

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

**Seventy-sixth Session  
April 1, 2011**

The Senate Select Committee on Economic Growth and Employment was called to order by Chair Ruben J. Kihuen at 1:36 p.m. on Friday, April 1, 2011, in Room 2134 of the Legislative Building, Carson City, 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  
Debra Carmichael, Committee Secretary

**OTHERS PRESENT:**

Chuck Alvey, President/CEO, Economic Development Authority of Western Nevada  
Mark Sweeney, Senior Principal, McCallum Sweeney Consulting  
Paula Berkley, Food Bank of Northern NV  
Romaine Gilliland, Administrator, Division of Welfare and Supportive Services, Department of Health and Human Services

**CHAIR KIHUEN:**

We will open the meeting with a presentation on economic development.

**CHUCK ALVEY** (President/CEO, Economic Development Authority of Western Nevada):

Part of the goal in the Committee's heightened involvement in economic

development is to understand it. An important thing about economic development is it is constantly changing. Twelve years ago, I earned my certification in economic development from the International Economic Development Council, making me a certified economic developer. I recertify every three years, and I am constantly in training and learning.

Mark Sweeney is the Senior Principal with McCallum Sweeney Consulting which identifies, evaluates and selects optimal locations for companies and organizations' capital investments. Mr. Sweeney provides consulting services to companies like ours. He has worked with clients in automotive manufacturing, software development and Internet services ([Exhibit C](#)). He worked with the Nissan headquarters move in 2006 and is well respected in the economic development community for the size, scope and quality of his projects.

MARK SWEENEY (Senior Principal, McCallum Sweeney Consulting):

Our company helps businesses find the best location for their facilities and helps negotiate the best incentive packages. Our clients are worldwide, but our site searches are primarily in North America. Most of our clients locate in the United States. We work with companies in all industries, but manufacturing, distribution and large office projects are our biggest activities. We average about four client announcements a year which are actual projects that finish, page 2 of my presentation, [Exhibit C](#).

Our clients are investing to make profitable returns, and have many choices about where their investment goes. Projects arise when companies recognize an opportunity to bring a new product to market, bring existing products to new markets, increase customer service with call centers or increase efficiencies with data centers. One trend we see is once a company decides to take advantage of the opportunity it does not want to take a lot of time to decide where to locate. Another trend is once the decision is made as to where to locate, it does not want to take a long time to get started. Some of the steps we take are performing internal analysis to identify areas of interest in candidate locations, visiting locations and evaluating physical factors, key operating factors, labor availability and quality cost, utilities costs, transportation and taxes. We also examine quality-of-life factors. Upon completion of those steps

and with a few finalist locations selected, we proceed to help our client with final negotiations. Those negotiations typically include real estate, utilities and incentives of all types.

The Committee should think of economic development like a business that has three primary functions. There is the product that needs to be marketed and sold and an organization to make that happen. The same is true in economic development. Your product is not a widget, but the State. There is a big market that should be divided into segments. One segment is to attract investment and jobs from outside the area. Recruiting a company or business that has not been here before that is highly competitive, typically high profile and high impact is a good thing to do. The second segment is additional investment and jobs from inside the State or expansion and retention. The third segment is new investment and jobs from inside the State—entrepreneurial development.

There are fundamental characteristics of site selection. Our clients are not in the business of investing or hiring as they do that only to conduct their businesses.

They invest for the purpose of return. When there is an opportunity, our clients do not want to take a long time deciding where to locate as they are deadline driven. Companies have genuine choices where to place their investment, and where they put it has a big impact on how successful they are. Our clients are strong risk takers but are risk-adverse as they identify the uncertainties, understand how they will be mitigated and have a sound confidence in the location decision. Competitive site selection is a rational process until we get down to the final selection.

Overall capital investment activity has increased substantially relative to 2009. There is interest in companies now that we think is an element of pent-up activity. Many projects that were delayed or postponed in 2009 and 2010 are being revived. This activity seems to be withstanding and overcoming a series of threats such as the European financial crisis, Middle East and North Africa political unrest and the Japan natural disaster. We do not expect another boom, but we do see some resilience in companies ready to make investments.

We see opportunities in back office operations as there is a renewed interest in North American and U.S. locations for customer-support operations. Companies

are being more selective and cautious not to make knee-jerk decisions to send customer-support operations overseas. There are concerns with medical and legal records, technical issues, pirating and Internet Protocol protection with overseas operations.

There has been an increase in office headquarters relocations, and not all headquarters are going to less expensive locations. We have had a couple companies go to more expensive locations. The biggest driver is the ability to recruit and retain talent they want.

Companies will continue to have data centers. Cloud computing has become popular as it allows access over the Internet to raw computing power, storage, software applications and data from large data centers. This has led to the emergence of contract data center operators in locations other than the data centers themselves.

There are opportunities in alternative energy manufacturing such as renewable energy in wind, solar and geothermal. There are alternatives to fossil fuels like nuclear and biomass. However, nuclear energy may be on hold with the ongoing situation in Japan. There was momentum generated in parts of the United States on nuclear power that will eventually return. There is national policy that promotes energy savings and encourages reducing the dependence on foreign oil. Opportunities in alternative energy will continue to grow as there is a strong preference for U.S. production locations in close proximity to where the energy will be deployed. There is a strong European component because they have been in these industries for a decade before us, and there is an emergence of Chinese and Korean firms entering the business in the United States. Thus far, the industry has been narrowly focused in where it locates. Wind energy firms want to be close to the big wind areas because of the cost to move the equipment. There is a concentration of wind activity in the middle of the Country where there is considerable wind. Similarly, the solar farms have been located in the desert southwest.

Advanced materials manufacturing will grow because of their use in less extreme demanding areas. Titanium is used in aerospace and aviation and will now move into the automotive and civil infrastructures. Titanium manufacturing is a more competitive material from the cost and use perspective

than steel. The same is true with carbon fibers. One of our joint-venture clients will make what will be the world's largest carbon fiber plant that will ship fibers to Germany and eventually become the body for BMW's MegaCity electric vehicle. As the airline industry is moving to carbon fiber bodies, so is the automotive industry.

Automotive manufacturing really suffered in the economic trauma of 2008 and the restructuring of 2009, but the financial stability of the U.S. automakers has largely been reestablished. There is activity in the new generation of electric vehicles with advanced materials. That changes so much in the vehicle supply chain. We expect an increase in the number of automotive assembly plants soon.

For the public sector, recession has meant retrenchment. Many jurisdictions are facing severe budget shortfalls, and incentive policies are under scrutiny and pressure. Some locations have cut back programs, and some are reneging on existing agreements. Withholding of available incentives is high impact and has a short- and mid-term negative effect. I am here to advise Nevada that reneging on any agreements will be a black eye on Nevada and cause an element of uncertainty in the investment market that will take a long time to overcome. The term "balancing budgets" is often used for cutting incentives. I want leadership to know that incentives are investments in future employment and government revenues. It is very important to know these companies will not come here without these incentives. Incentives do influence decisions as they do not drive projects; projects drive incentives. Fewer projects mixed with expanding geographic choices means increased competition. Incentives influence projects toward the end of the projects. One key incentive trend is the economic development closing funds. It is a financial pool set aside to bring financial resources to help close the deal in your favor. The Texas Enterprise Fund is the most well-known fund and has been very successful for Texas. We have seen those types of funds established across the southeastern states and expect them to expand across the rest of the country.

SENATOR LEE:

When companies look to relocate their plants, are they looking to relocate their headquarters as well?

MR. SWEENEY:

Almost all our projects provide new capacity for the companies. Site selections used to be known as relocations. A company would close its factory in one location and move it to another location. There are not many headquarter projects, where a company picks up their headquarters and moves it. We average one or two a year, as once the company gets into it, it realizes the disruption and decides not go through with it.

SENATOR LEE:

Does weather play a factor in selecting Nevada as a location for the company?

MR. SWEENEY:

It will be a factor that is considered.

SENATOR LEE:

Does the Las Vegas image play a factor?

MR. SWEENEY:

Yes, but there are more factors involved if moving a headquarter location. But on other projects there are image challenges to moving to Nevada. Nevada is very successful for positioning as a gaming, recreation and tourism location. Nevada is looked at as a fun place to vacation, but why would someone want to locate a business there? That feeling has softened somewhat as more companies are doing more activities in Las Vegas and Reno. But that is still a part of the marketing image out there. There is evidence for the Committee to counter that image, but it takes an effective branding and marketing campaign and the resources to implement them. Our firm's job is to help companies leave their preconceptions at the door and let the process help them understand where they should locate. Some of the things that made Las Vegas successful are not always seen as compatible with the diversification the Committee would like to do.

SENATOR LEE:

Do American companies choose to locate out of the United States even with the world unrest?

MR. SWEENEY:

There is an explicit element of analysis that is done when working on international projects. It can hurt some countries but it does not hurt all countries. We have seen a dramatic fall off of companies wanting to relocate to Mexico. Companies used to relocate to other countries to find a cheap place to produce a product and ship it back. Now they are going to serve those markets in the future. Global unrest does make secure and stable countries more attractive. You will start to see foreign companies feeling more comfortable taking capital out of their countries and investing it in the United States.

SENATOR KIECKHEFER:

I am happy to see you have helped the Harley Davidson Financial Services, Inc. locate here in Carson City. What was the process and what convinced them that Nevada was the place to be?

MR. SWEENEY:

We were asked to help Harley Davidson Financial Services, Inc. expand their capacity. We looked at their existing locations in Texas and in Carson City, as well as new locations. The dominant factor for back-office operations projects like theirs was the labor market. Seventy percent or more of the costs are labor-related. Another factor is real estate availability and cost. We were able to focus quickly on the locations that provided those factors. Harley Davidson Financial Services Inc. has been successful here in Carson City, but their concern was labor force availability to meet their growth. What we found was Reno would support a new operation, and Carson City would support the growth of the operation. Through analysis we found there was not much cross mountain in and out commuting. We made sure we understood the localized markets and the availability of that labor. In the end, based on the labor analysis and the negotiations with the developer and building owner, they decided to expand in Carson City.

We found the labor market was strong at that point. We looked very closely at the impact of the gaming industry on the labor market for non-gaming employers and made our client feel very comfortable with that aspect. We

found very good professional economic development support from the State and primarily from the Economic Development Authority of Western Nevada. The company made the decision and is pleased with it.

Nothing in our experience would lead us to be concerned about considering Nevada locations for our clients. However, we do not have as many opportunities to work out West as we do in other places. We are glad for the opportunities to look here, as we think Nevada has many pro-business aspects.

CHAIR KIHUEN:

Do you think that now is the best time to invest in incentives? What are other states doing?

MR. SWEENEY:

Yes, but on a selective and strategic basis. The State needs to be prepared and respond effectively when opportunities arise. Closing funds have been very effective in the states that have them. It is a fund that is controlled in an effective manner and can have a high impact on a project decision. It would be an advantage to the State to have the fund on the books and funded as soon as possible so when opportunities arise, the closing tool is in place to compete. If Nevada is competing with another state that has the fund, at least the State can compete. If Nevada is competing with another state that does not have the fund, the State will have a very distinct advantage. The southeastern states have created closing funds because it is a very heated economic development climate in that part of the country. From my perspective, just having the closing fund available can influence some company's decision during the process.

CHAIR KIHUEN:

A couple of bills are coming up that will create funds to bring in some businesses.

SENATOR LEE:

Do you believe that a double-dip recession is possible?

MR. SWEENEY:

I am cautiously optimistic that we will not see the double dip. We will not see a boom, but will have positive growth on a national basis. There will be places



where it will be more challenging to get traction to recover, but there is a lot of interest by so many companies across a broad spectrum of industry, and that makes us hopeful. Access to finances is not a problem anymore. Big companies are sitting on so much cash they are under pressure from shareholders to invest. Cash does not get the same return as investing in another industry.

PAULA BERKLEY (Food Bank of Northern NV):

My goal is to help people overcome a preconceived notion that social service programs are a drain on the economy. The Food Bank of Northern Nevada's (FBNN) mission is to provide emergency food. You may be wondering why FBNN is making this presentation; it is because we learned a long time ago that if we give a bag of food to someone that was in need today, that person would come back the next day and the day after that. In order for FBNN to be effective, all the federal nutrition programs need to be fully implemented. That is why we got into the business of food stamps participation or the Supplemental Nutrition Assistance Program (SNAP).

I have provided you with a packet of research on the Food Research and Action Center ([Exhibit D](#)) to read later.

The first page of my other exhibit ([Exhibit E](#)) shows that the SNAP benefit is 100 percent funded by the federal government. Fifty percent of the administrative costs are funded by the State, and the other fifty percent are funded by the federal government. In fiscal year (FY) 2010, the total investment for Nevada was \$15.9 million. In FY 2010, the annual federal SNAP benefit dollars received was \$381.6 million. The State's budget for SNAP only shows the State's administrative costs because it is General Fund money. No one looks at the annual federal SNAP benefit dollars received, which is a mistake. Last year there was an increase in federal SNAP dollars received over the previous year of \$139.6 million. There are not that many businesses that brought in an additional \$139.6 million last year.

Nevada has been one of the fastest growing SNAP participants. It grew by 45 percent last year. The economic impact of SNAP cannot be forgotten as 97 percent of the SNAP check is spent on food within 30 days. In Nevada,

SNAP is a billion-dollar business. We must look at \$15 million when we are evaluating if we like the SNAP benefit dollars or not, or if we want to invest in the SNAP benefits or not, or if we want to cut them or not.

If the investment in the General Fund were to be cut, it would affect SNAP staff, the number of SNAP benefits would decrease, but the number of timeliness errors and quality assurance errors would increase. That is unacceptable to the federal government, and they would assess fines. Page 2 of the report about SNAP participation, [Exhibit E](#), shows the Nevada SNAP benefits participation history between 2004 and 2008. The highest state in the nation has 94 percent participation. There is great room for improvement for Nevada. The U.S. Department of Agriculture is behind three years in reporting state participation, so there are no current figures, but let us assume Nevada has increased participation to 61 percent. The total number of federal dollars available would be \$625.6 million. That would mean \$244.9 million more the State could get if we continue to register the eligible people in SNAP.

The FBNN has been participating in SNAP applications for about five years. We focused on people who cannot get to a welfare office, such as senior citizens, homeless people and the rural areas that do not have welfare offices. Last year, we approved 5,492 applications. Usually the process takes two visits to a welfare office. I translate that into 11,000 visits to welfare offices that were avoided because the FBNN went out and took the application. We were the first organization in the nation granted the opportunity to do the application and also the interview for the welfare office. With five and one-half people, we brought in \$13.5 million worth of SNAP applications which is a 9,667 percent return on investment.

The key to our success is our program is based on tobacco funds. We receive \$139,000 from the tobacco funds each year. The federal government will give us a dollar-for-dollar match if we do outreach, because they want us out there to find people who need these services. If we lost the tobacco funds, the outreach program would end. The FBNN needs cooperation from the Department of Health and Human Services (DHHS). Romaine Gilliland, Administrator, Division of Welfare and Supportive Services, DHHS, has given us the ability to do things other nonprofit organizations have never been able to do in order to achieve our goals. It is not only important to develop the applications

and turn them in, but we have to be accurate and timely. We turn our applications in the day we take them, and when audited by the federal government, they found zero errors in 175 random applications. Hopefully, the return on investments figures will make you realize that social service programs are a benefit.

SENATOR LEE:

It looks like you are encouraging people who do not necessarily need these services to apply. Then it comes out of our taxes. It is almost like workers' compensation fraud. I do not want anybody to be enrolled in SNAP. I want this State to be strong and vibrant so everyone finds a level of success. Somewhere along the line, we need to help those who are down and out. It does not make sense to encourage people to sign up for SNAP because it helps Nevada.

MS. BERKLEY:

That is a great concept and I agree with you, but these people have to qualify at 130 percent of poverty. They are not making it and are food insecure. One out of seven people in the United States is in SNAP. One out of four children is food insecure. If they do not get into SNAP, they are not going to make it.

SENATOR LEE:

I think we need to encourage our families to make sure our children are not enrolled in SNAP. We need to pull everybody up by the bootstraps and help in situations like this. Your product is good, but I am scared of your message.

MS. BERKLEY:

A person gets about one dollar per meal from SNAP. We are not wasting money. You and I could not live on the program. You have to qualify for the program. This is not the lazy man's out. The reason I am advocating for participation is our food prices would be significantly higher without SNAP. It is what is keeping many families afloat. Being in the program may allow some possibly to pay their mortgage or other bills.

SENATOR LEE:

I have never considered the ripple effect that you explained.

MS. BERKLEY:

The people we are going after are the ones that usually do not think they qualify. That is why they are not in SNAP. Nevada never discusses the program and you never see advertisements. When the economy goes back up, people will want to work. But if they are hurting and they cannot feed their children, it is a crime.

CHAIR KIHUEN:

Approximately how many people could apply for SNAP?

ROMAINE GILLILAND (Administrator, Division of Welfare and Supportive Services, Department of Health and Human Services):

We have approximately 326,000 participants in SNAP today. By the end of the biennium, we are looking at approximately 400,000 participants. When we reach 400,000 participants, we expect that to be a 72 percent penetration into the potentially eligible population.

CHAIR KIHUEN:

We do not want more people on welfare. We would rather they have a job and become self-sufficient. But times are hard, and there are 200,000 people without jobs. So as long as there are no jobs, they should have the opportunity to enroll in SNAP. They should be knowledgeable about this opportunity.

MS. BERKLEY:

The chart on page 5, [Exhibit D](#), may help explain the number of people in poverty and who are food insecure by county.

SENATOR WIENER:

Are those numbers the people who are not participating?

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MS. BERKLEY:  
No, those are the totals by county.

CHAIR KIHUEN:  
I adjourn the meeting at 2:47 pm.

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	Mark Sweeney	Helping Companies Decide Where to Build
	D	Paula Berkley	FRAC – Food Research and Action Center
	E	Paula Berkley	Fiscal Impact of SNAP Participation