

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

**Seventy-sixth Session  
February 18, 2011**

The Senate Select Committee on Economic Growth and Employment was called to order by Chair Ruben J. Kihuen at 1:02 p.m. on Friday, February 18, 2011, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 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

**STAFF MEMBERS PRESENT:**

Kelly Gregory, Policy Analyst  
Bryan Fernley-Gonzalez, Counsel  
Debra Carmichael, Committee Secretary

**OTHERS PRESENT:**

Michael E. Skaggs, Executive Director, Division of Economic Development  
Somer Hollingsworth, President and Chief Executive Officer, CED  
Stephanie Kruse, President, KPS|3 Marketing; Vice Chair Board of Trustee, CED  
Chuck Alvey, CEcD, President and Chief Executive Officer, CED  
Mike Baughman, Ph.D., CEcD, Executive Director, Lincoln County Regional Development Authority  
Robert C. Hooper, Executive Director, Northern Nevada Development Authority

CHAIR KIHUEN:

Today, the development authorities will give a general overview. They will state objectives and provide the Committee ways to work in conjunction with them to put together a short-term and long-term plan to diversify our economy.

MICHAEL E. SKAGGS (Executive Director, Division of Economic Development):

I have provided packets detailing the Commission on Economic Development (CED) ([Exhibit C](#)). We are Nevada's leader in developing and maintaining a diverse economic base, ensuring a healthy economy for the State. We publish the "State Strategy for Diversification" biannually, and you will hear the word diversification used on our Website and in the publication as we are trying to build a more diverse economy. That is our responsibility. We have a wide spectrum of programs implemented to create jobs for Nevadans. We utilize a team of professionals proven to meet unique business needs successfully, provide high quality products and services and give the best results created with integrity.

Successful economic development requires more than just business attraction. It requires infrastructure development, government contracting, ethics, strategic vision, true collaboration, trust and coordinated efforts. Business expansion and retention is a fundamental piece of what we do. Local enterprise creates about 80 percent of the jobs we produce. The CED promotes entrepreneurship and job creation by utilizing and implementing business development, global trade, rural community development, the Procurement Outreach Program and film offices. We develop new leads by attending targeted trade shows, database mining, site selector and by personal relationships. Technology commercialization is a new strategy for the State. We have to grow our own companies and help those companies get to market. There are development authorities working in each county in the State to assist with economic development measures at the local level.

A trained workforce is a key component to businesses considering relocation. "BizForce" is a recognizable brand, which encompasses the entire statewide network that will assist in workforce training. This network includes the Department of Employment, Training and Rehabilitation, Nevada JobConnect,

Nevadaworks, Workforce Connections and Nevada Industry Excellence. The program offers comprehensive workforce recruitment and training services. The CED prepares businesses to enter the export arena or increase activities in international markets and attract foreign investment to the State. Nevada has a team of independent trade representatives placed in Asia, Europe and South America to help companies access new markets and introduce foreign investors to business opportunities within the State. The Procurement Outreach Program opens the door for Nevada businesses-to-government contract opportunities and has created 12,000 jobs over the last 2 years. The first thing a company coming into the State does is talk to companies already here. If we have not done a good job satisfying the needs of the existing companies in Nevada, we will never accomplish the goal of business attraction.

We administer the Community Development Block Grants from the U.S. Department of Housing and Urban Development for the rural markets, and they include water, sewer and broadband infrastructure. It is so much bigger now because it teaches the communities to be self-sufficient and entails leadership training, infrastructure development, social issues to some degree and entrepreneurship.

The Nevada Film Office, Division of Motion Pictures, delivers key information to the production industry, encouraging use of the State's locations and resources. Nevada averages between 300 and 400 projects a year such as feature films, television series, reality shows, sporting events, documentaries, commercials and music videos.

Our annual State funding is shown on pages 20 and 21, [Exhibit C](#).

In July, the Lieutenant Governor started a process with the private sector and government leadership to gather ideas to speed up the economic recovery. Some of those ideas were centered on technology commercialization, global business development, domestic business development, Nevada business expansion, the defense industry expansion and the manufacturing workforce. As the population in the West continues to grow, the East businesses need to consider a West Coast presence. They need to tap the new customer market and take advantage. We need to be more aggressive about working with consulting enterprises on the East Coast.

In a year from now, if you have skills, you will not be unemployed. The nation is recovering. We will face a skill shortage quickly because people are exiting the workforce and retiring, but birthrates are down. We have fewer people coming into the workforce.

The New Nevada Task Force has identified nine areas where Nevada has a competitive advantage. They are international business development, business-to-business marketing, technology commercialization, film and television production, renewable energy asset utilization, road, rail and air transportation, the federal Bureau of Land Management (BLM) use, bioscience technology and medical tourism, and national defense sector expansion.

SENATOR LEE:

Is medical tourism something we should pursue? What field would you recommend for a student studying in Las Vegas?

MR. SKAGGS:

What holds real promise in the medical tourism arena is wellness and sports rehabilitation. Information technology (IT) is the area I would recommend. There is an extreme shortage of IT skills in the State. Those are incredible careers where individuals can continue growing their skill set and keep growing with the industry.

SOMER HOLLINGSWORTH (President and Chief Executive Officer, Nevada Development Authority):

As shown on the Nevada Development Authority (NDA) presentation ([Exhibit D](#)), we were founded in 1956 and originally called the Southern Nevada Industrial Foundation. We are supported by 350 business and individual members consisting of state and local government and educational institutions. Our mission is to attract companies to southern Nevada that diversify, expand and nurture the business environment, which will enhance the overall socioeconomic development of our community. Key results for 2010 are shown on page 2. Over the last 5 years, we have landed 178 new companies, 26 expansions and 10,976 jobs. The 5-year employee economic impact was \$4.8 billion, the 5-year local tax revenue was \$393 million and the 5-year state tax revenue was \$91 million.

There is pressure on southern Nevada to create economic diversification and help the State get through this program because 72 percent of the population is

in the South and the tax revenue generated is 76 percent. Southern Nevada has to get well very fast. We need diversification because tax contributions by the gaming industry, its employees and patrons were in excess of \$2 billion in 2010 and 42.1 percent of the State's General Fund comes from gaming; 35 percent of the General Fund comes from southern Nevada gaming. We have to reduce the dependency on gaming. In 1999, 24.7 percent of the workforce was involved in gaming but, in 2009, 17.6 percent of the workforce was involved in gaming in Las Vegas. The problem is, if the number was reduced to 10 percent, we still would not generate enough tax revenue from the non-gaming sector. We should solicit the industries that create high paying, high quality jobs as fast as we can if we are to move out of the recession.

Our strategy for the future is a work in progress. No matter what direction the State wants to go, the NDA will be on board. The future strategy is to identify and pursue viable clusters such as technology, biotech life sciences, medical research and development through manufacturing, medical tourism, health care, manufacturing supply chain logistics and the financial service industry.

How NDA measures its successes is detailed on pages 7, 8 and 9, [Exhibit D](#).

You will see a new ad campaign nationally. We have 14 years of statistical data and have chosen the states we will visit.

The State provides marketing dollars to the development authority, and since we spend your money, accountability and results are number one. The State needs to know what we are doing and how we are measuring the results. The results of our ad campaign are shown on pages 10 and 11.

The Las Vegas Convention and Visitors Authority spends \$100 million a year selling the brand "What Happens in Vegas Stays in Vegas", and the hotel industry spends another \$200 million. It is an effective campaign. The problem that faces us is focusing on the business climate, because we have been overwhelmed by what we sell which is "What Happens in Vegas Stays in Vegas," hospitality and tourism. The need to sell the business climate is huge. Our branding effort now throughout the country is "Las Vegas, The Best Business Climate in the U.S." Our website address is < <http://www.move2vegas.biz> > .

CHAIR KIHUEN:

When did you start the campaign "Las Vegas, The Best Business Climate in the U.S." and how long will it last?

MR. HOLLINGSWORTH:

We started running it about eight months ago. Before the recession started, everyone wanted to be in the West. When the recession is over, there will be a large movement from the East and Midwest to this part of the country. There is no other state that has the business climate of Nevada. This will be part of the national campaign.

SENATOR MANENDO:

What can we do to help?

MR. HOLLINGSWORTH:

If we are to recruit the best companies in the world, higher education needs to improve. Throwing money at higher education and neglecting diversification is not the way to go. It would take seven to ten years to diversify education and we do not have that time. Education can be funded if we diversify and bring quality companies in as fast as we can. Nevada is a product of a recession. All of the integral parts that made us great are still there. We are not broken internally, as the things in place are what make this the best business climate in America. We need to get the message out that Nevada is the best place for a business.

SENATOR MANENDO:

The Legislature has a responsibility to be more active and involved. This Committee needs an interim or standing committee that meets every month, and we need to hear from more people on a regular basis. As the Chair said, this is not going to be solved in one session. We need to take this seriously and work with local governments and business communities.

MR. HOLLINGSWORTH:

I would love to see the Committee meet every month. Every time we won or lost a company, the Committee would hear about it that day and the numbers would not be a shock.

CHAIR KIHUEN:

What is the main reason businesses choose to relocate to another state or choose another state?

MR. HOLLINGSWORTH:

There are a number of reasons, such as the incentive and giveaway programs that other states provide which might include free land, free buildings and cash. Perhaps the CEO likes to ski, likes the desert or likes New York City. It goes from one end of the spectrum to the other. Often when a company does not come here, it is difficult to get them to talk to us again, but we are making a list of all the companies we lost to ask why they did not locate here.

STEPHANIE KRUSE (President, KPS|3 Marketing; Vice Chairman Board of Trustees, Economic Development of Western Nevada):

The Economic Development Authority of Western Nevada (EDAWN) was formed in 1982 by a group of community leaders and was structured as a public-private partnership. We have a wide variety of strong community and business leadership on the boards and councils. The mission of EDAWN ([Exhibit E](#)) is to recruit and expand quality companies that have a positive economic impact on the quality of life in the greater Reno-Tahoe region. By fulfilling this mission, we are building wealth in our region, creating jobs and diversifying our economy. We receive 47 percent of our budget from the State, 8 percent comes from local governments and 45 percent comes from memberships paid by the private sector comprised of 231 different companies and organizations. In fiscal year (FY) 2010, our return on investment was \$57 for every \$1 invested in EDAWN. Page 3 of our presentation shows our FY 2011 operating budget and how it will be spent. Regionalization and collaboration are going to be critical to our success as a state. Our clients do not know where parts of Nevada begin or end. Many believe Reno is an hour's drive from Las Vegas.

CHUCK ALVEY, CECD (President and Chief Executive Officer, Economic Development Authority of Western Nevada):

We collaborate and cooperate with all the development authorities and organizations. Our top priorities are to create jobs and economic diversification, and our key strategies are to attract out-of-market companies, recruit inbound companies and retain and expand businesses. If you suspect that a business is leaving, shrinking or growing too big, let us know. We will call and offer them help.

A stable tax climate, low regulation, affordability and lifestyle are some of the reasons companies choose the greater Reno-Tahoe area. Why they choose not to come to the area depends on many things and varies by company. Power rates can be an issue, especially if the company is a major power user and comes from an area with lower power rates. If the company requires a certain technical skill, then the education base may be a problem. Even though we have a high rate of unemployment, we do not always have those skill sets available. Incentive is also a problem as we do not compete by offering money, for instance. No one thinks of Nevada as a business place. Once we get them here, they see what we have to offer, and we turn them around. Our performance measures are shown on page 6, [Exhibit E](#).

MISS KRUSE:

The performance measures on page 7 indicate that nearly 6,000 new jobs were created by 140 companies between 2006 and 2010. The total economic impact derived, adding the 5 years together, is just over \$1 billion and the total estimated taxes generated is \$46 million. This was a great return on investment for the funding from the State.

Between 2006 and 2010, about 76 percent of the companies that came to the State located in Washoe County, but a significant number have located in Storey County and in Fernley. We have seen a dramatic increase in State visits by companies and are relatively confident that our goal of 26 new or expanding companies, generating at least 1,100 jobs, will occur by June 30, 2011. High potential projects in the pipeline indicate we will be able to close 22 companies, creating nearly 1,700 jobs and more than \$260 million in economic impact.

MR. ALVEY:

The chart from < <http://YourEconomy.org> > shows that between 1999 and 2008, there was a 14 percent job growth in the area. The job growth of 1.81 percent came from companies relocating to the State. Interestingly, 1.9 percent came from new companies and 10.4 percent came from companies already in the State that expanded. That is why we are working on, "The Innovative Growth Initiative" which looks at entrepreneurs by stages. Stage 1 is the single entrepreneur who has a new idea, product or service and is ready to move it forward. Stage 2, where we are focusing, is the 9 to 100 employee companies that have \$50 to \$500 million in revenues that will grow immensely. For example, Moment Skis started with one person and \$100,000, and a year later they employ 9 people and are worth \$1 million. We are working with them



to grow. International Gaming Technology was once a start-up company in a garage and we would like to find more of those types of businesses. The Website mentioned, YourEconomy.org, reported that in the State from 2006 to 2008, nonresident companies had a 6.2 percent job loss while resident companies had a 0.02 percent job loss. We need our own companies, making their own decisions, keeping their money here.

MIKE BAUGHMAN (Ph.D., CEcD, Executive Director, Lincoln County Regional Development Authority):

The Lincoln County Regional Development Authority (LCRDA) was organized by Lincoln County and the City of Caliente, in the 1990s, pursuant to the Nevada Interlocal Cooperation Act. Lincoln County's mission is to diversify and expand the economy. The county is very large, but 98 percent of the land is administered by the federal government. The economy is somewhat narrow in terms of industrial sectors and opportunities to expand. We rely on activities of the federal government. The LCRDA consists of a nine-member board of directors, who represents businesses, retired industry executives and local government.

Our FY 2010 and FY 2011 budget is shown on page 5 ([Exhibit F](#)). We operate on a grant from the State and find that money to be helpful. At the Lincoln County Board of Commissioners meeting on February 7, the commissioners elected to increase their contribution from \$40,000 to \$50,000. The amount is not reflected in the slide. The local government participation and commitment is very significant. We operate on a \$200,000 budget and receive a U.S. Department of Agriculture, Rural Business Enterprise Grant (USDA RBEG). Every year, we have pursued federal grant funds from a variety of sources and have been very successful.

Some of our past major accomplishments were developing the Meadow Valley Industrial Park, obtaining the U.S. Small Business Administration Historically Underutilized Business Zones certification, working with the Lincoln County Commission on the Lincoln County Land Act, developing the Alamo Industrial Park, conducting the Lincoln County Labor Market Survey and engaging in other activities as shown on page 6, [Exhibit F](#).

Our current initiatives are shown on pages 7–21. Our most recent marketing initiative on renewable energy focused on solar- and wind-energy generation and manufacturing companies and resulted in 35 leads. One of those leads, A-Power

Energy Generation Systems Ltd, contributed \$47,500, and the Lincoln County Board of Commissioners matched that to perform a feasibility study for a 10-megawatt biomass project. The other lead, Gestamp Solar, leased a 600-acre parcel in Dry Lake Valley, which is the only piece of private property within one of the solar energy zones (SEZ) being evaluated by U.S. Department of Energy. The parcel is straddled by two 500 kilovolt (kV) transmission line corridors. One line is fully permitted and currently under construction. Our marketing initiative was successful and we continue to work with other companies.

We are very excited about our Building Lincoln County Revolving Micro-Loan Fund, which was launched the first week of January 2011. The LCRDA contributed \$25,000 and the USDA RBEG contributed \$25,000 to the fund. These funds will help distressed and expanding businesses within Lincoln County. Yesterday, I received the third executed loan document since starting the fund. It has been very successful. We will fully commit the \$50,000 within the next 4 to 5 months.

Many people come to Nevada for trade shows, and we need to have a presence to attract industries. We need to encourage and create incentives for our leading industries to help us create significant venture-capital funds. Those funds can be invested in industries to help support them, and they can expect a return.

We need to expedite renewable energy permitting on public land as we are behind many states in renewable energy development. Our ability to catch up is not great as we are largely a public-lands state.

The BLM is going to designate land as SEZs for the purpose of expediting renewable energy development in our State. The cost of connecting to a 500 kV transmission line is very steep and will serve as a barrier to merchant power companies wanting to develop large renewable energy projects. Anything we can do to facilitate financing of transmission line infrastructure and substations is critical.

There is a big push to create jobs in our State as our unemployment rate is high. We need to focus on the tax base. Unfortunately, solar energy does not create a huge amount of jobs after the construction, but the tax base is phenomenal and we could use those dollars to invest in education. Expand the tax base and the jobs will follow.

SENATOR LEE:

How can Lincoln County market their five state parks?

MR. BAUGHMAN:

Lincoln County is not opposed to marketing the state parks. However, the county had issues in the past with state park expansion on private property. It takes private property out of productive use and off the tax base, which does not help the county. We need to optimize the resources we have now and get the best use. The county was very active with the Silver State Trail. The commissioners are very supportive of tourism and the recreation-based component of their economy. They are not supportive of federal or state acquisition of private lands. Only 3 percent of our land is private, and that is our tax base.

ROBERT C. HOOPER (Executive Director, Northern Nevada Development Authority):  
The Northern Nevada Development Authority (NNDA) is the authority for the Sierra Region of Nevada. Our slogan ([Exhibit G](#)) is the Sierra Region of Nevada is the peaks, hills and valleys of the front range of the Sierra Nevada, where the climate for business is perfect.

Our vision is to secure an abundant and sustainable economy for northern Nevada where all its residents have the opportunity to grow in prosperity and realize their financial goals. Our mission is stated on page 2. Our purpose is to promote economic development which is essential to the residents of the four counties served by NNDA. The authority fulfills critical services for the region in support of job creation which includes on-the-ground activities designed to attract and secure new business to the region and to support existing businesses, fostering expansion and retention of jobs. In addition, NNDA supports business start-ups, improving their chance of success. Our activities result in job creation, improved economic conditions for residents and businesses, and an improved tax base allowing critical services by local governments. The NNDA provides a coordinated effort from concept to execution at a cost basis that would not be achievable by any single state agency, county or municipality.

We are a public-private partnership receiving funding through the local development grant program and Commission on Economic Development grants from our four counties. More than half of our income comes from private donations.

Our philosophy is shared abundance. It is not about what is in it for me. It is about our children, our grandchildren and the future of our community. Our philosophy has brought our community together.

We have a contextual choice: "Come to Nevada because we are a cheap date" or because Nevada is where business becomes profitable. Being cheap is a weak marketing approach. There is always someone cheaper. We can demonstrate that businesses become profitable when they come to Nevada. It is more than our tax structure. Economic development is focusing on improving the bottom line of primary producers, both present companies and future ones. If companies become more profitable, they will expand and hire.

One of our strategies is focused on community activism through open source economic development. We cannot do it alone and need the whole community to come together. Another strategy is adhering to the eight building blocks of economic development. We form marketing targets through cluster analysis and development of clusters, deliver national programs to realize goals to bring in funds and we promote regionalism and cooperation at all levels. In the worst of times, this community-first approach does work. Over the last 14 months, we have managed 17 relocations and 5 expansions which created 632 jobs. There is a first-year estimated economic impact for the region of \$100 million.

Our service region is shown on page 6, [Exhibit G](#). Being a multicounty development authority, we have had to work out some problems that a single county authority does not have. We provide a canopy program that provides administration, marketing and a concierge service to connect clients to all the various services available. We do this in a way that allows each county to have its own unique identity and brand.

This is a region of abundance that has an exceptional workforce, abundant land and water, a highly variable economic base and is the manufacturing hub of Nevada.

We look at each county's economic base, pages 7-9, [Exhibit G](#), and determine how we can build on it.

The NNDA formed a variety of action committees with 205 volunteer members serving on them. As part of the strategic plan, NCED gives us the regional building blocks. We prepare our plan annually, present it with a request for Local

Development Grant Program funds and report our building block progress quarterly and annually. The blocks form the strategic base.

Workforce and education is the number one concern companies bring up. The workforce and education committee is comprised of school superintendents from five counties. The Department of Education, Department of Employment, Training and Rehabilitation and Western Nevada College (WNC) have taken on an initiative of "Dream It. Do It" (DIDI). This is a workforce-skills program that provides nationally recognized and profitable certification programs matched to career advancement with multiple on-ramps into the workforce. A generic DIDI career ladder is on page 11 and an actual career path for the aerospace and defense industry is on page 16. We are matching our career paths with our industry targets.

Our manufacturing committee created their first cohort with the employees of WNC, participating in a skill-enhancement program and created seven pages of required skills. The WNC found where the skills are taught within their curriculum. The manufacturers pay for the tuition, send their employees and provide hiring and advancement preference.

We support entrepreneurship by providing services that allow new business start-ups success, improved bottom lines, expansion and jobs. Retention and expansion of existing business is also extremely important. We have our antennae up through our network of volunteers, looking for companies not doing well. We worked with a company that was failing in Douglas County, due to offshore competition. Our committees worked with the business to create a new product, and they went from manufacturing scooters to making wheelchairs.

We promote regionalism in community development and leadership. We have joint county seminars and conferences, bimonthly county leadership meetings and joint county co-op programs like 911 services.

Companies are not going to move to our county unless we support the broadband initiative. Our technology committee is working hard for infrastructure development.

We are building awareness and marketing by defining and promoting our brand, The Sierra Region of Nevada, through the newspaper, tradeshow booths,

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mailings, printings, out-of-market conferences, social media and telemarketing firms. The NNDA stands ready to serve.

CHAIR KIHUEN:

I adjourn the meeting of the Senate Select Committee on Economic Growth and Employment at 3:23 p.m.

RESPECTFULLY SUBMITTED:

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Debra Carmichael,  
Committee Secretary

APPROVED BY:

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Senator Ruben J. Kihuen, Chair

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

<b><u>EXHIBITS</u></b>			
<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A		Agenda
	B		Attendance Roster
	C	Michael Skaggs	Welcome to a brighter Nevada
	D	Somer Hollingsworth	Nevada Development Authority
	E	Stephanie Kruse & Chuck Alvey	Presentation for Senate Select Committee on Economic Growth & Employment
	F	Mike Baughman	Overview of Initiatives Lincoln County regional Development Authority
	G	Robert C. Hooper	The Sierra Region of Nevada