MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT

Seventy-Seventh Session
February 21, 2013

The Senate Committee on Revenue and Economic Development was called to order by Chair Ruben J. Kihuen at 1:17 p.m. on Thursday, February 21, 2013, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 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 David R. Parks, Vice Chair
Senator Moises (Mo) Denis
Senator Debbie Smith
Senator Ben Kieckhefer
Senator Michael Roberson
Senator Greg Brower

GUEST LEGISLATORS PRESENT:

Senator Kelvin D. Atkinson, Senatorial District No. 4
Senator Aaron D. Ford, Senatorial District No. 11
Senator Justin C. Jones, Senatorial District No. 9

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Bryan Fernley-Gonzalez, Counsel
Gayle Rankin, Committee Secretary

OTHERS PRESENT:

James "JR" Reid, JR Lighting, Inc.
Joshua Cohen, Cohencidence Productions LLC
Brett J. Scolari, Reno-Sparks Convention and Visitors Authority

Christopher Baum, CHME, President and CEO, Reno-Sparks Convention and Visitors Authority
Jeffrey Spilman, Bottom Line Entertainment LLC
Chris Ramirez, Silver State Production Services
Randy Soltero, International Alliance of Theatrical Stage Employees; International Brotherhood of Teamsters; Screen Actors Guild-American Federation of Television and Radio Artists
Jerry Dugan, FLF Films, Inc.
Jack Mallory, Assistant Business Manager/Secretary-Treasurer, International Union of Painters and Allied Trades, District Council 15
Danny Thompson, Executive Secretary Treasurer, Nevada State AFL-CIO
Brian McAnallen, Las Vegas Metro Chamber of Commerce
Patrick T. Sanderson, Laborers International Union Local 872
Brian Wachter, Retail Association of Nevada
Geoffrey Lawrence, Deputy Policy Director, Nevada Policy Research Institute
Deonne Contine, Deputy Executive Director, Department of Taxation
Nicole Rourke, Clark County School District
Carole Vilardo, President, Nevada Taxpayers Association
John Wagner, State Chairman, Independent American Party
Brian Reeder, Nevada Chapter, The Associated General Contractors of America, Inc.
Josh Griffin, Nevada Subcontractors Association
Tray Abney, The Chamber Reno-Sparks-Northern Nevada
John Griffin, American Council of Engineering Companies
Randi Thompson, Nevada State Director, National Federation of Independent Business
Joanna Jacob, Associated General Contractors Las Vegas; Nevada Contractors Association
Janine Hansen, Nevada Families
Gail Dietrich
Wendy Bozak
Ray Bacon, Nevada Manufacturers Association
Chris Nielsen, Executive Director, Department of Taxation
Al Martinez, Service Employees International Union Nevada Local 1107
Geno Martini, Mayor, City of Sparks
Greg Krause
Danny J. Costella, Business Agent, International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers, AFL-CIO Local 118
Robert W. Potter, President and CEO, Affordable Concepts, Inc.

Leslee Miller
Linda Harris, Associated General Contractors Las Vegas; National Contractors Association
Tania Munoz, Hammond Caulking, Inc.
Steven Ireland
Casey Baker, Associated General Contractors
Paul McKenzie, Executive Secretary-Treasurer, Building and Construction Trades Council of Northern Nevada, AFL-CIO
Warren B. Hardy II, Associated Builders and Contractors of Nevada; HDR Engineering, Inc.
John Seymour, International Brotherhood of Electrical Workers Local 401
Jim Dodson, P.E., Atkins Engineers; American Council of Engineering Companies of Nevada
Shirayne Waite, Teamsters Local 631
Michael C. Cate, Nevada Chapter, Associated General Contractors
Jeffrey Fontaine, Executive Director, Nevada Association of Counties
Patrick Irwin, Board of Commissioners, Pershing County
David Garbarino, International Union of Operating Engineers Local 12
John Frame
Kristina L. Swallow, P.E., Engineering Program Manager, City of Las Vegas
Nechole M. Garcia, Assistant City Attorney, Office of the City Attorney, City of Henderson
Cadence Matijevich, Assistant City Manager, Office of the City Manager, City of Reno
Dale Mills, The Minuteman Investment Group, Inc.
Yolanda T. King, Director, Budget and Financial Planning, Department of Finance, Clark County
Lisa Gianoli, Washoe County
Gene Temen, President, Quick Space
Robert Conway, Ironworkers Local 433
Dave Backman, Senior Vice President, K.G. Walters Construction Co., Inc.
David Peterson, The Penta Building Group
Scott Leedom, Southern Nevada Water Authority
Bill Wellman, Las Vegas Paving Corporation
Mike Kinney, Vice President, Laborers' International Union Local 169
Brian Bonnenfant, Project Manager, Center for Regional Studies, College of Business, University of Nevada, Reno

Chair Kihuen:
We have three bills on our agenda, Senate Bill (S.B.) 165, Senate Bill 172 and Senate Bill 171.

SENATE BILL 165: Provides for transferable tax credits to attract film and other productions to Nevada. (BDR 32-781)

Senator Aaron D. Ford (Senatorial District No. 11):
I am here to present S.B. 165. Since 2001, Nevada's film and television industry has declined 43 percent from $155 million to $89 million. During that time, billions of dollars of investment money have passed from Nevada to 40 other states that have tax incentives. Nevada has lost interstate competitiveness, out-of-state investment money, long-term jobs and our best local talent. Most of us leave the movie theater before the credits finish running or change the channel on the television. The fine point we miss is these credits are jobs. These titles at the end of every movie and television show represent jobs for real people, wherever the film was produced.

Although hundreds of productions shoot here annually, these are brief visits from production companies that have nothing to do with creating local jobs. These productions bring their own labor, equipment and supervisors. That further deprives Nevada of income and tax base revenue. In order to attract productions to our State to create long-term green jobs, we need to compete on a level playing field. Forty other states have tax credits, and they have dropped our economic benefit from $155 million to $89 million. We need a tax incentive in Nevada. Senate Bill 165 is a jobs creation act for the motion picture industry in Nevada. It creates a transferable tax credit on qualified in-state labor, goods and rentals to entice medium to large film and television production companies to shoot in Nevada and employ Nevadans. This bill targets the productions we are failing to attract. Its primary goal is create long-term careers for Nevada's current and future film industry workers.

We have spent years honing this program to work specifically for Nevada. Senate Bill 165 generates direct jobs and tax base revenue through goods, food, labor, lodging, rental cars, gasoline, payroll taxes and property taxes. Senate Bill 165 also generates secondary and induced jobs that generate tax base revenue through suppliers, employers and the taxes they pay, and nonincentive spending. We have implemented certain requirements to maximize the new business this will bring. We will review and evaluate the program on a regular basis, making sure we adjust and evolve. We have structured this incentive in a way to be fiscally positive for the tax base. Following my presentation, you will hear from JR Reed, JR Lighting; Joshua Cohen, Cohencidence Productions; Brett Scolari, Reno-Sparks Convention and Visitors Authority; Christopher Baum, Reno-Sparks Convention and Visitors Authority; Chris Ramirez, Silver State Production Services; and Jeffrey Spilman, Bottom Line Entertainment. Mr. Spilman is a producer of several movies you will recognize. Each of these individuals will lay out in detail the reasons why we need a tax incentive for the film industry in Nevada.

James "JR" Reid (JR Lighting, Inc.):
Senate Bill 165 provides a transferable tax credit to attract films and other productions (Exhibit C). On pages 2 and 3 of Exhibit C, section 7 shows a qualified production is a movie, television show, series, commercial, music video or other film production. It does not include sporting events, news, award shows, galas, other live events or pornography.

To be eligible, Exhibit C, section 8 shows at least 60 percent of the production must shoot in Nevada and have a minimum in-state spend of $100,000.

Exhibit C, section 9 shows qualified expenditures include set construction and operations; wardrobe and makeup; photography, sound and lighting; editing and postproduction; leasing vehicles, equipment and properties; payroll for Nevada residents; and payment for goods and services to Nevada businesses. Expenses that do not qualify for an incentive include transfer of credits; marketing and distribution; financing, depreciation and amortization; payment for goods and services not directly attributed to the production; and pass-through payments.

Exhibit C, section 10 shows the transferable tax credit will equal 23 percent of qualified expenses. An extra 2 percent can be earned if at least 50 percent of the below-the-line crew is residents. An additional 2 percent can be earned if the production shoots outside of a production center.

Exhibit C, section 11 shows above-the-line personnel as the stars, producers and director. Nonresident above-the-line personnel are limited to a 20 percent tax credit. A person's eligible compensation cannot exceed $1 million. The below-the-line personnel are the crew members who make the film happen. Nonresident below-the-line personnel will be limited to a 20 percent tax credit for the first 2 years and reduced 5 percent annually until zero.

Exhibit C, section 12 shows the annual cap of $50 million on the program with a $5 million cap per project. The resident producer's compensation will be limited to 10 percent of the budget, and nonresident producer's compensation will be limited to 5 percent of the budget.

Exhibit C, section 13 shows for auditing purposes, the production company pays for an audit by an independent certified public accountant. The audit will be submitted to the Office of Economic Development for review and the Department of Taxation will issue the appropriate tax credits.

Exhibit C, sections 17 through 19 show an advisory committee will be formed of nine members. The members will number three each from government, industry businesses and labor representatives. Each member will serve a 2-year unpaid term. The program will begin January 1, 2014.

Joshua Cohen (Cohencidence Productions LLC):
I am an independent producer in Las Vegas, and I own a camera and lens rental company. Please refer to Exhibit C, Motion Picture Jobs Creation Act, starting on page 13. Forty states offer film tax incentives to draw productions. Incentives range from 10 percent to 50 percent; the average is 25 percent to 30 percent. The Ernst and Young consulting firm has studied all the programs across the Country and released a condensed report in 2012. The firm's analysts found 60 percent of the incentive dollars go to labor and that tends to create 1,540 new jobs per state per year. These are jobs directly attributable to the production. They are good-paying jobs, from $20 to $50 per hour with overtime. The average income is $58,000 but can range from $50,000 to $70,000 per year. Ernst and Young analysts estimate 90 percent of incentive dollars create secondary, induced and indirect jobs. They estimate over 1,000 jobs per state, per year that total $20 in economic activity for every $1 of incentive.

We have compared eight states against Nevada since these provide the most direct competition for Nevada. The programs in the 10 percent-to-20 percent range are not successful. The states that offer 25 percent and higher do well and grow their industries. New Mexico is the state that took most of the business from Nevada during the first decade of the twenty-first century. New Mexico has a 25 percent rebate. Its industry went from $29 million a year to $277 million a year. Georgia is the king of tax incentives with a 30 percent program. Georgia's industry went from $124 million to $2.5 billion in a short period. Louisiana is also popular with a 35 percent program. Its industry went up 13,000 percent in a few years. These increases all happened during the Great Recession. These states do not have the proximity to Los Angeles that we have. They neither have the 24 hours a day, 7 days a week culture and services of Nevada nor the tourism draws. The economic impact for Nevada is based on a 25 percent credit with a maximum cap of $50 million per year. My opinion is it will take a few years to reach the $50 million cap as we grow as an industry.

Assuming 60 percent goes to labor and 40 percent to business under a 25 percent credit—$30 million to labor and $20 million to business, it is a gross direct in-state spend of $200 million. The tax rates of 13.8 percent and 11.5 percent were taken from two different film-related businesses and include all the taxes paid on the front end and back end. Labor-based businesses include someone who might book crew or cast and pay an average of 13.8 percent. Businesses such as rentals will pay 11.5 percent. This will create tax-based revenue of $25.8 million collected before credit issuance. Indirect and induced supplier impact is significant. Ernst and Young estimate a 90 percent bonus that would generate an additional $23.2 million in tax-based revenue per year. If you look at $380 million in economic stimulation, that totals $49 million in tax-based revenue. That means 98 percent of the credit is recovered before the credit is issued. These credits typically take about a year from application to credit issuance. During that time, all of the money has been spent here and the tax base will collect all of its revenue before the credit is issued.

It is difficult to put a specific number on tourism. The *Annals of Tourism Research* is a British social sciences journal that studied nine locations around the world, mostly in British areas. The Scottish Highlands was advertised by *Braveheart,* and New Zealand was advertised by *The Lord of the Rings*. Analysts found a 54 percent increase in tourism spending in the 4 years following a film that advertises location on screen. Ernst and Young studied a similar number of states or locations, like *Fried Green Tomatoes*, that would advertise a smaller location, and found an average 31 percent increase in tourism revenue. We do not expect to hit those numbers because we have an overwhelming preexisting tourism base. Look at *The Hangover* effect. *The Hangover* came out in June 2009. The statistics from 12 months before to 12 months after the release show an 8.5 percent increase in Las Vegas visitor volume and a 10.5 percent increase in Clark County gaming revenue. This is not all attributable to the movie, but some is because of *The Hangover* shop at Caesars Palace. We are predicting a 3 percent to 5 percent tourism bump because of this legislation. No one can reasonably deny we will see at least a 1 percent bump. All our numbers are based on a 1 percent tourism increase. In 2010, page 21 of Exhibit C shows the State brought in $46.6 billion in tourism revenue for $3 billion in tax-based revenue. A 1 percent increase is $30 million in tax-based profit that we will collect for 4 years after these movies come out.

The return on investment (ROI)—direct plus indirect induced plus tourism—is $79 million, of which $49 million is collected before the credits are issued. This creates a minimum ROI of 1.58, which is fiscally positive, and $30 million in tourism is the tax base profit.

Brett J. Scolari (Reno-Sparks Convention and Visitors Authority):
I will introduce some guests who will speak on this issue more eloquently than I will. Our 13-member board is made up of private and public individuals in the Reno-Sparks area, including politicians from local governments, casino operators, hotel operators, motel operators and general business people. When a measure like this comes along, our board is going to give emphatic support. I would like to show you a few video clips (Exhibit D).

Christopher Baum, CHME (President and CEO, Reno-Sparks Convention and Visitors Authority):
I have spent 39 years in the travel industry. I came to Nevada about a year ago from Michigan. For 5 years in Michigan, I was able to work closely with the television and film production industry. My role was Senior Vice President of the Detroit Metro Convention and Visitors Bureau. We created a special division called Film Detroit as the primary marketer of the State of Michigan to the Hollywood studios and production companies. As part of that role, we started seeing incredible economic benefits in Detroit from the film industry. We did a poll of all our member hotels in the metropolitan Detroit area in 2010, asking for specific numbers of utilized hotel rooms by film and television crews. In a 12-month period, 99,500 rooms were rented. That is a significant number of businesses compared to the previous zero. It shows that even in an economically depressed area like Detroit, it was possible to generate a significant amount of business for the hotel industry, restaurants and other retailers. During that time, Detroit was suffering from the auto industry downturn. We decided to move forward in the second year of Michigan's internal program. We hired Ernst and Young to use the State of Michigan's numbers for an economic research study. The Detroit Visitors Bureau joined with other bureaus in Grand Rapids and other major cities around the state to

fund this research. We did not know the end result, but we paid the money and waited. In February 2011, we received the final report (Exhibit E). This report had a number of major findings that were compelling, and we believe this program was working at a faster pace than any other industry could execute. In 2009, the first full year of the incentive, Michigan saw $209.3 million in spending by film and television productions. That was less than 6 months after the bill was passed and put into place. The $209.3 million earned $73 million in credits. In 2010, $322.6 million in spending earned $117.2 million of credits. It is commonly believed Michigan has a 42 percent incentive. Nobody can get an entire production at that high level. Nobody wanted to go to Michigan, so the State thought it had to be aggressive in the numbers and come in high. During those 2 years, the average was a 35 percent to 36 percent incentive on the actual payout.

With Nevada's proximity to Hollywood, this program would be successful in Nevada. In 2009, total employment was 2,631 full-time jobs created by film and television productions for residents of Michigan. In 2010, 3,860 full-time jobs were created. In Michigan, the average annual compensation was $53,700 with benefits. This was a great opportunity for the people suffering from layoffs in the auto industry, living on welfare and public assistance or trying to figure out their next move. Workers could be retrained and start working at a high-paying position in the creative industry of television and films. In 2009, the amount of payroll dollars paid by film and television productions was $42.8 million. Ernst and Young found that $108.9 million in payroll was paid in 2009, when accounting for the people at hotels, restaurants and other businesses hired to accommodate the increased level of business. In 2010, $66.9 million was paid directly to people working on film and television productions, but $172.5 million was the economic impact to payroll from the demands of the film industry.

Film people do not bring all their things with them; they buy them locally. They source people locally, and they source lumber, signs, printing and all the materials bought in the local marketplace. There was a 58 percent year over year increase in payroll between 2009 and 2010. In 2009, Ernst and Young found the net cost of the film tax credit—the revenue generated per dollar of the film tax credit—was $5.89 of economic impact; in 2010, for every dollar spent generated $5.94 of economic impact. The State of Louisiana does over $1 billion of television and film each year. Louisiana had a study done by an independent company and came up with the same numbers based on the state's statistics.

We have seen an economic impact that no other industry can match. The filmmakers do not have to build warehouses or have a lot of infrastructure in place before they can start hiring. They can start hiring within a few months once a project gets the green light.

The impact on tourism has been extensive. A new term for it, called "set jetting," refers to people who love the entertainment world so much, they plan their vacations around places where their favorite films were shot. In Michigan, most of the economic activity from films took place in urban areas, such as Detroit and Grand Rapids. There was a lesser effect on the tourism element. Visitors to the city were excited to see film crews on the streets everywhere they went, but few people planned their vacation specifically for this. Nevada will benefit disproportionately once it becomes a film and television production center.

Jurassic Park was filmed in Kauai. In many films, locations are shot at other locations. A film could come to Reno but be set in Chicago. The production managers would make it look like Chicago. A film like that is less likely to drive tourism, but many films are rewritten for the destination with the best incentive package. As a result, screenwriters go back and change the setting for the new state. The tourism element is a greater factor for us than other states that have incentives in place.

Jeffrey Spilman (Bottom Line Entertainment LLC):
When I looked at Reno and Tahoe and looked at the rivers and mountains and the downtown Reno area, it occurred to me anything and everything could be filmed here.

I went back to Michigan in 2008 when the State passed its incentive so I could be near my family. I helped bring films to Michigan along with Chris Baum. I brought over $100 million in films to Michigan within the first years of the incentive. One of those films was *Gran Torino* directed by Clint Eastwood. This film was started in May 2008, 1 month after the incentive was passed. We had a decent-sized film crew that was one deep. That means if one feature film came in, we could staff it with locals in some of the positions. By the time 2011 hit, we were up to six crews deep in many areas. As part of the production team, I worked on *Gran Torino,* and I know how we spent our money. A small self-service laundry and drycleaner benefitted from the movie. The business was up 400 percent. When movies are done shooting, the production managers hand off their vendor lists. *Gran Torino* was supposed to shoot in Minneapolis, but it came to Michigan because of the incentive. The producers liked what they saw and hired many of our local people and trained them to work on later movies. The next movie I worked on was *Kill the Irishman* starring Val Kilmer. We managed to get 60 percent of the crew from local Michigan residents. The next film I worked on called *Little Murder* has not been released, but it had 80 percent of Michigan residents working on it. I worked on a Disney-type series, *The Wannabes*, shot in Michigan that was supposed to shoot in Texas. There were 90 percent of local Michigan residents on crew with an average wage of $35 per hour, and they worked about 60 hours per week for a year and a half.

Two payroll companies do payroll for many of the studios in the United States. One is Entertainment Partners and the other is Cast and Crew. I called one of my contacts at Cast and Crew and asked for an estimate of what amount of local labor was used on the movies shot in Nevada in recent years. Cast and Crew do all the Warner Brothers work, including *The Hangover* movies partially shot in Las Vegas. The number of residents working on these movies was 1,262. That is a good number. When I look at qualified film crew—people who are experienced crewmembers—in the Las Vegas area, there are less than 200 people, Reno has less than 100. The number of nonresidents who worked is 1,997. The payroll paid to the residents was $2,534,399. The payroll paid to nonresidents was $11,129,835. The producers had to bring in experienced crewmembers because Nevada does not have a full-time crew base. You cannot afford to support your family and work in Nevada as a film crewmember because there is not enough work. When a film comes to Nevada, the producers bring everything and everybody with them.

It is a risky business. You hire who you know you can hire until you find qualified personnel. Within the first 3 years of the incentive in Michigan, that shifted. Producers used local vendors for their supplies. One of the biggest beneficiaries in Michigan was the retailers. I wanted to develop a crew base in Michigan so I could hire locals. I formed a school, and people from California who have worked on many feature films were my guest lecturers. Many of the students who came had the bulk of their training funds paid for by the State of Michigan and were taught by leaders in the film industry. I trained 400 people in the first couple of years. The majority of them got jobs in the film industry, including a former Federal Express driver who lost his route and laid-off automotive workers. Most gratifying for me was to see people who had lost their homes and cars be able to stay in Michigan with their families and rebuild their lives.

Nevada does not have to offer 35 percent to 40 percent like some of the other states. You are so close to California. I went to Sony Pictures 2 weeks ago and met with division leaders at Columbia Pictures, Screen Gems and the lower budget Stage 6 Films. These people made six or eight movies in Michigan over the last few years. They were taking off the next day to go to Louisiana to scout. I talked about the Nevada incentive because I did not want to do this in a vacuum. I mentioned to them what our thoughts were previously. They said in the 20 percent range, they would come here. I got a text message last week from Glenn Gainor, who is in charge of production at Screen Gems Pictures. He was in Georgia, but he stated he would much rather be in Nevada. Nevada is a gem that has the ability to host the industry here. It is not just a job creation bill; it does create the jobs, and it creates more jobs indirectly than directly. I have seen it personally. I have trained these people and I have seen their lives change. It displays your state and gives people a good feeling. The State Treasurer in Michigan called it the psychic phenomenon. When a movie films, people come out to watch. When we did *Gran Torino*, people gathered and barbecued. They wanted to watch, and it generates tremendous impact. I love Nevada and I want to see it prosper.

I brought in a teen pop band here to see the area. This band starred in a television production I made in 2009 and 2010. The band members fell in love with Reno and Tahoe. They went skiing and snowmobiling. They decided to film the pilot for their next television show in Reno and they hope there is an incentive, so once the pilot is picked up, they can shoot in Nevada. They want to be here and make this their home.

Chris Ramirez (Silver State Production Services):
I was born and raised in Las Vegas, and I went to the University of Nevada, Reno. I love Nevada. It has a brand all its own. We are 100 percent committed to it. I started out in the industry as a location scout. I am hired to find the places the script designates. It could be a dive bar, the Las Vegas Strip or some other icon. I find the areas and work out the deals to make it happen. My

position is the first person hired. We get to spend time with the producers and the filmmakers far before the movie ever comes to the proposed town.

The Motel Life is a movie written by a Reno author, Willy Vlautin. I got a call from the producer doing this movie and he was in New Mexico. The story takes place in Reno. The producer hired me to come to Reno and see if I could make arrangements for 3 days of shooting, and then the plan was to take the whole production to New Mexico for the next 3 to 4 months. Because of the size of the budget and because of the opportunities, we worked hard to shoot that movie here. We stayed in Carson City and filled up the Hardman House for 2 months. We used the laundromat and other businesses in Carson City. After we left, there were local vendors who sent us thank you cards for our business. While we were here, on the weekends the whole crew would go to Genoa, Virginia City, Minden or Gardnerville for dinner. The local paper followed us around. We do this as much as we can in Las Vegas. The people who were in our crew loved northern Nevada, and they were from Las Vegas, Portland and Los Angeles. They had never seen Lake Tahoe or Virginia City. I was hired to work on the movie *Heat*. I took Jason Statham and the producers around just before Christmas to show them what Las Vegas looked like at Christmas time so they could redecorate Louisiana as Las Vegas. I drove them around Las Vegas for a few days and showed them some great bars off The Strip with lights, hoping they could not recreate them. They loved Las Vegas. The difference is, if they did just one scene in Las Vegas, I would be able to retain 30 of my full-time employees. If they do that scene in Louisiana, then I have to lay everyone off for that time. The producers, production designers and directors love Las Vegas, but they will not consider doing the movie in Las Vegas. It comes down to where the tax incentives are.

The television series on CBS called *Vegas* was not filmed in Las Vegas. A movie with a name and title does not have to set foot in our City anymore because it is economically viable to build Las Vegas in another state. We have seen revenues go from $150 million down to $30 million. As much as these people love Nevada, they will not bring their projects here without a tax incentive.

We work well with JR Reid. We provide crew, labor and jobs. Ninety percent of what our company does is hire people. We are constantly pitching to our producers how great our crews are. There is no reason for them to believe me. If producers can bring their crew, then great. If the incentive was in place, they can hire a local resident and get economic favorability. We provided crew to *The Hangover Part III*. We did music videos and worked hard to show off the downtown. We brought $500,000 to downtown businesses. If we could have done more, it could have been $3 million to $4 million.

Chair Kihuen:
When film crews are coming to Nevada to do a film, do you hire locally, or do they import their employees?

Mr. Ramirez:
They usually bring 80 percent to 90 percent of their crew, depending on the size of the job. On *The Hangover Part III*, we were able to get 20 to 30 people on a crew of 300. On smaller jobs, the percentage might go up because we may have a closer relationship. These are good people, let us hire them.

The State needs to be more than one deep. When *The Hangover Part III* comes, we have enough qualified personnel to fill the gaps. If another movie came at the same time, we would have a hard time. Those numbers will not grow until there is a reason for these people to stay. The head of production for my company was a general building contractor for 30 years until the construction industry went down. I brought him on about 3 years ago. The skill level and project management experience from the construction industry to the film industry is similar in that with the right programs and job training, one could easily adapt his or her work and skills experience into a new field that Nevada needs now.

Chair Kihuen:
Do we have the trained workforce to take on some of these jobs now?

Mr. Ramirez:
We have a trained workforce. We are at a level to handle one movie. We can handle a good-sized production. We are training people, and they are leaving the State. They may all work on *The Hangover Part III*, but if there is no more work, they will go where the work is. With the productions we have in process, I have told them tax incentives are being considered. People get excited; they would love to stay in Nevada. Until there is a reason for the industry to boom locally, there is no reason for people to stay here. There is no reason for job training and schools opening if there are no jobs.

Senator Ford:
We have choices on how we can invest in our State's future. I am confident this is one of the best industries to stimulate. Investing in film tax incentives will gain lost jobs and bring new jobs. It will help build a viable and sustainable industry. It is about jobs and about diversifying our economy with a new industry. It will create the perfect storm we need to draw the industry here permanently. Nevada is home to "The Biggest Little City in the World" and "The Entertainment Capital of the World."

Senator Roberson:
I agreed to sign on as a cosponsor of this bill in an effort to show bipartisanship. I support the concept; jobs are a good thing. Tax credits can be helpful in driving economic development. I have questions about the details of Senate Bill 165.

Have you spoken to Steve Hill, Executive Director of the Governor's Office of Economic Development? He is an expert in economic development. I would like to hear what he thinks of your proposal. He testified before the Senate Committee on Finance, and the issue of tax credits for the film industry came up. He has looked at what other states have done. The impression I received from his testimony was many states are giving away too much for the benefit they are receiving.

How did you arrive at 22 percent to 27 percent transferable tax credit? Why that large of a tax credit, and why make it a transferable tax credit? What does that mean?

Senator Ford:
Yes, I have talked with Mr. Hill. The impression I have is he approves of the concept. This is a work in progress. We have another committee to go through after this. We will work toward the issue he has. My impression is the primary concern he has is a fiscal one. As a matter of policy, he did not appear to have a concern with the notion of a tax incentive. When I met with him, he had just been quoted in the paper for the reason you indicated. What he said in the Senate Finance Committee meeting was not that he did not support the notion, but he would like to look at it. He clarified to me he had been on television that morning and reaffirmed he is okay with the notion. Communications will continue. We have a communication going on now. We are attempting to get

some information from the Nevada Film Office in order to determine that the type of films we are trying to get here do not already exist.

Based on the Ernst and Young study, the states most comparable to us have not done well when the percentage is below 20. They have done well when it is above 25 percent. We do not have to get to 50 percent, as Alaska has, in order to induce businesses and theater companies to come here and operate. I have heard the industry will not come here if it is below 20 percent. We have been able to determine that a minimum of 20 percent up to 27 percent, based on the extra incentives, seems to be the right amount relative to the study.

Senator Roberson:
That is helpful, and I do support the concept. Could you elaborate on the transferable nature of this tax?

Senator Ford:
The transferability of the tax credit is necessary. The film industry utilizes those for financing and beyond that, there is a secondary market with an opportunity to create another side. Brokers can buy and sell the tax credits. It encourages another opportunity to employ some people.

Mr. Spilman:
I deal with financing these feature films. When it comes to filming, it is all about money to complete your project. An independent film finances that credit up front by transferring the value to someone who can broker it or use it. For example, if we do a $20 million movie, we would get a $2 million credit. We would find someone to use the $2 million credit who might give us $1.7 million or $1.8 million on that credit up front to fill in the gaps to get the film made. Most states offer transferability or a complete rebate. In Michigan, it is rebated or transferred. When the film and audit are done, you get a check back from the state. Transferred credits are more conservative and have less of a cash flow concept.

Mr. Reid:
The Nevada Constitution does not allow us to give a direct rebate to a company, so we have to go through the transferable tax.

Mr. Spilman:
I went to the independent filmmakers in Los Angeles. We have up to a 27 percent incentive, but the definition of a production center is determined on the amount of filming it executes. As filming comes here, 27 percent would not be attainable because we would have enough filming here to meet the definition and the criteria of a production center. Most films would get a maximum of 25 percent.

Senator Kieckhefer:
Can we eliminate what other states do with taxes that are creditable? We do not have profits tax or gross receipts tax to be deducted off the Modified Business Tax (MBT). Would you envision it could be used to offset the Local School Support Tax (LSST) the company pays or the property taxes to support local governments? Is this able to roll forward? I am uncertain over the period for the carry forward of the credit. I am concerned about the potential accumulated liability to local governments.

Senator Ford:
The bill does delineate eligible expenditures. Some of those include wages and per diem paid to Nevada residents for work performed in Nevada, including employer-paid FICA, vacation and holiday pay, and workers' compensation. Those are the expenditures. Are you asking what taxes can be used to offset?

Senator Kieckhefer:
When you sell the credit market and it is purchased by Caesars, can Caesars use it to offset gaming tax liability or property tax liability? Are we leaving that up to the discretion of the Nevada Tax Commission?

Senator Ford:
The short answer is yes. I will find the language.

Mr. Reid:
It can be used on any tax. We know most of the larger taxpayers will use it for gaming taxes and larger tax bills. That is the most economical way to use it.

Senator Kieckhefer:
When you talk about sales and use tax, there are different components in the structure. There are the LSST options and different components. I am concerned without clear delineation over how it could be credited; we could

look at potential offsets to the LSST. It would have to be deducted from a specific category of sales tax; you could not do it overall. It is a big question to leave to the regulations.

Senator Ford:
I agree. There needs to be a delineation of certain things that cannot be classified as transferable.

Senator Brower:
I also support the concept, but I am struggling with the basics. We are talking about a tax credit as described in the bill. The Committee would benefit from you walking us through an actual example. What taxes are we talking about? What, from the perspective of the beneficiary, is the real benefit? How does this work? When I file federal tax returns, there are some tax credits and deductions. In state and local governments, we have abatements and other types of tax breaks. I do not understand how this would work and why in plain terms this would be an incentive for the potential beneficiary.

Mr. Spilman:
The language in S.B. 165 is based on what other states do. In the State of Michigan, we eliminated a lot of tax structure in 2011. It was a rebated or transferred tax credit before. If production companies want to film in Nevada, they fill out an application and show what they are going to spend and how they are going to spend. Based on how they are going to spend their money and meeting the benchmarks set forth in the bill, the producers are either approved or not approved. If they are approved, they start their filming and spend their money. When a film is complete, the producers have an approved auditor to audit their finances to make sure they have met the criteria that was submitted beforehand. If they said they were going to spend $10 million in Nevada and they spent $12 million, too bad for them. If they said they were going to spend $10 million and they spend $8 million, they get their projected credit based on $8 million. When the producers get their audit back, they submit it to the Office of Economic Development. Presuming it is approved, the tax credit is issued. Once we lost the tax structure in Michigan; it became a grant. In most states, it is a credit against taxes that go in the general fund and not into municipalities. It is similar in Georgia and Louisiana. From the standpoint of a filmmaker, we do not care; we just want to make sure it has the appropriate monetary value.

Senator Brower:
Give us an example of the various taxes a film production company pays in Nevada and then tell us how this bill would mitigate that.

Mr. Spilman:
The film companies would pay sales taxes and all other types of taxes that apply to general employees. Film companies do not have a significant tax liability. They make the film and they spend the money. In the films I have shot in the $100 million range, we will get back all that credit or we transfer it to someone who has a tax liability. Films do not derive revenue except on a global basis. That is why the credit has to be transferable or rebated or it has no value to a filmmaker.

Senator Brower:
Are we talking about a tax break, or a break on the taxes they would otherwise have to pay?

Mr. Spilman:
They have to pay certain taxes because they are here. The premise behind film production credits is that they are transferred or rebated. A simple tax break that was not transferable would have no economic impact here with the exception of a small production that might sell on local DVDs.

Senator Roberson:
As an example, a film production spends $10 million in Nevada. Are you saying the company would get a transferable tax credit of $2.2 million dollars up to $2.7 million?

Mr. Spilman:
Companies would get transferable tax credits on what they spent locally. If they have a $10 million local spend, they would get back 20 percent to 23 percent. They usually miss about three or four points. In Michigan, the highest was 38 percent.

Senator Roberson:
Let us lowball it and say it is $2 million. It is $2 million, less revenue and taxes paid into the State by other people, if it is a transferable tax credit. Does this pencil out? It sounds like you are saying the State of Nevada and the taxpayers in Nevada need to become a joint venture partner? Will we end up with less

revenue to fund education, health and human services and all the needs of this State because of this transferable tax credit?

Mr. Spilman:
The answer is no. Looking at the Ernst and Young studies and studies done all over the Country—including those states that give away far more, because of the nature of film and amounts of money spent locally and people hired—there is a 6-to-1 multiplier. This incentive is revenue-neutral or revenue-positive.

Senator Roberson:
From evidence shown from other states, it is either revenue-neutral or revenue-positive?

Mr. Spilman:
Yes, the revenue-neutral or revenue-positive applies when you are in the low 20 percent range of the incentive we are proposing here. A 42 percent or 50 percent incentive is not revenue-neutral. This incentive will be revenue-neutral. I want you and your companies to move here and hire people. I want it to be a marketing boost for Nevada. I want to make sure this works out and we do not have a shortfall on revenue.

Senator Ford:
This demonstrates how this works. The return on investment is 1.58 percent.

Mr. Reid:
My business will increase threefold. I will hire more people, and I will pay more Modified Business Tax and more sales tax. The film companies have to shoot 60 percent of their films here. They will hire more locals. Those locals pay more taxes. The payroll companies pay more MBT for all their new employees. We are shifting the tax burden from the production company to the other businesses and to the people who are making the money.

Senator Kieckhefer:
What does interstitial mean? Section 8, subsection 4, paragraph (g) of S.B. 165 talks about the address of the producer must be an address in this State. I thought we would be recruiting people from out of state to work here? In section 10, subsection 2, paragraph (b) talks about the additional 2 percent if more than 50 percent of the filming days of the qualified production occurred in

a county in this State. Does that have to do with the growth outside of Las Vegas?

Mr. Reid:
The 2 percent is an incentive to shoot outside of Las Vegas, such as Ely or Elko. The other things were put in by the Legal Division. The address of the producer was put in by Legal. One of the first things the film producers will do is set up a local office with a local address. They have to prove they are working in our State.

Senator Ford:
The only entities allowed to receive this credit are those that do more than 60 percent of their work here. If you film a 100-day shoot, 60 days have to occur here before you qualify to apply for the tax credit.

Mr. Cohen:
Wikipedia defines interstitial for many fields. Under the "Arts" heading, interstitial art is "any work of art whose basic nature falls between, rather than within, the familiar boundaries of accepted genres or media." I have never heard of it either.

Mr. Baum:
Interstitials are film segments inserted in dense space on television programs. If you have a 20-minute-long program on public television, there are 10 minutes left for the 30-minute period. The broadcasters put in programming obtained from outside providers that is educational in nature to fill in the time gap.

Mr. Cohen:
Senator Roberson, you questioned how we pay for this without the money. Because of the time it takes for a film to be planned, shot, audited and submitted to the State and tax credit issued, it could be 9 to 12 months. During that time, all of the money is spent here. The $50 million credit limit we discussed results in $200 million in direct impact, $180 million indirect and induced, and another $466 million in tourism. This $846 million in revenue equates to $49 million in State revenue before the $50 million in credits are issued. The answer is we will not have to come out of pocket for $50 million. I do not know the exact number, but it will be far less than $50 million.

There was a question from Senator Brower about what would happen after the taxes are transferred. Imagine Caesars Palace purchased the $2 million credit; it would not pay the $2 million directly, it would purchase it from the producer for $1.7 million or $1.8 million. During that time, Caesars will sell hundreds of more rooms, meals and drinks. All that revenue would come in before the $2 million is lost.

Senator Brower:
This is not a tax break for the film company. It is the ability for the film production company to obtain an asset from the State that it can sell and could cost the State revenue. Is that a fair way to describe it?

Mr. Cohen:
I think an asset to sell is a good way to look at it on the first credit the producers earn. They will not get the room tax waived or sales tax waived on their first production. They could use it on taxes due on subsequent productions or in the case of a long-term television series, the producers could take the credits from the first season and use it during the second season.

Senator Brower:
Is this the common way in which this is done among the states as opposed to simple discounts or deductions from taxes otherwise paid by film production companies?

Mr. Cohen:
There are some discounts offered. Nevada offers a waiver on room tax on stays over 30 days. Some deductions are available, but the majority of the states do a rebate or a transferable tax credit.

Senator Ford:
I would like to reiterate this is one of the most appropriate industries to which we should be providing an incentive. It produces a great opportunity for us to put people back to work and to create new jobs and create an industry we all agree is necessary and appropriate for our continued growth.

Randy Soltero (International Alliance of Theatrical Stage Employees; International Brotherhood of Teamsters; Screen Actors Guild-American Federation of Television and Radio Artists):
We are in full support of this bill. We have been part of the conversation for the past year. The last time this legislation was introduced, it was not brought forward in one group. It was presented by different groups, and that did not work. The people supporting this bill are people from all areas of business throughout the State who know this is good business and good for jobs. Governor Brian Sandoval said it is all about balancing the budget, funding education and creating jobs. This creates jobs.

Jerry Dugan (FLF Films, Inc.):
I am a director who owns a production company that brings many jobs to northern Nevada. We have done tourism for Nevada. We have clients in Australia that do 12 commercials with us. We have toy companies from Malibu that come here to do work. I live in Nevada and I want to do my work here. I travel all over the world for commercials. When I have the chance to stay here and work, I do. Our problem is not having enough trained people to fulfill all the positions. Over the last 14 years of working here, I have created as much of that infrastructure as I could. We still have to bring in equipment and people from Los Angeles. If we get an incentive to bring more films, business and economic growth to the area, those people will move here. They will be paid here and spend their money here. I can use them when I need them for work. I am in support of this.

Chair Kihuen:
Is there an infrastructure ready to train those people? Many construction workers are out of work. We have lost almost 100,000 construction jobs. Is there something in place to retrain these people? We want to bring new industries to the State. When we bring industries, we want to be prepared and be able to fill their jobs.

Mr. Dugan:
I went through this with the Screen Actors Guild strike in the 1990s. I started traveling to South Africa and Vancouver and places where unions we could not work with did not exist. These places had film incentives. I watched people work at a drive-in one day and unload film on the set the next week. I would come back 3 months later and they are second camera assistants. Six months after that, they are a first camera assistants and making $100,000 a year and

taking 2 months off to travel to Vietnam. I have watched this industry train its own.

Jack Mallory (Assistant Business Manager/Secretary-Treasurer, International Union of Painters and Allied Trades, District Council 15):
We support this bill and the long-term potential financial impacts it will have for the residents of Nevada. Southern Nevada Building and Construction Trades Council represents approximately 16,000 construction workers. Many of the construction workers have suffered tremendously over the past 4 years with the economic downturn. Our people are skilled men and women who could seamlessly transfer into the jobs that would be created and be in demand if this bill passes. These people can assemble and decorate sets and have the ability to build faux cityscapes. The City of Las Vegas is a perfect example of the skills of the men and women of the Southern Nevada Building Trades that are in place. We have built the set of the world on the Las Vegas Strip. The jobs component is huge. We are more than willing to lend our support as this moves forward. We hope you support the bill.

Danny Thompson (Executive Secretary Treasurer, Nevada State AFL-CIO):
Our affiliates include the Stagehand Union, Screen Actors Guild, District 2 at the International Alliance of Theatrical Stage Employees stagehands, which include Hollywood, and we represent all the Teamsters in the State. Those three unions make movies. This is a huge opportunity to put people back to work in Nevada. If this works out well enough, we could build a studio here. We have lost so much business to New Mexico, it would put untold people back to work. It is a step in the right direction. What happens now is producers come to Las Vegas and film a B roll, and then they go to New Mexico and make the movie. We fully support this bill.

Brian McAnallen (Las Vegas Metro Chamber of Commerce):
It is time we aggressively grow our economy and put people back to work. We need to attract new business and move forward. We applaud Senator Ford's effort and those of you who are cosponsoring this bill to bring it forward and address this challenge. We have heard the opportunities we are missing, and when you look at the charts and see our State does not have the opportunity to compete in this arena, it is something that needs to be addressed. I hope we can address some challenges with the way this bill is laid out. I have talked to our industry members who are impacted by this bill, and they are excited about these opportunities. They would prefer a simple approach. This bill is written in

a cumbersome way. I have talked to Senator Ford about simplifying S.B. 165 for the industry. We need to make sure we work well and cohesively with the State budget.

Mr. Baum:
You have a letter of support in front of you from leadership at both The Chamber Reno-Sparks-Northern Nevada and Reno-Tahoe Airport Authority; Bob Cashell, Mayor, City of Reno; Geno Martini, Mayor, City of Sparks; and the Board of Directors of the Economic Development Authority of Western Nevada. We ask for your consideration.

Patrick T. Sanderson (Laborers International Union Local 872):
Over the last 45 years, my members have worked on movies. This means jobs and money for the State. Anything that moves us toward employment is a good deal. These are not minimum wage jobs; they are well-paid jobs. This is what we need in our State. I am in full support of this bill.

Brian Wachter (Retail Association of Nevada):
We want to thank Senator Ford for bringing the conversation forward. We do not oppose the film industry. We support bringing new business to Nevada. We caution you to take this bill in context with the revenue goals and comments being made during this Legislative Session. Our Association has historically opposed exemptions, limitations, abatements and credits. We believe taxes should be fair and applied evenly. The policy of giving one industry a more favorable tax structure over others is inherently unfair and unbalanced and creates an uneven advantage in the marketplace. The taxes being credited to these businesses have the same impact on our members. By providing these incentives, we send the message that we value potential new businesses over the ones currently in our community. The bill also creates a $100 million liability for the State and local governments in perpetuity for the biennium. Our concerns are global, and we have held this position on all these exemptions.

Geoffrey Lawrence (Deputy Policy Director, Nevada Policy Research Institute):
I oppose tax credits, abatements and exemptions for favored industries. These special tax breaks bias the marketplace. Every dollar awarded for a special tax credit is a dollar unavailable to finance public services. As a result, taxpayers with less influence must bear a heavier burden in order to finance those services. The argument of the proponents centers around the notion these tax credits are necessary to lure targeted firms into Nevada. The prospective tax

revenues otherwise paid by these firms would not exist if not for the tax credits to lure them here. Both the political right and left have criticized this argument. The nonpartisan Tax Foundation looking at state film tax credits concludes,

> Film tax credits fail to live up to their promises to encourage economic growth overall and to raise tax revenue. States claim these incentives create jobs, but the jobs created are mostly temporary positions, often transplanted from other states. Furthermore, the competition among states transfers a large portion of potential gains to the movie industry, not to local businesses or state coffers.

State film tax credits gained widespread popularity in the middle of the first decade of the twenty-first century. The nationwide total of these credits grew from $3 million in the year 2000 to $1.4 billion by 2010. We learned from the track record that the promises in the film industry have proven false and warnings of tax economists have proven correct. Louisiana's nonpartisan legislative fiscal office has examined the fiscal impact of the state's film tax program and concluded the claims of the film tax credit advocates are overblown. The analysis shows the program creates a net loss for the state's budget after accounting for all multiplier effects and additional employment created by the film industry. The net fiscal effect was an annual net loss for the state budget of more than $48 million annually between 2006 and 2011. The Louisiana chief economist has concluded:

> After accounting for the dynamic effects on the economy of the additional film and video production activity, the State may expect to recoup 16 percent to 18 percent of the tax revenue it obligates to the program through the transferable tax credit mechanism.

States with film tax credits have recently begun to repeal these programs. In 2010, a record 40 states had these programs. Since then, eight states have ended their programs. Other states have scaled back their programs or placed caps on their use. These states include Michigan, Hawaii and New Mexico. These programs have been rolled back because most of the benefits have occurred to the film industry while they have generated few long-term benefits to local economies.

The current proposal is worse than most state film tax credits because it would award more in credits than the amount of tax liability confronting the filmmakers. The credit would be transferable, meaning the filmmakers can sell these credits on secondary markets to individuals who have nothing to do with the film industry. As a result, they would be able to use Nevada taxpayers as an ATM machine to withdraw credits and sell them on the secondary market. Film producer Danny Bigel launched a new market exchange for state tax incentives called the Online Incentive Exchange. The Exchange claims to be the "first truly national, transparent, liquid exchange for the trading of state tax credits." The exchange is outside the regulatory oversight of the Federal Communications Commission. The markets for transferable state credits exceed $5 billion annually. The exchange primarily trades credits awarded by Louisiana, California and Georgia. Nevada would soon be added to this list if we create a transferable tax credit. That would subject Nevada taxpayer money to traders far outside of our State. The Center on Budget and Policy Priorities concludes, "when a state grants a tax credit that is larger than the tax that is actually due, it is essentially making an equity investment in the business." All other taxpayers should reap the upside of that investment. It should not be captured by the seller of the credit, the buyer or the intermediary.

Deonne Contine (Deputy Executive Director, Department of Taxation):
The intent is to have a transferable credit across all tax types. Section 8 of the bill tasks the Nevada Tax Commission to make regulations on how the credit is applied and transferred. Keep in mind, the Nevada Tax Commission only regulates the taxes in Title 32 of the *Nevada Revised Statutes* (NRS). If this will apply to gaming tax or other taxes outside Title 32 of NRS, give some thought to whether the Nevada Tax Commission is the appropriate body to make regulations regarding this tax. The Department of Taxation is neutral on this bill.

Nicole Rourke (Clark County School District):
We are neutral on the bill but want to let you know that depending on how the tax credits are applied, they may have a negative impact on school funding. We would like to be involved when you have the conversation on how they will be calculated so there is not a negative impact.

Carole Vilardo (President, Nevada Taxpayers Association):
One of the concerns I have is we used to give the credits with the head tax. It did not get transferred over to the MBT. Film production is something that works well with the tourism and entertainment base we have. The concern

I have is there is a trading mechanism for these credits. When you have that kind of trading mechanism, it is because you make money. It is like having something on the stock exchange to trade. You need to be sure that such a benefit to a private sector party does not come at the expense of the taxpayers and our State. I may be off on that; I am not an expert in this area, but I have been reading about it. Please look at all the exemptions one at a time. There is so much concern that we do not have enough money to support education. Exemptions serve a good purpose, and I have seen a lot of bills on them. You need to look at this in total context to know how much we may be harming education or the State General Fund and impacting the things you would like to do. I do not have a problem trying to get these companies to come into our State. I want to know the return on the investment is benefitting this State the way we intend. The exemptions should not cause us to make up revenue to stay even.

Senator Parks:
I have a concern about the problems associated with use of Nevada talent. I heard testimony today that described 60 percent of the workers are brought into the State. Once they come here, they take most of their salary home with them. In the 22nd Special Session, Senator Denis and I had separate bills that dealt with putting regulation in place regarding those people who are agents for the talent. I would like assurance that this can be continued.

Chair Kihuen:
We are going to close the hearing on S.B. 165. We are going to open the hearing on S.B. 172.

SENATE BILL 172: Provides a deduction from the payroll tax for newly hired full-time employees under certain circumstances. (BDR 32-537)

Senator Debbie Smith (Senatorial District No. 13):
I would like to introduce S.B. 172. This bill is a basic concept that contains basic language. Following the hire of a person who has been unemployed for 6 months or more and is drawing unemployment compensation, an employer can receive a full abatement on his or her MBT for the first four quarters and a 50 percent abatement for Quarter 5 through Quarter 12. This hired person drew unemployment or the unemployment had expired. The language is duplicated because it applies to the financial and nonfinancial industry. The bill also sunsets for anyone hired after June 30, 2017. That date was determined

to reassess the economy and this concept in practice. I hope the economy will be so robust by then that we may not have to reintroduce this measure. It does give us an end point. Our State has come a long way. With our unemployment rate still at 10.2 percent, we need to be innovative with the way we work together to bring the unemployment rate down. This is a twofold concept because it improves our unemployment rolls. Those of us on the money committees know of other impacts when people are on unemployment that affect our State and local budgets. It would help a business grow.

The MBT is Nevada's business tax. I have heard there is a disincentive for employers to hire because their payroll taxes will increase. If a business is new and just growing or in recovery from the recession and in a fragile condition, this small incentive might help the business decide to hire more people. This does not cost the State anything because this person has not been on the payroll and the employer would not have been paying the MBT on this person. It is a possibility for us to grow a small business; or if a big business uses this, it helps get someone off unemployment. No matter how you look at this, S.B. 172 is beneficial to the State and those we represent. This is a boost; it is not a solution to our unemployment problem. It is one tool we can use to help the unemployed and the businesses.

I have talked with many people who complain about the bureaucracy it takes for people to be in business. We tried to craft this legislation in a simple way. There are other samples around the Country. In this body, I found previous legislation on this topic cumbersome and onerous. If I were an employer, it may not be worth it to deal with all this. The person applying would show he or she has been on unemployment. The business owner files and signs an affidavit. A few criteria include ensuring employers do not terminate people so they could hire other people. We are seeing a lot of rebound in manufacturing and construction. This will give a boost to the companies that want to get back to work and hire back their former employees. I have admired my acquaintances and friends who have managed to stay in business, particularly in the construction industry over the past several years. We can provide a tool to help them as they start rebidding and rebuilding their businesses. Some people have questioned whether employers want to hire people who have been out of work 6 months or more. There are good, well-educated, hard-working people who have been out of work more than 6 months and are worthy employees.

Senator Jones:
Three years ago my brother-in-law, Bryce, came to me with an idea to open a restaurant. This was in the midst of the recession and at the height of the unemployment situation in southern Nevada. I told him he was crazy. He is a determined person, and he got the information together. He presented his plan to a group of people, secured a lease and bought the equipment he needed. When he got started, he needed to hire workers. The federal HIRE Act of 2010 was available to provide an incentive for employers to hire workers. He did open his restaurant in Las Vegas and now employs more than 30 people as a result of that Act. This legislation will provide the same types of incentives for employers to rehire those who are unemployed. The federal HIRE Act of 2010 was successful across the Country and in Nevada. I am proud to sponsor this legislation with Senator Smith. Please give full consideration to S.B. 172.

Senator Kieckhefer:
How will this relate to seasonal employment or migrant workers in the agriculture industry? Would all that labor be nontaxable under the MBT?

Senator Smith:
I do not know the exact answer. I will look into the seasonal situation. Six months, except in a recession, would probably not be a factor. Candidates would not be unemployed for 6 straight months. If someone truly has been unemployed and he or she goes back to work, it is still an advantage to us because they are off unemployment. We have to remember the cost of unemployment goes back on the employers. I will check into that. I am open to any ideas that strengthen or clarify this legislation.

Senator Denis:
Could someone use this as an opportunity to fire the existing employees and hire the unemployed people to get the tax credit?

Senator Smith:
Language in the bill says you cannot terminate someone to use this benefit. Page 2, line 32 says, "the employer did not terminate the employment of any other employee to create the position of employment regarding which the deduction is claimed." Employers must sign affidavits. They are under penalty of perjury if they decide to sign affidavits and go ahead and fire employees. Penalties and audits would apply from the Department of Taxation. What if someone wants to hire a relative? If that relative has been out of work and on

unemployment for 6 months and is not replacing an employee, I do not have a problem with that. I want to help these businesses and help get our people back to work.

John Wagner (State Chairman, Independent American Party):
We want to help Nevada and Nevada employees. I see this as not favoring any one industry. I am in favor.

Mr. Mallory:
People I have known for 20 years have been out of work now for more than 6 months. They had never been out of work for 6 months before. I see the benefit of this. Nevada is an at-will employment state. Employers do not have to give employees reasons when they terminate employment unless a contract dictates they do so.

Brian Reeder (Nevada Chapter, The Associated General Contractors of America, Inc.):
Associated General Contractors (AGC) represents approximately 250 contractor, professional and associate members in northern Nevada. The AGC is in support of S.B. 172. The recession was harder on Nevada than any other state and particularly challenging for the construction industry. As the Governor noted in his State of the State Address, our State has lost two out of every three construction jobs available since 2006. Before the recession, the construction industry represented 11.2 percent of all Nevada jobs, which is twice the national average. By 2012, that figure dropped to below 5 percent. The Nevada economy is slowly recovering, but high unemployment impairs a full recovery. This bill would save a contractor $315 for each new hire in the first year, assuming an average salary of $50,000 and no health care expenses. This savings will be a positive benefit.

Josh Griffin (Nevada Subcontractors Association):
We are in support. This is a step in the right direction, especially for the construction industry.

Mr. Reid:
As an employer, I know what it means to hire people. When we hire people, anything we can do to offset the cost of training will help us. Training is a high cost. This bill will help us offset the cost of training. I am in favor.

Tray Abney (The Chamber Reno-Sparks-Northern Nevada):
We are in favor of this bill.

Mr. Thompson:
I represent all the workers in the State, and the building trades industry has been devastated. Construction industry is almost nonexistent. We support this bill.

John Griffin (American Council of Engineering Companies):
We are in support. Since the recession, the design professional industry has lost over 70 percent of its employees. This bill is a good step to help us and other industries recover.

Randi Thompson (Nevada State Director, National Federation of Independent Business):
The first $250,000 is exempt from the payroll tax. If we are to help small businesses, there is not a way to give them the benefit. The other challenge is how you define employer. The Silver State Works program is a great program. It offers training programs and tax incentives and hires the unemployed. An agency such as Applied Staffing, which has over 3,000 employees in the Reno area on any given day, does not qualify for the exemption. This business is not an employer necessarily, but it hires people for companies. Some technicalities have to be worked out.

Joanna Jacob (Associated General Contractors, Las Vegas; Nevada Contractors Association):
Last year, AGC and the Nevada Contractors Association joined together as a unified voice for the construction industry in southern Nevada. We are in support of S.B. 172. Senator Smith said the unemployment rate is 10 percent. In the construction sector, we are at 20 percent. In southern Nevada, we have lost 62,000 jobs over the last 5 years. We fully support anything that can be done to get this industry going and our members back to work.

Janine Hansen (Nevada Families):
It seems like a light is going on in this Committee with the tax incentives, tax credits and maybe lower taxes. Create more jobs. In the last few years, my husband, my stepson, my son-in-law and my daughter have all been unemployed. It is a serious issue for many people, and anything we can do to encourage job growth in Nevada is important. Many retailers are suffering.

Wal-Mart is struggling and J.C. Penney is closing 350 stores; Kmart is closing 175 to 225 stores; Sears, 125 stores; and Radio Shack, 450. Many other national retailers are in trouble. Anything we can do to help people get back to work will be beneficial for all in our State.

Mr. McAnallen:
There is also a 21 percent underemployment rate in southern Nevada. We are concerned about this. We believe S.B. 172 is a great way to drive more employment. Any efforts to get people back to work are appreciated.

Gail Dietrich:
This is a win-win situation.

Ms. Vilardo:
It is an exemption bill, and you need to look at all exemptions in context. It looks like there is a problem with the effective date. I do not know how the Department of Taxation will gear up to do this. It cannot be done immediately because of programming costs and time involved.

Mr. Wachter:
I had signed in "opposed." I want to say we support the concept and like it. We share the same concerns as Senator Brower and would like clarification on the rules. Retail is a fluid industry. A lot of people come and go; how does that apply?

Wendy Bozak:
This gives people more hope.

Mr. Sanderson:
I am in support.

Ray Bacon (Nevada Manufacturers Association):
We are in the neutral zone. When I talked to my employers, a lot of them bring in their employees through temporary agencies and convert them. This needs to be modified to cover that scenario. The State unemployment insurance covers the first 26 weeks. This goes from 26 weeks and beyond. This will only have an impact on the federal unemployment funds, so you might want to look at changing it to 90 days. The No. 1 concern is the skills gap, getting the right people to do the job. Taxation is down the list.

Mr. Lawrence:
I like the idea behind this bill, but I am not sure about the way it is structured. Would it be better or more effective to lower the rate of assessment on the MBT? It is more complex having to prove you did not dismiss an employee and tracking the length of employment for each one you take on. This would place the auditing and processing burden on the Department of Taxation.

Chris Nielsen (Executive Director, Department of Taxation):
We are working on the fiscal note on the cost for the Department of Taxation to implement the payroll tax deduction in S.B. 172. It is due on Monday, and we will submit it then. It will be a challenge for us to implement this by July 1.

Chair Kihuen:
Senator Atkinson will present S.B. 171.

SENATE BILL 171: Provides for a program of matching grants to local governments for the maintenance and repair of public works. (BDR 43-621)

Senator Kelvin D. Atkinson (Senatorial District No. 4):
I am here to introduce S.B. 171. My testimony (Exhibit F) explains how this bill creates a program of matching grants to local governments for the maintenance and repair of public works.

Mr. Thompson:
Our economy is in shambles in Nevada, especially for the construction industry. If you are a contractor and still in business in this State, you have a very sharp pencil. Construction used to be one of our biggest industries. If you are working for one of these contractors, you know what it is to be unemployed. You have probably lost a house and a car. Anything that can be done to put people back to work is the solution to our problem. Nevada's residents need to get back to work so they can pay taxes and spend money, going out to restaurants, buying cars and refrigerators. Until we figure out a way, there is no way out of this. This opportunity represents the best piece of legislation to make this happen. We have highly trained and skilled workers and contractors sitting on the sidelines; if this money was available today, they would go to work tomorrow. This is a great opportunity to alleviate the high unemployment and get people back to work. We stand in support of this bill.

Senator Roberson:
This legislation is a great idea. I am concerned about the construction industry in Nevada. This legislation blows a big hole in the Executive Budget. If we do this, we need to find the money. We need to help the construction industry in this State.

Senator Atkinson:
This is a concept we talked about last year. In the 75th Session, we decided the Governmental Services Tax (GST) would plug the budget. We were happy and optimistic this was to end in 2013. When we all believed it was to end, we developed legislation to best use the GST for highway construction. When the Governor came out with his plan, we were already in motion. Because the Governor has a different plan, do we stop what we are doing? We as a legislative body have our own ideas, so we decided to continue because we made those promises to our constituents. I do not want anyone to write something tomorrow in the media that we differ with the Governor over the GST and its use. We are trying to get people back to work.

Al Martinez (Service Employees International Union Nevada Local 1107):
We support the bill. This bill is about getting money back into the State Highway Fund that was supposed to be there. We have taken money from the Highway Fund to fill the hole in the budget. Nevada's infrastructure is in desperate need of repair and improvements. Investing in Nevada's infrastructure will increase commerce and put people back to work. It makes no sense for so many Nevadans to be sitting in the unemployment line when there are so many infrastructure projects waiting to be funded. This bill will put emphasis on the shovel-ready projects that will create jobs for the middle class.

Geno Martini (Mayor, City of Sparks):
We are here in support of this bill. This is a good concept. Many capital projects in our City have gone unattended because of the recession. We have road projects, curbs, gutters, sidewalks and new streets in need of work. Our wastewater facility, which is owned jointly by the City of Reno and the City of Sparks, has over $100 million worth of capital projects to complete. A flood project in the City of Sparks will mitigate flooding by about 1.5 to 2 feet in our industrial area. That is important because our industrial area houses about 20,000 jobs. Every time that area gets flooded, we lose more jobs. This is about jobs. If some jobs in Sparks qualify for this, we would love to have it.

However, this is not about the City of Sparks, it is about getting people back to work and getting Washoe County and northern Nevada going again.

Greg Krause:
I have some experience with transportation infrastructure. I was with the Regional Transportation Commission (RTC) in Washoe County for almost 30 years and served the last 8 years as Executive Director. The opportunity this bill presents is an important one. I support this bill. There is a timing issue and a huge need to create jobs in the construction industry. This bill will create projects, award contracts and get people working. The State will enjoy favorable interest rates for the bonds sold to do these projects. It will leverage approximately $130 million in local funds in addition to the $320 million the State bonds provide. It creates a major impact to employment, especially to the construction industry. The RTC could not have been successful without all the construction industry partners we had to get transportation projects done in Washoe County. I support the idea to bring the GST back to transportation funding.

Danny J. Costella (Business Agent, International Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers, AFL-CIO Local 118):
Our members are in support of this bill.

Robert W. Potter (President and CEO, Affordable Concepts, Inc.):
I support this bill because of job creation. When we were hit by the recession, we had to downsize, lay off employees, reduce expenses and cut compensation. Many of our employees lost their houses, cars and medical insurance. My employees and many Nevadans will benefit from this jobs bill. They will be able to pay for rent, utilities, groceries and medicine; educate themselves and, hopefully, their children; and raise their standard of living. This bill will provide all needed public facilities and infrastructure. Please pass this bill for all Nevadans, both employed and unemployed.

Leslee Miller:
I was born and raised in Las Vegas. I have traveled all over Nevada. This bill is important to our community. It will create many jobs and put people back to work. I am in contact with the families of my children's friends. It is sad to see how many of these families are losing their homes. Children should not have to go through something like this. I have to explain to my children that these

parents work in road construction and have been laid off. My 7-year-old son notices how bad the roads are and asks how come they are not working and fixing the roads. How do you explain to your children why the roads and parks are so bad, yet nobody has work? If you are not an active part of the solution, then you are part of the problem. I want to be an active part of the solution, and I am in favor of this bill.

Mr. Mallory:
I know a lot of people have lost their homes and cars. I want to tell a brief story about a man who lost his family. This was a man I worked with 15 years ago, and he was skilled at his craft. There was no work, and he was unemployed for 2 years. His wife moved out and filed for divorce. He was in the process of losing his home and could not deal with it anymore. He felt alone, got his affairs in order and left all the important documents on the kitchen table. His note said "do not look under the green tarp in the backyard."

When I went to his funeral, there were over 1,000 people. This man was involved in the community and well-loved by a number of people. I have been to dozens of this type of funeral because of the despair born to this recession that we have lived through for the last 5 years. I urge all of you to consider this when you are considering this legislation. I understand Senator Roberson's concern over the budget. This state has a jobs deficit. When you have highly skilled workers making a decent wage going to work every day, providing for their families, buying goods in our stores and contributing to society, they plug these holes. That is why I urge you to support this bill.

Chair Kihuen:
I am so sorry for your loss.

Linda Harris (Associated General Contractors Las Vegas; National Contractors Association):
We are commercial general contractors in southern Nevada and have been licensed since 1991. In 2001, our firm became certified as a women's business enterprise (WBE). I believe in diversity within our public and private business communities. I volunteer 1 day a month to review and certify firms that are women-owned and -controlled. This is not an easy process for applicants and can take several months to meet the high standards. When you hire a certified WBE professional, you can be assured she has the knowledge, skills, experience

and ability to complete the job. The problem is when the women get certified, there is no work.

In 2008, our firm was doing approximately $12 million to $15 million per year with 28 employees. Today, we have to work extra hard to get 30 percent of that, and we have three people on payroll. They have all taken at least one pay cut in the last 5 years. I am a past president of both the AGC Las Vegas and the National Association of Women in Construction Las Vegas Chapter. That group had 150 members in 2007; now it has 60, and many are not working. I ask you to find the money and pass the legislation. Put the people back to work. Small business needs this help.

Tania Munoz (Hammond Caulking, Inc.):
We are a specialty subcontractor in Las Vegas and have been in business for 20 years. We are a certified WBE-owned business. We have been struggling for the last few years to keep our people working. We have cut our own salaries and invested our own money to keep the business running. It has been hard, and we ask you to support this bill.

Steven Ireland:
I graduated from the University of Nevada, Reno, and I am lucky to be employed full time while in the engineering graduate program. I am a long-time Nevadan, and my daughter is a seventh generation Nevadan. Great minds are coming out of the State universities, and I have worked with a lot of them. A bill like this will get the graduating students employed. They are the future generation. I am in support of this bill and also in support on behalf of my employer.

Casey Baker (Associated General Contractors):
I am in support of the bill that has the potential to increase jobs in the construction industry as we pull ourselves out of the fiscal calamity. Senate Bill 171 has the potential to demonstrate to Nevada that we are making an investment in Nevada and our infrastructure while showing we care about the future of Nevada and the future and stability of our schools. It increases commerce and economic growth.

Paul McKenzie (Executive Secretary-Treasurer, Building and Construction Trades Council of Northern Nevada, AFL-CIO):
Our members faced some of the highest unemployment rates in the Nation during the recession. Our building trades have faced an 80 percent

unemployment rate. When I call around to the other unions, they tell me their lists are down, but that is because their members have left to go to work in other states. We have been here the last three Sessions trying to create jobs in this State. We have come up with ideas and tax incentives we thought were going to create jobs.

We have several jobs going on now with contractors imported from other states to do the work. The tax incentives that were supposed to create jobs for local people created jobs for people from Idaho, Utah, Arizona and Colorado. Our contractors have had to go to these places to find work because we do not have work for them here. We have a Nevada contractor who has highway crews working in Colorado, and we have a Colorado contractor working in Hazen because the contractor from Nevada could not get the job.

We have to create a jobs bill that creates jobs for our workers in the State. We cannot continue to send our skilled labor out of state to find work. We cannot continue to create legislation that brings out-of-state contractors to pick up the low-paying jobs we are creating. This bill creates jobs our contractors can compete for in this State on a level playing field. The jobs are rated by the prevailing wage statute of Nevada, and that puts our people back to work. The other fixes we have attempted are a race to the bottom. Our local contractors cannot compete. To get these people back home to work, we need to pay them a decent wage: if not, they are competing against Washington State wages, which are $20 an hour higher than they are here. This legislation will create prevailing wage jobs and repair the aging infrastructure in all of our cities and towns in Nevada. We need avenues to obtain the funding to do it, and this bill is a good start—not as much as we need, but we need to start somewhere. Once you start putting money back into the economy by creating good-paying jobs, then the snowball effect will start to take place and we will recover.

Warren B. Hardy II (Associated Builders and Contractors of Nevada; HDR Engineering, Inc.):
We support this legislation. The HDR Engineering is a large local engineering firm that has challenges and is struggling to hold on. The engineering field is competitive, and it is difficult to keep the talent local. Over the past few years, people have had to leave the State. We will not get them back. This legislation is a start on keeping the talent here in Nevada. We are in full support.

John Seymour (International Brotherhood of Electrical Workers Local 401):
We support this legislation. We are seeing desperation. Young families are falling apart, and a lot of people are giving up hope.

Chair Kihuen:
When I was campaigning over the past few years, I was going door to door and would talk to people who were crying out. They could not find a job. They were willing to retrain themselves. We are here to help.

Jim Dodson (P.E., Atkins Engineers; American Council of Engineering Companies of Nevada):
Senate Bill 171 projects are intended for a number of engineering firms that provide engineering support to local governments. The economic downturn has impacted many engineering firms. Our membership is down over 60 percent. The outlook for new projects looks grim. We are in full support of this bill.

Mr. Sanderson:
This is a win-win bill for your money and road construction repairs. What you fix this year will save you $5 next year. It is a $5 to $1 deal. We would like to have this happen as soon as possible.

Shirayne Waite (Teamsters Local 631):
I have been in the construction industry in Las Vegas for the past 25 years. I am the construction business agent and recording secretary for the Teamsters Local 631. The construction workers I work for need S.B. 171. These men and women have been hurting financially for far too long. As you are all aware, Nevada had the highest unemployment rate in the Nation, and construction was the hardest hit. The majority of the construction workers I represent have no health insurance or are struggling to get the hours so they can keep it. Our members are residents of the State who need to go back to work. On behalf of the 5,000 members of the Teamsters 631, we support S.B. 171.

Michael C. Cate (Nevada Chapter, Associated General Contractors):
I have been a contractor in Reno for over 30 years. I am very much in favor of this bill. I respect Senator Roberson talking about the hole in the Governor's budget. Part of the problem is funds taken from the budget that should not be taken. Funds have been earmarked for other things, and they get pulled around and put in the wrong place. That has to stop. Last Session, there was the problem with the bond reduction and the reserves on the bond.

Until the Nevada Supreme Court stepped in, that was a problem. That funding was a mechanism for the schools, and it has helped them tremendously. They have created $200 million worth of work since then. You need to stop the quick fixes and make things happen in a positive way. I would like to sell all of the equipment at the Nevada Department of Transportation and put these people to work. This is a no-win situation now. Why does the State own millions of dollars in equipment and the contractors are not working? You need to use common sense and do the right thing.

Jeffrey Fontaine (Executive Director, Nevada Association of Counties):
We support the basic concepts of S.B. 171. When the Great Recession hit and counties were forced to reduce their budgets, public works were affected by significant reductions in budgets that resulted in significant amounts of deferred maintenance to our parks, roads, roofs and HVAC boilers. The list goes on. We think it is critical to support these public assets.

Patrick Irwin (Board of Commissioners, Pershing County):
I sat in on a board meeting for the Pershing General Hospital. The Hospital has been in a dire strait. It produced a letter of concern and has been watched closely by the Department of Taxation. The Hospital has worked tirelessly to reduce costs. All of the employees have taken a 15 percent reduction in wages. The CEO is working for one-third the pay of our past CEO. The first thing on the chopping block was the plant. The Hospital's boiler equipment and its entire structure are falling apart. Emerging from that situation, we are in a positive mode with one of the best reports ever. We are trying to recover those wages by giving the 15 percent back to the employees so we can raise morale. Our plant is still suffering. How do we make a plan to move forward? This positive bill sets us in the right direction. We look forward to supporting it and seeing the impact on our roads. When we fill up our hotels with contractors, it helps our economic growth and our percentage of tax for the tourism board. This ripple-down effect helps our entire County.

Chair Kihuen:
What is the unemployment rate in Pershing County?

Mr. Irwin:
I believe it is about 9 percent—still too high.

David Garbarino (International Union of Operating Engineers Local 12):
I am the district representative for the Operating Engineers. We represent approximately 3,000 equipment operators, surveyors and inspectors in southern Nevada. I agree with all the comments regarding the support of this bill. I urge you to take a good look at this and get some people back to work.

John Frame:
I have been in the construction industry for 15 years. Most of my coworkers cannot remember when they worked a 40-hour week. Most of them have lost their health insurance, and a lot of them have lost their homes. We are in full support of this bill.

Kristina L. Swallow, P.E. (Engineering Program Manager, City of Las Vegas):
We support and understand the need and intention of this bill. We have over $150 million in unfunded transportation projects that would qualify for these funds. If all these jobs were funded, it would translate to nearly 1,800 jobs. Those projects are some of the maintenance needs we have yet to complete. This bill will result in jobs for our residents, and the infrastructure investment will improve facilities for our community. We would like to address mechanics of the bill and look forward to participating in the working group with Senator Atkinson and AGC to make sure these jobs materialize so we can employ our citizens.

Nechole M. Garcia (Assistant City Attorney, Office of the City Attorney, City of Henderson):
We support this bill and support the need for infrastructure funding. The City of Henderson has had to delay some projects due to a lack of funding. We also look forward to playing a part in the working group to clarify distribution processes in the bill.

Cadence Matijevich (Assistant City Manager, Office of the City Manager, City of Reno):
I support the many positive comments made by our fellow local government colleagues regarding this bill. The City of Reno has many projects that would qualify for these funds. We have $133 million in deferred maintenance in our neighborhood streets. In addition to the jobs this would create, Senate Bill 171 would create quality of life in our city. We are in support of this bill and also look forward to being a part of the working group for the technicalities of the bill.

Dale Mills (The Minuteman Investment Group, Inc.):
We are in the process of investing $1 million in the State of Nevada to open some restaurants and employ people. We support this bill because it will create jobs and, ultimately, the people placed in those jobs will increase the revenue streams. We are in support of this bill.

Chair Kihuen:
Thank you for making that investment in our state.

Yolanda T. King (Director, Budget and Financial Planning, Department of Finance, Clark County):
I agree with all the comments from our fellow local governments and look forward to the working group to learn how the funds will be distributed.

Lisa Gianoli (Washoe County):
Washoe County is in support of this bill. We have some projects that would benefit from this. One of the priorities of the board is job creation, and this is a positive step in that direction.

Gene Temen (President, Quick Space):
I would like to comment from the aspect of a small business. We have about 12 to 14 employees. We like to consider ourselves a destination employer. This bill would help us. We are not the contractor or the subcontractor; we are down the chain. We try to maintain a quality employment workforce, and it has been difficult the last few years. When we invest in our infrastructure and our schools, it provides for a better education when you have a school properly maintained. It is important to have an atmosphere where children can learn. I am privileged to have two children who went all the way through the public school system here and graduated from the University of Nevada, Reno. They had great schools, but that was 25 years ago. They need some help. The highways need help, but so do our schools. I would appreciate your support.

Robert Conway (Ironworkers Local 433):
A lot of people are telling you this bill is great. A lot of them mentioned recession. We built ourselves out of the Depression. Per capita, we had more people working during the Depression than we do now. We support this bill and would appreciate your help to make it happen.

Dave Backman (Senior Vice President, K.G. Walters Construction Co., Inc.):
We are a specialized construction company. We do treatment plants and wastewater. I see the things behind the scenes. This bill will help, but it is a drop in the bucket for what is really needed. I am doing an emergency contract for the City of Reno at the Truckee Meadows Water Authority (TMWA) facility. They are spending $20,000 a day bypassing the headwork structure at that facility. I will be repairing the infrastructure that has aged. Sooner or later, the bill will have to be paid. This is like a Band-Aid measure. It is a nice jobs bill. I have worked on the wastewater plant in Carson City; the city has $30 million worth of work that needs to get done, and it has $3 million in funds. The TMWA has $110 million worth of work awaiting attention. We built the Marlette Lake pump and power station to transfer water from Marlette Lake to Carson City. You would be embarrassed as a taxpayer to see what kind of infrastructure we are dealing with. I would be happy to take any one of you on a tour to see the ugly side of life that nobody sees.

David Peterson (The Penta Building Group):
I consider myself lucky because I am working. In order to work, I have had to go to Arizona for a year and Idaho for a year, spending time away from my family, home and friends. I have friends who have lost their homes and health insurance. I want to help get them back to work.

Scott Leedom (Southern Nevada Water Authority):
We support the concepts of this bill. We also support the definition of local government in the bill that is broad enough to ensure all infrastructure needs are met. I request to be part of the working committee.

Bill Wellman (Las Vegas Paving Corporation):
We are the largest transportation contractor in the State. We have felt the same impacts as everyone else in this room. We had 1,300 employees 3 years ago. Today we have 800, and they are happy to be working. Our business is still decreasing as the year goes on. Fortunately, about 150 of our employees are on location in North Dakota and California with projects, but those people would like to come home. Infrastructure is crucial to economic vitality whether it is a road, a pipeline or a building. The thing about infrastructure improvements is they are tangible. You can touch them, see them, feel them and you can use them. We all get to benefit from this. We urge you to support this bill.

Mike Kinney (Vice President, Laborers International Union Local 169):
We need jobs. That is what I hear from my members every day. Building has come to a grinding halt. Senate Bill 171 will create other jobs within the public works and that will put people to work and help everybody.

Brian Bonnenfant (Project Manager, Center for Regional Studies, College of Business, University of Nevada, Reno):
Economic impacts, including job creation, are measured using federal surveys of industry expenditures. The result is the interaction of industries, the direct impacts; secondary spending, the indirect impacts; and the spending of wages, the induced impacts. Mathematically explained by economic multipliers—the total ripple effect of all three impacts, they are the core equations for the input-output models that economists use to analyze industry impacts.

We use a software system—the IMPLAN input-output model—for the six-county region that includes Carson City, Churchill, Douglas, Lyon, Storey and Washoe Counties. It is a triangle between Reno, Fallon and Gardnerville. The economic impact of the multiplier of that six-county region for infrastructure-type construction is 1.736. That means for every dollar spent in that industry, another 74 cents is spent through associated industries and wages being spent on the household. The employment multiplier for infrastructure-type construction is 1.955. For every job directly related to the construction industry, another job is supported in associated industries and through household spending. To crossover the expenditures with employment, for every $1 million spent in infrastructure construction, a total of 13.1 jobs are supported across the board in all industries. This is just for the six-county region and shrinks the multipliers. National averages are two or three times higher than regional multipliers because there are no geographical limitations to secondary spending and spending household wages. This is a geographic constraint for the multiplier we are using—1.995 for employment and 1.736 for expenditures.

I will give you a more specific example of how these multipliers work. At the end of the 2012 summer in Washoe and Storey Counties, construction was reporting 900 jobs less than the summer of 2011. That is a direct result of the Interstate 80 reconstruction, the Meadowood Mall Way interchange and the widening of Moana Lane. The 2012 median wage for the highway, street and bridge construction industry in Washoe County is just under $70,000 a year. If you take out the taxes and apply a disposable income factor to the

$70,000 and strip out some of the spending and apply it to the 900 jobs, that totals $43.7 million in lost household expenditures when we lost the 900 jobs. Labor spending is about equal to material spending. Material spending would be another $43.7 million lost with the 900 jobs. Going back to the 1.955 multiplier, the 900 construction jobs means we lost another 900 jobs in associated industries from the loss in construction jobs. The median wage for all industries is slightly over $40,000 per year. Apply that to the other 900 jobs for another $24 million loss of local household expenditures. The 900 jobs in construction multiplied into the other 900 is a total loss of $67.7 million in household expenditures per year.

Senator Kieckhefer:
I have some questions about the mechanics of the bill and how it is going to work. When we were first talking about this concept, we were talking about a $1 billion program. How did we get it down to $325 million?

Senator Atkinson:
We got there because we could bond some issues with the maximum amount.

Senator Kieckhefer:
How was it constrained?

Senator Atkinson:
It was constrained by the State.

Senator Kieckhefer:
Is the allocation for counties based on population?

Senator Atkinson:
It is.

Senator Kieckhefer:
All the details regarding the implementation will be left up to the State Treasurer. Do you intend to keep it that way, or will the working group create more structure and detail around the application process and approval?

Senator Atkinson:
We hope to do that. We want to get the working group together so we can further define how the State Treasurer manages the distribution.

Senator Kieckhefer:
Of the $325 million, is it $32.5 million a year to be dedicated?

Senator Atkinson:
That is right.

Senator Kieckhefer:
That goes on for how many bienniums?

Senator Atkinson:
We would have to ask Legal. I am not sure of a defined time when this would be the case for use of the Governmental Services Tax.

Senator Kieckhefer:
It is an ongoing obligation. It does not just affect this budget but future budgets as well. Is that right?

Senator Atkinson:
I am not sure if it is an obligation. It is a better use of the GST.

Senator Kieckhefer:
It was what the GST was intended for in the first place. Why is there a difference in the percentage of the cost the State covers in the first year versus the second? Is it so the entities will make applications quickly?

Senator Atkinson:
Because of the bonding, much of it has to be done up front because the grants must be made before January 1, 2015. It is to try to get them up front so we do not have this rush at the end.

Senator Kieckhefer:
The grants have to be out by 2015, but we are basing them on when the bids are submitted for the work?

Senator Atkinson:
I am not sure about that.

Senator Kieckhefer:
Is it eliminating a sunset put in the legislation from the 75th Session?

Senator Atkinson:
It was eliminating it this year. It was to go away and revert back to the State Highway Fund as of July 1. That is what this does.

Chair Kihuen:
A working group will eliminate kinks in the bill before we bring it back to work session. This meeting is adjourned at 6:25 p.m.

RESPECTFULLY SUBMITTED:

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Gayle Rankin,
Committee Secretary

APPROVED BY:

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Senator Ruben J. Kihuen, Chair

DATE:______________________________________

Bill	Exhibit		Witness / Agency	Description
	A	1		Agenda
	B	18		Attendance Roster
S.B. 165	C	23	James "JR" Reid	Transferable Tax Credits for Film & Production
S.B. 165	D	NA	Brett J. Scolari	The Motion Picture Jobs Creation Act video presentation on CD
S.B. 165	E	27	Christopher Baum	Economic and Fiscal Impacts of The Michigan Film Tax Credits
S.B. 171	F	3	Senator Kelvin D. Atkinson	Senate Bill 171 Creates a Program of Matching Grants to Local Governments for the Maintenance and Repair of Public Works