

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-Eighth Session
February 3, 2015**

The Senate Committee on Revenue and Economic Development was called to order by Chair Michael Roberson at 3:33 p.m. on Tuesday, February 3, 2015, 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 Michael Roberson, Chair
Senator Greg Brower, Vice Chair
Senator Joe P. Hardy
Senator Ben Kieckhefer
Senator Ruben J. Kihuen
Senator Aaron D. Ford
Senator Pat Spearman

GUEST LEGISLATORS PRESENT:

Senator David R. Parks, Senatorial District No. 7

STAFF MEMBERS PRESENT:

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

OTHERS PRESENT:

Steve Hill, Executive Director, Office of Economic Development, Office of the Governor
Tom Skancke, President/CEO, Las Vegas Global Economic Alliance

Jonas Peterson, President/Chief Economic Development Officer, Las Vegas
Global Economic Alliance
Mike Kazmierski, President/CEO, Economic Development Authority of Western
Nevada

Chair Roberson:

This is my third session serving in this Legislature. In the previous sessions, promises were made the Legislature would embark on a real revenue reform discussion. That discussion did not happen. Every member of this Committee is committed to have that discussion during the 78th Session. Every member of this Committee is committed to working together to ensure Nevada has a revenue structure in place that is stable, fair and will allow for and promote the success of our great State. Governor Brian Sandoval has proposed an ambitious reform agenda. An important piece of the reform is the need to increase revenue to ensure Nevada's success.

As Chair of the Senate Committee on Revenue and Economic Development, I am committed to examine all viable proposals in an effort to improve our revenue structure. As Chair, I will strive to be unbiased and open-minded when listening to different proposals. I look forward to an honest and open examination of our existing revenue structure. I will receive input from tax and economic experts, the business community, members of the Senate and the public in order to develop revenue reform to move Nevada forward. Our Committee will provide an opportunity for every member of the Senate to be involved in the revenue reform discussion. Senator David Parks joins us today because we have formally invited every member of the Senate to participate in these meetings.

My approach to the discussion of our revenue structure and the proposed changes to the structure is to break up the discussion into three broad categories: sales and use tax, property tax and business tax. We will start with the sales and use tax discussion on February 6. Assemblywoman Marilyn Kirkpatrick and Senator Mark Lipparelli will provide a presentation on the Live Entertainment Tax. The Nevada Tax Foundation will provide a presentation on February 10 on Governmental Services Tax. Following our discussion on sales and use taxes, we will discuss property taxes and business taxes. I hope by the end of March the Senate will have vetted numerous different revenue reform proposals, and we will obtain consensus to move a revenue reform package out of the Senate. This will not be easy. No

one likes to talk about taxes. We have been elected by the people of Nevada to make tough decisions. Governor Sandoval has shown great leadership. It is time for all of us to lead. Our Deputy Fiscal Analyst, Joe Reel, will present the Standing Rules ([Exhibit C](#)) of the Senate Committee on Revenue and Economic Development.

Joe Reel (Deputy Fiscal Analyst):

The Standing Rules of the Senate Committee on Revenue and Economic Development, [Exhibit C](#), are in your packet. They are the same rules we had in this Committee during the 77th Session of the Nevada Legislature. The format has changed. This conforms to the format recommended by the Secretary of the Senate. Rule No. 2 states a videoconference or a teleconference shall qualify as being part of the meeting. Rules 20 through 22 are additions.

Chair Roberson:

I will accept a motion to adopt the Standing Rules.

SENATOR KIECKHEFER MOVED TO ADOPT THE STANDING RULES FOR THE SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT.

SENATOR FORD SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Mr. Reel:

The *Nevada TaxFacts* publication ([Exhibit D](#)) is courtesy of the Nevada Taxpayers Association. This publication explains State and local taxes and the distribution and administration of the revenues. The Senate Committee on Revenue and Economic Development Policy Brief ([Exhibit E](#)) summarizes the work of the last Session. It shows we had a total of 47 bills last Session. Page E22 shows the jurisdiction of the Committee. We are responsible for all the chapters in Title 32 of the *Nevada Revised Statutes* (NRS). The other sections we have jurisdiction over are listed on the summary. On page E23 is a reference to key Committee deadlines. The Brief shows the 2015 bill draft request (BDR) list. These measures have been requested and may come before the Committee within Title 32. Page E30 is a directory of contacts with

numbers for Committee members, legislative assistant and other staff members. Page E31 lists Executive Branch agencies, various State and local office contacts for this Committee. The proposed 120-day calendar is on the back.

The Revenue Reference Manual is in the binder. This is an important resource for the Committee. This manual includes all the different major State and local revenue sources, collections, distribution and legal citations.

Chair Roberson:

The State tax structure has an impact on our economic development efforts. We aim to create more jobs and build a new Nevada. Economic development is an important part of this Committee.

Steve Hill (Executive Director, Office of Economic Development, Office of the Governor):

Assembly Bill No. 449 of the 76th Session resulted in your support over the past 3 years, and your leadership is appreciated. We would not be where we are today without your work and support to this effort.

Economic development is about bringing money to Nevada from outside the State. It comes from other locations throughout the Country and from other businesses expanding to Nevada. Most often, we do not see a company uproot and move to Nevada. It happens at times, and there may be good reasons for a business to uproot. A company might be looking for a West Coast operation for expansion. Businesses can look at Nevada from outside of the United States.

Our increased global presence helps bring light to what Nevada has to offer and facilitate those efforts. When we think about bringing money to Nevada, we think about businesses that will relocate or invest in our State. A critical part of what allows that to happen is to have Nevada companies that are able to export their products or services out of the State. When those companies come here, the investment is important, but that is a one-time occurrence. Over time, the jobs and companies that export products or services bring money from outside Nevada into the State. Once that money gets to the State, it tends to leak out. Most transactions that happen on a retail level in the support industries such as construction, professional services or other retail areas have a component initiated from out of the State.

You can go to an automobile dealership and pay \$30,000 for a car. The dealership will keep some of the money and pay the employees. That portion of the money will stay in the State. The dealership will pay the manufacturer of the vehicle. The manufacturer is not in Nevada and that money leaves the State. The idea behind economic development is to get money coming into the State faster than the transactions that cause it to leave. That lifts the entire statewide economy.

Over the past 3 years, we have followed two paths in order to make that happen. I started in this job 3 years ago when we had 14 percent unemployment. We did everything we could to help people get back to work. Raising their standard of living was taking them from not having a job to having a job. Every job is worthwhile enough for the State to pay attention to.

On the other path, we work to develop industries in Nevada. That can be expansion of the major economic pillars we have in Nevada, such as gaming, hospitality and mining, expansion of new industries to the State and, starting from scratch, other industries. These include water technology, agriculture and telemedicine. The long-term effort to help develop industries is what provides a stable foundation for Nevada to grow.

Our focus has shifted to the second aspect of economic development which is to raise the standard of living for all who live and work in Nevada. Our focus will be on jobs that pay higher than the State average wage. One of the bills we submitted is an adjustment to our general abatement package that will narrow the amount of abatements available based on the economic conditions in each county. It is based on the average pay rate paid by the company that seeks the abatements.

We see great opportunity for Nevada. The opportunities are in health care, which is the industry that has the highest potential for good job growth across the State, especially in southern Nevada. According to statistics, southern Nevada has 62 percent of the expected number of health care workers or those in the health care industry compared to the national average. In northern Nevada, that number is slightly over 80 percent. There is opportunity across the State but significant opportunity in southern Nevada. That translates to 30,000 jobs. The health care industry has great jobs and a solid future.

Aerospace and defense, information technology, financial services, hospitality, gaming and mining are our other areas of focus. The recent success Nevada had facilitating the Tesla deal shows advanced manufacturing is a once-in-a-generation opportunity in northern Nevada. We should focus our effort and resources to take advantage of that opportunity to build a global hub for advanced manufacturing that will be important for decades to come and support the economy in this region.

It is important to improve our education system and create a science, technology, engineering and mathematics (STEM) workforce of Nevadans who can take advantage of opportunities in cutting-edge industries that are coming to Nevada. An investment in education is an investment in economic development. This has never been more true than now.

We have been able to attract and grow great companies in Nevada. Those great companies are going to be important across the Country and the globe and to their industries. The companies offer STEM-related jobs, which provide career ladders. A person can start at the bottom in a well-paying job, moving up the career ladder with additional education and improving his or her standard of living.

We have talked over the last few sessions about trying to create those opportunities for Nevadans. Nevadans need to be educated and prepare to have those opportunities. We look forward to being part of the process. It is one of the most important aspects of economic development.

Page F2 of [Exhibit F](#) shows what the Governor's Office of Economic Development (GOED) does. We help coordinate State and regional development efforts and partner with the regional development authorities, local governments and the Legislature. One of our initial objectives in the first economic development plan published 3 years ago was to develop a cohesive economic development structure. We have accomplished that with the help of the Legislature and the development authorities. Our working relationship has never been stronger and continues to improve. As a group, we market Nevada and help identify Nevada's assets and economic opportunities. We are in partnership with industry, higher education and kindergarten through Grade 12 education. We worked on business development. We do not recruit companies to uproot and move. That is not a significant part of our effort. The interest we see in Nevada is from companies looking to expand.

The GOED administers the incentive process, a significant process that most do not realize. We analyze each company that comes before the Board of Economic Development. We produce a great deal of information with the help of those companies. Sometimes it is an easy process and sometimes it takes some work. After we go through the approval process, we contract with each of these companies for abatements or incentives. The contracts are turned over to the Department of Taxation, which does audits after Years 2 and 5 to make sure the companies have complied with the contract conditions. We work with those companies for 6 years through the incentive and abatement process.

We develop and execute sector initiatives such as the unmanned aerial vehicle (UAV) effort and the community health worker program, where we work with the community colleges in northern and southern Nevada. We designed a certificate program to help the people get in on the ground floor of health care. The pilot program took place last fall. We had 20 students in northern and southern Nevada who all passed the class. We are making sure 100 percent of the people are employed.

We are involved in expanding our global footprint through trade missions and inbound trade missions. We explain to a country what Nevada has to offer. We encourage that country to put a group of businesses together and form a delegation to tour Nevada. We have developed strong relationships with groups from Israel and Poland. They toured the State with their consul generals. Building an economy based on innovation and commercializing the innovation is a key to long-term economic stability.

Your support through the Knowledge Fund is an important tool. We are working on six Knowledge Fund projects. They are directly in-line with what we are trying to do with economic development. The projects include Nevada Institute for Personalized Medicine and the Gaming Innovation Program at University of Nevada, Las Vegas; Nevada Advanced Autonomous Systems Innovation Center at University of Nevada, Reno, which works with the Jumpstart to UAV Program and is expanding to include advanced manufacturing and robotics; Applied Innovation Center for Advanced Analytics based on big data at the Desert Research Institute (DRI); the DRI Nevada Center of Excellence that offers a joint project with the three institutions of higher learning participating with their professors in partnership with industry to drive new ideas. These are critical and exciting programs.

We oversee the new Battle Born Venture program. It was approved by the U.S. Department of the Treasury in July 2014 and by the Interim Finance Committee in August 2014. It is a 100 percent federally funded venture capital fund. The Program has made investments in three Nevada companies to help them get started and grow. This is an evergreen fund. One of our proposed bills requests permission and authority for our Board to form 501 corporations when appropriate for economic development. The federal government will relinquish control of the Battle Born Venture program in 2017, and Nevada will continue to use the program funds. We need an entity properly suited to house that fund and oversee that effort.

Mr. Hill:

We talk about workforce development and aligning that with industry needs. We have a terrific researcher. We provide research and data to anyone seeking information. We operate the Nevada Film Office, the State Small Business Credit Initiative, the Community Development Block Grant Program, the Procurement Technical Assistance Center and Local Emerging Small Business Program.

The Office on Economic Development and regional development authorities have assisted 280 companies across the State. These companies are new to and expanding in Nevada. The companies have contracted with us to bring 8,500 jobs within the first year of the term of their contracts, and they project 21,000 jobs will be created within 3 to 5 years. That is approximately four times the amount of companies and jobs that the State has experienced on an annualized rate over the past decade. You can see the effort has been strong. Those numbers do not include Tesla. Tesla will reach a peak of 3,000 construction workers on the project sometime during 2015. Tesla begins to hire permanent employees toward the end of the year and projects the jobs will increase to 6,500 by 2020. We have successfully attracted many large publicly traded companies that will locate their West Coast headquarters in Nevada.

Page F6 of [Exhibit F](#) shows our objectives and the State economic development plan for 2015–2017. The plan we released 3 years ago has served us well, and we have learned a lot in those 3 years. It is time for the next version of the plan. There will be more depth in advancement of the sectors, and we have a focused idea of what to accomplish and how to do that in the remaining three objectives.

In 2012, we started with seven targeted sectors that grew to nine, and we divided mining and manufacturing. The original Brookings Institution report on STEM strategies recommended we combine mining and manufacturing. Brookings did not see opportunity in Nevada for manufacturing outside of the mining sector. We have since shown that is not the case; those two areas deserve their own sectors and focus. We also added agriculture. That is an important part of the economy in numerous counties in Nevada. However, we have learned through experience that we can have too many sectors. We will consolidate back to seven and combine manufacturing and logistics into one sector. Logistics is driven by what is manufactured and what needs to be transported.

We will combine agriculture and energy and add water technology to the natural resources technology sector. Nevada leads this area now from a knowledge and research standpoint, and we want to help build an industry around it. The synergy between those three areas is reason to have them in one sector.

Page F8 of [Exhibit F](#) shows our organizational chart. Three programs are not funded through the General Fund. Two of them are over 90 percent federally funded. The purpose of the Procurement Technical Assistance Center is to help small- and medium-sized businesses contract with the federal, State and local governments. We have 1,300 active clients and facilitate \$40 million to \$50 million a year in contracts. Once the small- and medium-sized businesses understand the process and develop relationships with local, State and federal agencies, they have the ability to grow on their own. I worked hand in hand with the Local Emerging Small Business program. We have a person in charge of this program on a statewide basis and have about 400 businesses in the program. This program also helps small- and medium-sized companies that would otherwise not know how to contract in their fields.

The Nevada Film Office is funded through the Department of Tourism and Cultural Affairs, which is partly funded through room taxes. The Film Office has a staff of five.

The Community Development Block Grant Program is mostly federally funded. It receives an annual grant from the federal government to help grow rural economies. That allocation should rise to \$2.4 million during each of the coming 2 years. The program also receives \$100,000 of State General Fund money as part of a match for that funding.

Page F9 of [Exhibit F](#) shows a list of the Regional Development Authorities and the areas they represent.

We have five bills before the Legislature. Three bills will be heard in the Senate. The first is a bill to allow medical professionals outside the State to receive temporary licenses if they are in good standing in the state in which they practice. There are differences of opinion on how long it takes to get a license once an application is made. It could take several months. It is difficult to recruit physicians to Nevada from other states if they do not know they can get a license to practice immediately. The time lag is an impediment to improve the number of Nevada health care professionals. This bill passed both the Senate and Assembly last Session. There were some slight differences because a different subject in this bill caused the bill to not get back to the floor after passing conference committee. We were close to the finish line. The bill did not get passed for reasons that had nothing to do with policy topic. We are hopeful to have the same level of support for this issue and get it passed.

Senate Bill (S.B.) 93 is the aviation abatement bill to which we have made improvements. That bill passed unanimously last Session in the Senate, but we were not able to have a hearing in the Assembly. The bill is intended to bring aviation maintenance jobs back to Nevada. We export aviation maintenance for large and small airplanes, and helicopters which serve tourists. The maintenance is done out of state because Nevada is the only state in the area that charges sales and use tax and property tax on the parts and equipment used to do the maintenance and repairs. We will have a hearing on this bill in the Senate soon. This has the potential to bring many good jobs to Nevada.

SENATE BILL 93: Authorizes certain businesses to apply to the Office of Economic Development for a partial abatement from certain taxes. (BDR 32-291)

We have received the test site designation for UAVs, which will attract the UAV industry. The original focus for aviation maintenance remains.

Senate Bill 74 is a revision to NRS 360.750. This statute governs our abatements. We will make modifications, including narrowing the abatements. We will request companies be permitted eight quarters instead of four quarters to create the jobs we contract with them after the abatements are received. There are two reasons for that. A number of companies come here and build

their facilities. While they are going through the construction process, they do not hire permanent employees until they have access to employee housing facilities. Between permitting and construction, the typical construction cycle is approximately a year for a straightforward building; if the construction is more complex, it can take longer.

SENATE BILL 74: Revises provisions governing the abatement of certain taxes for economic development purposes. (BDR 32-293)

We audit after Years 2 and 5. We can contract with companies for 1 year, but then they are on the honor system to report. Lining up the audit and commitment with what is involved in the construction cycle makes sense.

One of the bills that will be heard is Assembly Bill (A.B.) 17, which makes changes to NRS 231 that governs economic development. We are requesting changes to confidentiality provisions. Now, companies can share information with us, and that information becomes public the day they take a step to move or expand in Nevada. That limits the information we would like to have in considering those applications, because many companies feel some information is proprietary. It provides a competitive advantage they do not want to give up. Several other entities in State government have confidentiality that extends into the future. We want to mirror what you see for the Public Utilities Commission of Nevada and the Nevada Tax Commission. This bill requests authority to create 501 corporations if approved by our Board.

ASSEMBLY BILL 17: Provides for the establishment of a nonprofit entity for certain economic development purposes. (BDR 18-292)

Assembly Bill 47 is the last bill. This bill makes an improvement to employee background checks and this is a simple concept. We worked on this through the last Session with the Department of Public Safety and could not find the right solution. We think we have found it and have the support of the Department of Public Safety for the language. We can contract with third-party companies to do background checks for prospective employees. Potential employees have to sign a release to allow the company to do the background check. We had drivers with the company I used to own. We were required by law to do background checks as a commonsense approach to hiring. We wanted to be sure those drivers were safe when on the road. We contracted with a company

that specialized in doing background checks to make sure they were done correctly.

ASSEMBLY BILL 47: Revises provisions governing the dissemination of records of criminal history. (BDR 14-294)

When background checks are done now through the Central Repository for Nevada Records of Criminal History, the Department of Public Safety interprets Nevada law to prohibit the third-party company from providing information to the employer that contracted the work. The ultimate impact is the company has to go county by county to provide the information which slows the process down. Around the holiday season when companies are looking to gear up for additional workers, they are not able to do that. A few years ago, a major e-commerce distribution company had to ship 700,000 packages through a different state because the company could not hire Nevada employees quickly enough. This hurts the people who would have had the opportunity to have a job during the holiday season. Other logistics and distribution companies begin to understand Nevada will not allow them to gear up through their peak seasons quickly, and it discourages companies from relocating here.

We will submit an amendment to a BDR that has unanimous approval from the Executive Branch.

That is the summary of the five bills before the Legislature this Session.

Senator Spearman:

I have a question regarding page F7 of [Exhibit F](#). You noted agriculture, water and energy will be combined. It makes sense to me. Can you explain why?

Mr. Hill:

The confluence of these subjects happens on a regular basis. Our Nevada System of Higher Education has a \$20 million grant to study the interaction of water and energy. When you talk to the people who run the Colorado River Commission of Nevada, they tell you they are the largest customer of NV Energy. Water and energy have a huge nexus. It is easy to see the importance of water to agriculture. Because of the drought in Nevada, it is important for Nevadans to learn how to react. Nevada has exceptional expertise that can be exported to others. When we were in Israel, the Governor spoke at the water conference. The new director of our Nevada Center of Excellence

could not be at the hearing because he was meeting with 18 different Israeli companies interested in working on Nevada water topics. The combination speaks to Nevada's strength in the triangular effort. It is a Nevada message we can brand as something unique.

Senator Kieckhefer:

I like this because we tie tax policy and economic development policy together. Would you talk about the importance of tax structure in economic development decisions when we attract companies to Nevada, what role the tax structure plays and how important it is for businesses when they are figuring out if they want to make the move to Nevada. We hear a lot about our education system and how important it is. There are improvements to make in education.

Mr. Hill:

Nevada has evolved our economic development effort from touting ourselves as a cheap place to do business to a state that has much to offer. Your increased investment in economic development has allowed us to identify and promote those areas of strength. Businesses look at their decisions from a spreadsheet mentality. They look at their bottom lines. Providing a great business environment and a workable tax structure is important. Different types of companies are going to look at our tax structure differently. That is one of the reasons we needed a special session for Tesla. We are interested in attracting manufacturing to Nevada, but we are one of 11 states that tax equipment used for manufacturing. We tax it at the prevailing rate for counties, which is the 7.5 percent range. It is a significant factor for a manufacturer. It is impossible to paint a business with a broad brush. Some are labor-intensive, some are capital-intensive, some have many transactions and high revenue at low margins and some have fewer transactions and higher margins. Every tax has a different impact on different businesses. Economic development is about bringing money from outside Nevada into the State.

Tax policy is what drives the State's economy. Companies that sell their products and services outside Nevada and bring the money back is what we intend to establish in State policies. This is the major reason I have said the Governor's tax proposal will not harm economic development. His tax proposal took that type of transaction into consideration. As you hear other types of proposals, I hope you consider this.

Senator Brower:

Thank you for your efforts on Tesla during the 28th Special Session. We came together and got that done. We know a lot of hard work went on behind the scenes with you leading the effort to make that possible.

I want to ask you about the Catalyst Fund. Most of us on this Committee were in the Senate in 2011 when A.B. No. 449 of the 76th Session enabled the creation of the Catalyst Fund. We thought it had great promise and passed it after vetting it carefully with an opinion by our counsel that it passed constitutional muster. It is in litigation now. The claims in the case are misguided. I am confident the State will win.

I am on the mailing list for the group that filed the suit against the State. Every time I get an email update about the status of the litigation, the email also includes a fundraising pitch. I have to question the motives behind the litigation and hope the State will prevail.

Can you give us an update on how the Fund is doing?

Mr. Hill:

The Catalyst Fund is the most effective and efficient economic development incentive in the State. We have provided grants to local governments and from them to 14 companies. That comprises approximately \$10 million. The Legislature committed \$11.5 million to this program. In 2011, it was \$10 million, then an additional \$1.5 million in 2013 to replenish the Fund. We made a budget request to replenish it now. The Fund will be completely committed by the end of this Legislative Session. With that \$10 million, 3,814 jobs have been contracted. The Fund is performance-based, so there is no money out up front. The jobs have to be in place over time. Once they are, the grant is made to the local government which has contracted with the business, and it gets passed along. That works out to \$2,650 per job. I included other abatements as part of this. I have worked through each one of these deals and our Board has been a part of each one. These great companies would not be in Nevada without this Fund.

Here is a new list of the companies: Take Two-Interactive Software, Inc.; Cristek Interconnects, Inc.; New Logic Research, Inc.; Ardahg Metal Packaging USA Inc.; Torchmate, Inc.; Lincoln Cutting Systems, Inc.; Nicholas & Co., Inc.; SolarCity Corporation; Barclay Corporation; Kareo, Inc.; Catamaran LLC; Petco

Animal Supplies Stores, Inc.; Clear Capital.com, Inc.; and Scientific Games Corporation.

Those companies are part of the foundation for the future of Nevada. The Catalyst Fund has helped allow that to happen.

Senator Brower:

That is what I was hoping to hear. I have not heard those details. We passed that bill in 2011 with the hope it would turn out the way you described it. Before I become a witness in the litigation, I will stop talking about the litigation. I am confident our capable lawyers in the Attorney General's Office will see this to completion and get a successful result so GOED can continue to reap the benefits of a promising program.

Senator Ford:

I want to reiterate what Senator Brower said. I agree 100 percent that it is a frivolous lawsuit. You mentioned Scientific Games relocated here. I am interested in that relocation. Can you offer some insight on its decision to relocate to Las Vegas?

Mr. Hill:

Scientific Games has been in business for some time. The game designing and manufacturing industry across the world has consolidated. GTech purchased International Game Technology, and Scientific Games purchased WMS and recently closed on a purchase of Bally Technologies. It is important for Las Vegas to continue to thrive as the global center of gaming and hospitality.

Scientific Games is a pillar of the game design and manufacturing industry with operations in Chicago, New York, Atlanta and Las Vegas. They recently built a new building in Chicago and gave serious consideration to relocating its headquarters there. As a spinoff of the company's game enterprise, it has developed a game show for television. Scientific Games Productions, LLC, has recently constructed a 50,000-square-foot soundstage adjacent to the Rio Hotel in Las Vegas and is producing the game show at that facility. The company allows others to use the production facility. This is what Senator Ford and his film tax credit bill had in mind when it was designed. Scientific Games is the second largest recipient of film tax credits, totaling \$3 million. The film tax credits was instrumental for Scientific Games to come to Las Vegas, build the soundstage and film the show. It was a terrific project.

Senator Ford:

Did the company take advantage of the portion of film incentive that deals with the video game design?

Mr. Hill:

I do not believe the company did. That was the extent of the available funding, and it did not need to look for extra ways to use the funding.

Chair Roberson:

There are a lot of opportunities, and you have identified them. Can you summarize what you see as your biggest challenge? Aside from the five bills, what are some of the issues this Committee needs to address to help you solve those economic development challenges?

Mr. Hill:

I would like the opportunity to come back with an extended answer over the next few months.

Chair Roberson:

You and I have talked about this. I hope you are in this Committee a lot this Session. We would love to hear your perspective and that of the other economic development agencies in the State as we talk about these different revenue proposals.

Mr. Hill:

The most significant obstacle is improving our education system and creating a workforce for the companies we want to attract to Nevada. If we did not have that issue, what a difference it would make. We could work through the other things that cause difficulties. The other economic development agencies here today are on the ground with those companies daily.

Other issues, like taxes, come up and cause different companies different sets of problems. Every company needs a workforce that can execute its mission. There are areas in which Nevada is lacking. I appreciate the financial commitment the Legislature has made to economic development over the past few sessions. We recognize the State is not in a position to double down on that commitment. What we have requested is important.

Tom Skancke (President/CEO, Las Vegas Global Economic Alliance):

The Las Vegas Global Economic Alliance (LVGEA) is one of the Regional Economic Development Authorities approved by GOED ([Exhibit G](#)). We are a 501(6) organization, and we are membership-based. Our partners are Clark County, Henderson, Boulder City, Mesquite, Las Vegas and North Las Vegas. We work with these regional governments on a daily, weekly, and monthly basis to drive a new economy for southern Nevada.

Our primary purpose is to attract and retain global business in southern Nevada. Our Board of Directors is our Executive Committee. I started with the organization a little over 2 years ago, and we had about 20 people on our Board. Today, we have 44 people on our Board. We will be adding two or three new people soon. We have grown substantially over the past 2 years. When I started, we had seven employees. Today we have 20 employees. We have grown our organization from the Board and team member level. When I started, about eight people showed at our economic development advisory committee meetings. These are our regional partners in economic development throughout southern Nevada.

Under Jonas Peterson's leadership, we had between 45 and 50 people at our meeting yesterday. On any given day in southern Nevada, there are around 70 to 80 people working on economic development full time. [Exhibit G](#) shows our organization and all of our partners, including the Governor's Office of Economic Development, NV Energy, Southwest Gas and the NSHE.

We see the results of our hard work and collaborative effort. The work GOED has done over the last few years has been phenomenal. We changed the way we do economic development in Nevada. The results are clear: we are successful with the number of businesses and industries we attract and the way Steve Hill has brought and shared information. Our Economic Development Advisory Group and the partnership we created is paying off in southern Nevada.

We are the author of the Comprehensive Economic Development Strategy (CEDS) and we are proud of it. We were one of the only communities in the State that had not done a CEDS to submit to the U.S. Department of Commerce. It was approved by the U.S. Economic Development Administration and our Board. About 300 people from our community came together to work

on that document prior to myself taking this position. We continue to work with the community to update this document and deliver on its goals and objectives.

Most people think we are funded by the State. We get \$1.5 million from the GOED, which is 25 percent of our annual budget. The other 75 percent comes from the private sector and a little from local governments. Page G7 of [Exhibit G](#) shows the revenue breakdown. For the first time, Engage Southern Nevada did a capital campaign. We raised approximately \$2.2 million of \$2.5 million we needed to raise. That is because of the 20 people who work for our organization and the vision GOED has been sharing with the business community and the communities as a whole. That is a large sum of money raised in 12 months. We see an uptick with new investors this year. We could not do what we are doing today without our partnership with Mr. Hill and his team.

Jonas Peterson (President/Chief Economic Development Officer, Las Vegas Global Economic Alliance):

The economy in southern Nevada is like a new Corvette stuck in third gear. We know where we want to go. We can see our destination over the horizon as an innovative, high-wage economy and one of the most vibrant centers for commerce in the Southwest. Between us and that destination is a lot of road construction. There are obstacles holding us back and forks in the road. There are decisions we need to make with your help and leadership so we make the right choice and end up at the right destination.

The attributes of the Corvette start with the best corporate tax environment in the Country. Add a high quality of life to the existing companies already here and that gives us a unique value proposition. Our population is growing rapidly. The Las Vegas metropolitan area has been one of the fastest growing markets in the Country over the last 10 years. We get 40 million visitors each year where the customer comes to the company. Our workforce is abundant. There are issues with quality, and we will talk about that. Our unemployment rate has come down, and there is still work to be done. We have a relatively new and improved infrastructure, whether it be transportation or telecom infrastructure, compared to our regional competitors. We enjoy competitive advantages.

Over the last 12 months, we attracted or expanded 33 companies that represent 3,800 jobs in southern Nevada. Those numbers sound good, but I will put them in perspective for you.

On page G11 of [Exhibit G](#), you can see that our performance compared to 2012 and 2013 looks a little better. Something happened in 2014. The numbers for jobs attracted and expanded more than doubled. Hundreds of business leaders, public and private, stepped up and invested in our organization to make sure we had the resources and staff necessary to deliver the broader CEDS. In 2014, it was the first year we fully implemented the plan with the full team in place. If you look at jobs, the results speak for themselves.

If you look at Clark County and what is going on in the State, there is a remarkable story. Last year, Nevada was the No. 2 state in the Country for job growth rankings. We got beat up by a bunch of oil-hungry Scandinavians from the great state of North Dakota. That state posted a 4.6 percent job growth rate, and we posted 3.6 percent growth. That is a great spot to be in, and we are producing a lot of jobs.

Page G13 shows where the jobs are. Industries we have targeted include aerospace and defense, technology, logistics and manufacturing. Those areas are a big part of our future. Yet today they are a small percentage of the existing jobs. Each of those targets represents less than 5 percent of the total jobs in Clark County. We have room to improve on diversification. Those targets have location quotients well below national averages. To an economic developer, that screams of opportunity and tells us we have low-hanging fruit in southern Nevada for those targets. We should, we can and we will exploit those advantages and bring us up to national averages while growing the valuable industry targets. This plan has some good attributes and has performed well, but it sounds expensive.

Page G15 shows that in 2012, the state of Florida spent approximately \$4 billion on incentives as did California. Texas came in at \$19 billion in incentives. Nevada distributed \$40 million in incentives. This efficient and productive incentive system is delivering strong results, but other states are willing to write bigger checks and steal those jobs away because they value them at a higher price than we do.

Page G16 shows over the next 2 to 3 years, we have \$12 billion of new projects scheduled. We have ten huge capital investments in mind.

Page G17 shows investment No. 10, the City of Las Vegas 24,000-seat soccer stadium. It is a \$200 million project and a public/private partnership.

Senator Ford:

Have you taken a position on the stadium issue?

Mr. Peterson:

No, we have not.

Senator Ford:

Okay, I just wanted to know.

Senator Kihuen:

Have you done a study on the economic impact that a stadium would have on southern Nevada?

Mr. Skancke:

We have not. It would be an expensive, in-depth study. Jonas is showing you a list of potential investments in southern Nevada that total the \$12 billion. We have not taken a position on any of these projects. This is the potential of what could come to our community in the next 2 to 3 years.

Mr. Peterson:

Page G18 of [Exhibit G](#) shows No. 9 on the list, the Boulder City Bypass project. Fuel tax and indexing has enabled us to get to \$700 million in new bonding capacity; \$350 million of that is scheduled to go to the Boulder City Bypass, an important component for Interstate 11 (I-11).

Page G19 shows No. 8, the MGM/AEG Arena, a \$375 million project. It has 20,000 seats and is in the heart of Las Vegas Boulevard.

Page G20 shows No. 7, downtown Summerlin, with hundreds of new shops, restaurants and office space. Howard Hughes Corporation invested over \$500 billion in this project.

Page G21 shows No. 6 is First Solar. This is a 250 megawatt, \$1 billion facility in Primm.

Page G22 shows No. 5 is Switch Communications Group, which is investing in northern Nevada and another \$1 billion in southern Nevada in additional data centers while building the superloop, a fiber network connecting Las Vegas, Reno, Sacramento and Los Angeles. That would make us the most digitally

connected state in the Country. This project provides a competitive advantage that will put us ahead of other states, attracting new companies to utilize that resource.

Page G23 of [Exhibit G](#) shows No. 4 is Union Village, a \$1.5 billion health, wellness and retail complex village in Henderson.

Page G24 is No. 3, Project NEON, the largest transportation project in State history, a \$1.8 billion job to increase access to the Las Vegas Strip.

Page G25 shows No. 2, the Global Business District, a \$2.5 billion project to keep us ahead of the conference and trade shows competition for the next 20 years.

Page G26 shows No. 1—the top of the list—Resorts World, Las Vegas. This \$4 billion project is the first master-planned, full-scale new resort set for The Strip in the last decade.

Page G27 is an important slide. It shows how we missed opportunities on a lot of projects last year. We call this chart the funnel. We had 251 prospect companies enter the process. They expressed interest and started to take steps to relocate or expand in southern Nevada. Right off the top, we lost 5 percent to branding and image. The companies were not comfortable with southern Nevada as a business destination and went somewhere else.

We lost 15 percent of the companies because they could not find the office or industrial space in our market to meet their needs. We lost 35 percent of all the companies we dealt with in 2014 because of education and workforce issues. Thirty-five percent chose another market because they were not comfortable with the quality of workers we turn out today or will in the near future. We need to remove that filter from our attraction and expansion funnel.

As for incentive packages, 20 percent received a larger check from another state and chose a different location. Other factors reduced it by 13 percent. At the end of the year, we had 33 new companies and 3,800 jobs. Those are good numbers, but we want your help to go after the 251 companies that wanted to relocate in southern Nevada. With your help, we can get more of those jobs for our residents.

Page G28 of [Exhibit G](#) shows another missed opportunity. We have a lack of existing large, speculation industrial buildings. We need 100,000 square feet and up. A study released earlier this year showed we missed out on 18,000 potential jobs from companies that expressed interest or said "I want to come to southern Nevada. Do you have the large industrial building I need?" They chose another market because we do not have the buildings or the infrastructure extended to the right parcels to be attractive to those clients.

Pages G30 and G31 show our strategic opportunities. If the I-11 project comes to fruition, southern Nevada will become a hub for goods movement on Interstate 11 from Mexico to Canada. It will transform our logistics and distribution industry in a short period of time.

Page G31 reinforces our need for workforce development. The high-quality, high-value companies the community wants tell us that the single most important factor of where they locate their businesses is the presence of and expectation for a highly-skilled workforce. For other companies, that is not the case. We are not content losing 35 percent of all these companies in our pipeline.

We will take a leadership role in *The Las Vegas Perspective*. This publication is a great tool for southern Nevada. We are adding ten digital publications throughout the year and hundreds of pages of research to become southern Nevada's premier resource for community and economic development, information analysis and forecasting. We will launch the thirty-fifth annual edition of *Perspective* on May 19.

What if we really transformed our educational system and reduced the 35 percent barrier? Now that we have a track record, what if we took a look at all the incentives we have used over the last few years and had a discussion about what we can do to make them more powerful? What if we extended infrastructure and engaged our developers in new ways to build the type of office and industrial buildings that clients are demanding today? With your help we can make it to our final destination.

Chair Roberson:

That 35 percent number is incredible. Thirty-five percent of the companies you want to bring here tell you they are not coming because of our workforce.

Mr. Skancke:

Prior to taking this position, I had my own business and traveled all over the world. The No. 1 issue has been education. It is the main issue that comes up in our office with clients who come in every day.

I made some trips last year to Korea, mainland China, Taiwan and Singapore. I worked with a large manufacturing company in Korea and one of its top executives visited our office in Las Vegas. We had to bring a translator in to communicate. We made our presentation about moving their company's appliance manufacturing plant to the southern Nevada region. It could be our Tesla. When we finished our presentation, this executive pulled out the newspaper and said:

Nevada is fifty-first in education. How are you fixing that? In my country, teachers are treated better than CEOs, presidents and elected officials. They are royalty. We spend money on educating our students. You want me to move my plant to your state when you are fifty-first in the Country? It is a tough sell to my group in Korea.

I get asked all the time why LVGEA is involved in a policy discussion about education. People say we should be focused on bringing businesses here for relocation and expansion, and my organization should be creating jobs. That is everyone's job. As Nevadans, we should be focused on education. This is our main issue. We did not get 100 companies, we got 33. The reason why my organization and Board are involved in policy conversations around education is because we have to be. Our clients asked us to make a change. Our clients tell us we have to do something. If we do not do it this time, there will be unpredictability in Nevada with these companies. They wonder if there will be another revenue question on the ballot in 2016 or 2018. These companies need predictability.

Our clients demand that we discuss education policy. We can talk about transportation. We have water until 2064 because of what the Southern Nevada Water Authority has done. We have to take an education leadership role. You will be pleasantly surprised by things we are doing in the next couple of weeks. We are prepared to work with this Committee, the Governor, Legislature and both parties to help solve the education problem this Session.

Senator Ford:

It is time for us to have this conversation. We have talked about this a lot and have been unable to rally enough support for a tax package to support class-size reductions and better teachers. This year is the first time this principle has been adopted by both parties. Businesses throughout the State are interested in this discussion. Chair Roberson has been up front about what he intends to do with this Committee. We will figure out a way forward on the tax package.

Senator Spearman:

A few issues on the slide referred to competitive advantage. Statistics tell us much of the growing population are retirees. You have your organization and education. Education is important. That drives the conversation on reforming structure. I do not want us to lose sight of other quality-of-life indicators. The students grow up and the teachers grow older. Are there any other areas you are being told we need to improve that will induce companies to relocate?

Mr. Peterson:

That is a great and complex question. The high-value companies require an educated workforce. We have to build a community around attracting that workforce and where those educated people want to live, raise families and recreate. You cannot ignore that. This is a complex answer. It includes transportation requirements, housing options and entertainment options.

Mr. Skancke:

I like to use my 87-year-old mother as a litmus test. I grew up in Sioux Falls, South Dakota, where we had school. We did not have Zoom Schools, we just had regular school. My mother lives in Sun City, Arizona. At this point in her life, she does not want to pay any more taxes, but my mother is appalled at the education system. It is hard to believe the students are not getting the education that her children got in South Dakota. She would be happy to pay more to help the children.

Transportation infrastructure is our No. 2 issue. Members of the Millennial Generation do not buy cars. They move by transit. We are losing out on education and transportation infrastructure because we do not offer a transit component to the people who do not buy cars. These young people are moving to Seattle, Portland, San Francisco, San Jose, Los Angeles, San Diego, Phoenix, Salt Lake City and Denver. We lose out because we are not focused on the Millennial workers who make decisions differently. Their decisions are made

based upon a cell phone, which is how they stay in communication with people using instagram, texting and tweeting which are dangerous in cars. Millennials want to ride buses or subways. We are losing the next generation workforce to communities smaller than ours.

Valley Metro in Phoenix invested \$1.7 million in a 22-mile light rail system that generated \$7 billion in economic development and investment—which is a 7-to-1 return. The new mayor of Phoenix announced a \$100 billion investment in light rail to connect the entire Valley of the Sun. Every mayor and every politician in the Phoenix metro area have signed on to that proposal because they all want Valley Metro. Downtown Phoenix has connected workforce to workplace. The Millennial Generation at the Arizona State University campus in Tempe and the University of Arizona campus downtown has changed the dynamic and the way people look at Phoenix as a business, an education and economic development destination.

Our No. 2 issue is that we are losing out on a competitive edge to any other community in the region. We cannot compete with Salt Lake City. We want to be in a global market and get outside the State of Nevada. The workforce can go anywhere in the world. Young people can move to China or Korea. We have to deal with that issue in conjunction with education to attract the workforce to which we lost the 35 percent.

Chair Roberson:

I hope you will come back this Session as we talk about revenue-restructuring proposals. I would like to have your input on how each of these proposals may affect what you do.

Mike Kazmierski (President/CEO, Economic Development Authority of Western Nevada):

I will refer to my presentation ([Exhibit H](#)) but not each page. The Economic Development Authority of Western Nevada (EDAWN) mission for an effective economic development program is about producing quality jobs that drive the economy. We do that by attracting companies, retaining existing industry and promoting entrepreneurial development. Our focus is on primary jobs. If a job brings wealth to the region, it is considered primary or direct. The customers are somewhere else. When they sell company products or services, it brings wealth into the State or the region. If it is not a primary job, we do not get involved. We have gone from an average of 800 jobs a year to over 4,000 jobs last year.

Over 700 jobs are related to Tesla. There are a lot of other jobs. The community is excited about growth, and now we are fearful of growth. Our unemployment rate is improving.

Senator Hardy:

The EDAWN fears growth because of the cost of schools?

Mr. Kazmierski:

There are three main areas of concern about growth.

The first one involves the impacts. We are doing an economic impact analysis to determine that.

Second, are we prepared for and can we meet this growth? Most of the jobs we are looking at will not be filled by people now in the region. We do not have enough people to fill the positions. We will have explosive growth that we have not had before. Schools, housing and all the other infrastructure concerns are an issue. The funding is not there.

Third, can our region meet the workforce needs of these companies? A number of companies will come to this region. We are announcing an exciting company soon. It is a cybersecurity company, and the average wage is \$100,000 per year. In northern Nevada, small is good because we like the diversity. The more small companies we bring in, the happier we are. These companies come with long-term plans to be successful. If we cannot meet their workforce needs, they will go somewhere else. The No. 1 issue a company has when it looks at a region is the quality of the workforce, not what is there now but what will be available in the future.

We expect to bring in over 4,000 jobs this coming year, not counting Tesla. This is good news, but we are running out of workers. The unemployment number is dropping. It is down to 6.2 percent. We will be below 5 percent. Full employment is considered 4.5 percent. There is not a lot of slack in the system to meet future job requirements.

To attract them, we bring company representatives to the region. If they see what is in northern Nevada, it is easy for us to sell. Our workforce and our education system are fine from a manufacturing prospective. We can meet the manufacturers' needs, and there are enough technology workers. We get on the

road and knock on doors. Our goal is to get companies to see the Reno/Sparks area. If they can see it, feel it and understand it, our closure rate is over 70 percent. If we cannot get them to visit, then we have 0 percent. Our goal is to host 10 to 12 visits per month, and we will continue to attract the companies we need for our region.

Manufacturing is important. We focus on headquarters because they will bring their leadership and long-term investment. At the end of the year, we have 27 new companies, seven expansions and 4,179 new jobs for the northern Nevada region. Most of that is manufacturing.

The Brookings Institution study on the Nevada economy did not have manufacturing as something the author thought would fit. We made attracting advanced manufacturing and technology our top priority 3 years ago. The salaries average \$60,000 to \$80,000 a year. We had a record of 6 companies last year, and 2 years ago we hit 13. It is difficult to get a company to relocate.

Tesla is a game changer and a significant part of our brand and our challenge. Tesla helps us from a technology perspective.

The Governor announced the arrival of Switch Communications. Switch is as important to southern Nevada as Tesla is in the north. Tesla has rebranded the northern Nevada region. The technology hub and data center will attract technology workers and give us the opportunity to rebrand the region.

We have many hot prospects. We win 70 percent of companies when they are in the final decision stage. We are recognized nationally as a place for manufacturing, a dramatic change from 3 years ago.

Our attractive location is a strength. We are in the center of the West from a logistics and manufacturing prospective. We are in a strategic location. We are 3 hours from the Bay Area and, as the crow flies, we are 7 miles from California. We are halfway between Canada and Mexico. Our location gives us an advantage. Our workforce was fine until now, but it is a concern for the future. We have a business-friendly government. The cost of doing business is 40 percent less than in California.

Chair Roberson:

You said 40 percent less?

Mr. Kazmierski:

Yes, it is 40 percent less for the cost of doing business in manufacturing.

Chair Roberson:

Why are these companies still in California?

Mr. Kazmierski:

They are moving. There is a major exodus out of California, and that state is worried. California is providing some of the larger manufacturing companies incentives and breaks to mitigate the situation. When a company moves, it risks losing workers. For employees to relocate with their employers, the average is less than 10 percent. As long as their margins are significant enough to absorb the cost, companies will stay there.

Chair Roberson:

I do not want to overlook the point you made. This is about why we are not getting more businesses and jobs to move to Nevada. Some of that has been identified today in this Committee.

Mr. Kazmierski:

We have business parks that are shovel-ready. Companies engage us when they are in the later part of the decision-making process. They have done their searches, they have sites selected, they are in the final stages and they are looking at 12 to 24 months to be up and running. If you do not have a business park shovel-ready, they will not make it in 12 to 18 months. That is a great advantage for us. We expect our costs to go up. Availability and quality of labor is going to become more of an issue, and there is a problem with the Reno downtown image. As with the south, building availability is a concern. We have many available now and some new buildings being built. We need to have training funds available so we can train the people we have to meet the jobs that will be available. That is a summary of our strengths and challenges.

There are three legs of economic development. Attraction, retention/expansion and entrepreneurial/start-up growth. We need to keep what we have because they pay the bills now. We visit and work with our existing industry. Most of the companies we visit show that 83 percent are growing. That is a good indicator. We have seven assisted expansions that netted 1,340 jobs. If you help them and they are successful, they will grow where they are.

Jobs for employees with technical skills are hard to fill. As more opportunity becomes available, we will have wage creep. Employee retention is a concern.

Entrepreneurial/start-up growth is most important and not on the radar for government, but will create the jobs of the future. We put together an aggressive program to help start-ups, a key part of the economic development stool. The program focuses on four different areas: communicate, catalyze, connect and showcase. There are different programs in each of these areas. Three years ago, *Entrepreneur.com* listed Reno as one of the three Western places alternative to Silicon Valley. Google listed it as a 2014 eCity. In February at the Global Innovation Summit, Innovation Rainforest will give an EDAWN innovation award. We were selected as the first city west of the Mississippi to host the Next City Vanguard leadership conference. We were recognized by the International Economic Development Council as having one of the best entrepreneurial development programs in the Country. Popular Mechanics placed Reno No. 8 on its 14 Best Startup Cities in America list. We have had a dramatic image change, thanks to Tesla, Switch and others.

We put effort into mentoring. If we can help startups be more professional in their presentations, they have a better chance of getting funded. If they get funded, they have better chance to grow.

Reno received the Reno Accelerator Fund from the Community Development Block Grant Program to help some of our start-ups.

We like to call ourselves the place for Entrepreneurs With a Life. We message that aggressively in the Bay Area.

Product improvement is one of our focus areas. The University of Nevada, Reno, is our economic engine to rebrand the image of the community. We did a taxi-top campaign with diversified business messages. The Washoe County School District helped to design a taxi-top for kids.

Last year was the best year for northern Nevada. Are we ready for the growth we have been successful attracting? Can we handle three Teslas?

Page H32 of [Exhibit H](#) shows a 5-year total of jobs and what we have worked on the last few years. Many of those jobs are not filled yet. Even if we assume a decrease in our success, there are 15,000 primary jobs. Total jobs come to

50,000 jobs in 5 years. Tesla's low estimated number is a third of that. We are bringing in three Teslas, part of our success in rebranding the region. Tesla has helped us and the State programs have helped us. Everyone has done their economic development work.

Page H33 of [Exhibit H](#) shows a 2.2 percent growth when things were hot. During the high-growth years, there was a 20 percent increase in construction over 1 year. Last year showed 3.3 percent, and that is without Tesla. We have a committee to discuss growth and what to do about it. We will have a report by March 1 that will identify schools needed and the components of growth, so our region has one set of numbers we can go from.

We have two other components to the economic development stool, community development—the base of the stool—and workforce development, which affects all three legs. On the community development side, there are things we do to revitalize the downtown and to attract a workforce. Workforce development is most important for our long-term success. We do not have enough workers to fill the 51,000 jobs in 5 years. We have Nevadans in the north who could have great job opportunities if we could invest in them, train them and get them in those positions. If not, other people will fill those jobs and Nevadans will do minimum wage jobs. That is not what we want. We will continue to brand the region. We will advocate increased funding to train workers with GOED Train Employees Now (TEN) grants.

The budget has \$600,000 for training. This sounds like a big number, 600 jobs at a \$1,000 a job. We need to train employees for 4,000 jobs. There are states in the Southeast that will budget \$20,000 per employee for training.

Senator Kieckhefer:

What do you think the financial need is for workforce training programs to appropriately train?

Mr. Kazmierski:

It is \$1,000 per job minimum, hopefully, \$2,000 per job. Thus, 6,000 employees at \$2,000 per job is \$12 million. That is more money than our budget could hope for. An investment of \$2,000 gets a worker into a job that is much more than what he or she has now. The average wage could be over \$56,000 per year. We have been below \$40,000 per year forever. If we invest

in training Nevadans, we can fill those jobs. If we do not, our workers will not be qualified.

Senator Kieckhefer:

The TEN grant program funds 600 people. If we wanted to take it to 6,000 people, do we have the training capacity?

Mr. Kazmierski:

Yes. I assume it would go through the community colleges and would fund the community college efforts. The colleges are already tailoring their programs to the needs of the employers. Trainees do not need doctorates, master's or bachelor's degrees. They need to obtain a few years' worth of technical skills at the community college level, and companies finalize their training. After training, workers can get jobs with salaries of \$60,000 to \$80,000 a year. Brookings calls these blue-collar STEM jobs. We are not filling that gap now.

Page H40 of [Exhibit H](#) shows the funding level for community colleges. The blue line is the north and black line is the south. They are both going down. If you could link community college funding to jobs and job opportunities and put money into training, students would be educated when they get out of college. This goes back to how workforce and education are linked.

On page H41, look at what we have for school capital funding in the north; it is not good. To maintain what we have now costs \$25 million a year. We have zero dollars in 2015 and \$10 million next year for bonding. The Governor's plan allows for a rollover. With this solution for education, to maintain what we have costs \$50 million for the next 2 years, and we have \$10 million for bonding. That is part of the problem. Look at the comparison of Washoe and Clark Counties property tax rates for schools. There is more of an investment in education in Clark County. Real Property Transfer Tax and lodging tax happen in Clark County and not in Washoe County. The problem gets worse. The land the Washoe County School District needs to buy for new schools is getting more expensive. We are running out of land. *Nevada Revised Statute* 278.346 says school districts have to buy land at market rate. When schools are not nearby, homes are less valuable. Developers need to be told to be part of the plan when it comes to schools. Washoe County has no impact fees for schools. We will have 562 more students in 2014 and 61,000 new residents in Washoe County by 2024. If everyone said today they would pay more taxes for schools, the process takes 4 years even if we act now.

The problem we have with capital funding is significant. The chart on page H43 of [Exhibit H](#) shows the gap. We need schools now. We have kids in 225 portable rooms, many of which are over 30 years old. The chart shows the new facilities we will need in the next 5 to 10 years for elementary schools, middle schools and high schools. The chart reflects today's costs with a 5 percent inflation rate for bonds and 2 percent to 3 percent for inflation. When we were in the roaring 1990s and there was a 20 percent cost inflation, these numbers would go off the chart. The red line at the bottom is only if the rollover bonding occurs. If it does not occur, there is no funding allocated to any of these requirements.

We have an investment challenge. It is time to invest in Nevadans. If we do that, we have an opportunity to change the State.

We are thrilled with our relationship with the other development authorities, with GOED and with LVGEA. From an economic development perspective, we work well together. It is an exciting opportunity for us. It is a team sport, public and private.

Chair Roberson:

That was a great presentation and very informative.

Senator Kihuen:

Have EDAWN and LVGEA taken a stance on the Governor's tax plan? Do you support it or are you against it?

Mr. Kazmierski:

Our organization has not taken a stand on it, but we have come out and said we need to fund education. There is a lot of work to be done.

Senator Spearman:

I want to talk about the major concerns and the availability of specialized workforce resources. I look at senior management in multiple areas. Are we doing anything with the Nevada Veterans' Services Commission? Are we trying to recruit military service members before they exit the service or they retire? At the end of the Afghanistan War, there is downsizing. Numerous military personnel, including reservists and National Guard personnel, have access to the post-9/11 GI Bill. We can attract them to the community colleges. It helps the

budget and gives the service members an opportunity to go to school in a community they know.

As an example, Fort Bragg, North Carolina, is the largest U.S. Army base in the world. Around 3,500 people are at end-of-tour service or retire every month. The army has partnered with the Chamber of Commerce and Fayetteville Technical Community College and few other partners. The army works with people on the post to determine the needs of those who are leaving and how the army can help. For example, the military went to automatic transmissions, but most civilian trucks have standard transmissions. Someone who has dodged improvised explosive devices in Iraq, driven over rough terrain in Afghanistan or led convoys through Europe clearly has driving skills. They cannot come out and get jobs because they do not have the training on standard transmissions. If there is a way to partner with veterans prior to exiting the service or retiring and identify the areas of need, we can fill these jobs.

Mr. Kazmierski:

We developed a workforce consortium that is starting to do things we have not had to do in the past. When unemployment is at 8 percent or 14 percent, there is adequate workforce to meet the needs. We will soon run out of workers. We need to be more aggressive in attracting veterans and connecting with the veterans groups. That is part of the plan. Whatever we can do to attract talent to the region will allow us to grow the companies.

Senator Spearman:

In senior military management, numerous people come out as an E4. Employers might say they do not have any management experience. The E4 veterans have probably been tank commanders and responsible for life-and-death decisions. They need to translate that from military to civilian skills.

Mr. Kazmierski:

It is exciting to see the leadership in the State dig into this. We can set ourselves up for the success over the next 50 years.

Chair Roberson:

I skipped over one part of the agenda. Russell Guindon was going to present on the General Fund revenue for the 2015-2017 biennium. It will be appropriate to do that on Thursday before the agency presentations. None of us on this panel are experts in economic development or tax policy.

The people who spoke today know what they are doing. I sensed a common theme from them as far as their challenges and bringing businesses to the State.

The meeting is adjourned at 6:41 p.m.

RESPECTFULLY SUBMITTED:

Gayle Rankin,
Committee Secretary

APPROVED BY:

Senator Michael Roberson, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	1		Agenda
	B	3		Attendance Roster
	C	2	Joe Reel	Committee Standing Rules
	D	114	Nevada Taxpayers Association	<i>Nevada TaxFacts</i>
	E	34	Fiscal Analysis Division	Policy Brief
	F	9	Office of Economic Development	Senate Committee on Revenue and Economic Development February 3, 2015
	G	34	Las Vegas Global Economic Alliance	State of Economic Development
	H	48	Economic Development Authority of Western Nevada	EDAWN's Legislative Update