, when the Commission on Economic Development becomes the OED, it has the same oversight and control of the SCLL as they do now.

There was a question of what happens when the BED acts contrary to the wishes of the Governor. We do not see that political issue arising. Four out of nine members of the BED are either the Governor or are appointed by the Governor. The Governor has direct oversight of the director of the OED because the OED is a cabinet-level agency.

SENATOR LEE:

I would like to ask Jeffrey Fontaine to come to the testifiers' table. Commissioner Bonner from Douglas County asked that we not make the problems of Clark and Washoe Counties problems for Douglas County. Do the

other 15 counties see this legislation as a benefit to what they are currently doing, or would they like to opt-out and work independently?

JEFFREY FONTAINE (Nevada Association of Counties):

We have no official position on this bill as a result of the diversity of our member counties. I have heard specific concerns from rural counties that would be adversely affected by this bill because they do not have their own expertise to be competitive for certain grants. We have been told there would be equity in the implementation of the bill. There are many questions about how this would work for the small counties which do not have the staff or the resources to contract out.

We have not had time to analyze either the proposal for counties receiving direct funding or the Governor's proposal. We wholeheartedly agree with the comments of Mr. Fraser, and regardless of the final form of this bill, we want to ensure the counties I represent have a meaningful role in its implementation.

ROBERT C. HOOPER (Executive Director, Northern Nevada Development Authority):

We are the only development authority of record for four counties. Our municipal and county governments have direct involvement in everything we do. We have learned how to work with the various needs of these different government entities and develop a unified program. We achieve that by having regional canopy programs and local brand programs. We voluntarily and officially report to the county commissions because they provide us with funding for operations and marketing programs. We work on recruiting businesses. We work on creating the right level of workforce and the right level of infrastructure. We have created a broad community development program which the Commission on Economic Development has allowed us to build. We are accountable to them. When we bring companies in for a visit, it is crucial to have access to government officials. Recently, we brought one company in for a meeting with the Governor. At the end of the meeting, the company told us that Nevada went from being number two, behind Utah, to being number one on their list of favorable places to relocate their entity.

We already have done and are doing everything we have been talking about doing and creating with A.B. 449. We do not need to put more resources into creating redundancy. We need more resources coming into the current system which is working.

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JASON WATKINS

I support A.B. 449. I also support the remarks of the Lieutenant Governor. I have submitted a proposed amendment, [Exhibit D](#), to A.B. 449 that would include motion picture film incentives in the bill because it belongs under the OED. This amendment would be inserted into the first reprint of the bill in sections 22 through 24. The language of the proposed amendment is self-explanatory.

KELLY GREGORY (Policy Analyst):

We have received written testimony from Shelley Hartmann ([Exhibit E](#)).

CHAIR KIHUEN:

Seeing no questions of Mr. Watkins and seeing no one else who wishes to speak on the bill, the hearing on A.B. 449 is now closed. We will now open the floor for public comment. Seeing no one wishing to speak, we will adjourn the meeting at 2:52 p.m.

RESPECTFULLY SUBMITTED:

Leslie Sexton,
Committee Secretary

APPROVED BY:

Senator Ruben J. Kihuen, Chair

DATE: _____

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 449	C	Assemblyman John Ocegüera	Presentation
A.B. 449	D	Jason Watkins	Proposed Amendment
A.B. 449	E	Kelly Gregory	Written Testimony of Shelley Hartmann