

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-ninth Session  
February 16, 2017**

The Senate Committee on Finance was called to order by Chair Joyce Woodhouse at 8:02 a.m. on Thursday, February 16, 2017, in Room 2134 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 Joyce Woodhouse, Chair  
Senator David R. Parks, Vice Chair  
Senator Moises Denis  
Senator Aaron D. Ford  
Senator Ben Kieckhefer  
Senator Pete Goicoechea  
Senator Becky Harris

**STAFF MEMBERS PRESENT:**

Mark Krmpotic, Senate Fiscal Analyst  
Alex Haartz, Principal Deputy Fiscal Analyst  
Jeff Ferguson, Senior Program Analyst  
Lona Domenici, Committee Manager  
Cindy Clampitt, Committee Secretary  
Mary Sullivan, Committee Secretary  
Edgar Cervantes, Committee Secretary  
Kurt Englehart, Committee Assistant

**OTHERS PRESENT:**

Steven D. Hill, Director, Nevada Governor's Office of Economic Development  
Craig vonCollenberg, Director Apprentice Studies Division, College of Southern Nevada

CHAIR WOODHOUSE:

We will open our hearing with the Governor's Office of Economic Development.

STEVEN D. HILL (Director, Nevada's Governor Office of Economic Development):  
Page 1 of our PowerPoint presentation ([Exhibit C](#)) lists the duties of the Governor's Office of the Economic Development (GOED). We included logos of companies that have come to Nevada or expanded to Nevada over the last couple of years on page 2 of [Exhibit C](#).

Page 4 of [Exhibit C](#) shows the major projects in the Knowledge Fund. The law requires GOED to make grants to the three research institutions; Desert Research Institute (DRI), University of Nevada, Las Vegas (UNLV), and University of Nevada, Reno. This page shows the partnerships between GOED and those research institutions.

Our Office also runs the State's designation as one of six Federal Aviation Administration (FAA) test sites. We work in partnership with the Nevada Institute for Autonomous Systems. Over the past year we have seen significant progress in the aviation industry. It got off to a slow start since the FAA needed to get rules and regulations in place in order to allow flights. The test sites were approved about 18 months ago and we have seen an exponential rise in the number of flights. We had a handful of flights in 2015 and last year we had over 800 flights. We believe the number of flights will continue to grow and will soon start to develop the industry across the State.

Page 6 of [Exhibit C](#) lists some of the international wins that we have had as a result trade missions that we have led, both with and without Governor Brian Sandoval. Pages 7 and 8 of [Exhibit C](#) lists additional key initiatives that GOED has led or been a part of. Page 10 of [Exhibit C](#) lists the significant changes in our budget accounts (B/A). Page 11 of [Exhibit C](#) lists our eight budget accounts. We will be reviewing five of those eight accounts today.

Page 12 of [Exhibit C](#) is our organizational chart. This includes the Procurement Technical Assistance Center which is predominately federally funded, and the Nevada Film Office which is funded through the Nevada Department of Tourism and Cultural Affairs.

We will begin with B/A 101-1521, which is the State Small Business Credit Initiative (SSBCI). This program is federally funded.

There is no General Fund money in this account. The federal government created the Small Business Jobs Act of 2010 and the SSBCI. The State received a \$13.8 million grant in 3 approximately equal tranches of about \$4.6 million. The State had to invest up to 80 percent of the prior tranche in order to receive the next tranche. The program was designed to help small businesses and manufacturers that are credit worthy but were not receiving the loans or the equity funding that they needed in order to expand and create jobs.

## COMMERCE AND INDUSTRY

### GOED

GOED - Nevada SSBCI Program — Budget Page GOED-27 (Volume II)  
Budget Account 101-1521

There are three components to the SSBCI program. The first component is the Nevada State Collateral Support program which allows GOED to put on deposit up to 35 percent of the value of a loan. This allows us to provide the collateral to that business in order for them to receive the loan. We are basically a partner with the bank in that situation so we share the risk proportionally as well as the upside. We receive a portion of fees or interests. There is certainly a risk that goes with either collateral support or the venture capital. We have invested \$5,357,922 with 14 Nevada businesses and have not experienced any loss in this program to date.

The second component of SSBCI is the venture capital where we invest alongside other investors. We are required to leverage private dollars so we cannot be a sole investor or sole provider of collateral support. We have made 8 venture capital investments in growing companies and those investments have totaled \$3.1 million.

Legislation was enacted as in the last Session that allowed GOED to create corporations for public benefit or nonprofit corporations. We created such a nonprofit corporation in order to house the State's SSBCI. The U.S. Department of the Treasury relinquishes oversight of the program at the latter of March 31 of this year, or when we invest the entire \$3.8 million that was originally provided through the Treasury. We anticipate that we will have that entire \$3.8 million invested approximately a year from now. We have

several opportunities to get that invested. At that point, the Treasury will no longer have oversight of the program and the State will.

The corporation for public benefit was formed in December and approved by the Board of Economic Development. The Board of Directors for this nonprofit is a seven-member Board and requires the Director of GOED be the Chair of the Board. There are two legislative appointments to that Board and the GOED Board appoints the additional four members. The legislation requires the Board be comprised of people who have experience in this field.

This process was necessary because Nevada is not constitutionally allowed to own equity in a private business. The nonprofit was formed in order to allow that to happen and allow the venture capital program to move forward. This is not a program that the State could have done with its own General Fund dollars. Because the federal money was there and this was the intention of that grant, it will be to the benefit of the State to move forward with it. As money is returned, we will transfer it to the nonprofit corporation so that they can administer it going forward. As we make investments, the equity that investment constitutes will also be transferred to this nonprofit corporation. That has already taken place.

We anticipate \$2 million to be returned to GOED and transferred to the nonprofit corporation in fiscal year (FY) 2017-2018. We also anticipate an additional \$1 million will be returned in FY 2018-2019. The nonprofit corporation will then reinvest that money, and we have broader latitude how that is done going forward. But the nonprofit will be the organization that oversees the investment of these funds once that first set of investments that constitute the \$13.8 million is invested and returned.

SENATOR KIECKHEFER:

Is there active marketing to encourage companies engage in SSBCI?

MR. HILL:

We do have an active marketing program. We have a partnership with the Nevada Small Business Development Center, and we have a pipeline of approximately 30 companies who regularly apply for venture capital investment in the State. We have an Investment Advisory Committee that reviews the information that is provided and does the diligence necessary in order to make

recommendation to the GOED Director on whether those investments should be made.

There is an active outreach program. We work with the Startup Committee across the State. The Investment Advisory Committee will work with five to eight companies a month and we will constantly have about 30 companies in the pipeline so there is pretty active interest there.

On the collateral support side, we work directly with the banks. There have been a couple of banks that have really picked up on this program. We work with these banks on a regular basis. We are going back out to the banks that have not participated. This an attractive program that would not have been as difficult to get invested into as it has been. It got off into a slow start. There has been some skepticism on the part of the banks to get involved in a federal program because they feel that they will have to fill out stacks of paperwork. It is not a complicated program to get involved with, so we are reaching out again to see if we can get more banks interested.

SENATOR KIECKHEFER:

What is the success of those companies that are invested in the program in terms of job creation and the stability of those companies?

MR. HILL:

There are companies who feel that without the program they would have been in jeopardy of not being in business, especially on the collateral support side. All eight of the companies that we have invested in on the venture capital side are still in business and operating. It is relatively early since we just started the program about 18 months ago, so I cannot say they are all on a path to roaring success but they are all still operating.

When you do venture investing, if you invest in 15 companies, you hope one or two of those companies really works and you realize the risk that is involved with the rest. The companies we have invested in so far all look still promising.

SENATOR FORD:

I am sponsoring Senate Bill 126 that would provide loans to enterprises certified as a small business, minority owned or women owned. Can you tell me about the 14 enterprises that have been able to receive collateral support and 8 that have received venture capital investments? What type of enterprises are these?

Are any these businesses certified Minority Business Enterprises (MBE) or certified Women's Business Enterprise (WBE)?

**SENATE BILL 126**: Establishes a program to provide loans to certain small businesses owned by minorities and women. (BDR 18-21)

MR. HILL:

On the collateral support side there is a broad cross section of businesses. The collateral support we have provided, which is up to 35 percent of the value of the loan, has typically been in the half a million to million and a half range. Those are \$4 million to \$5 million loans. These are not microenterprises but they are also not huge businesses typically. On the venture side, all the businesses would be considered very small at the time of the investment. I will submit that information to the Committee.

SENATOR FORD:

Thank you. I am interested seeing a list of the companies that have been certified as MBE or WBE.

SENATOR DENIS:

If the nonprofit corporation was a governmental entity, it would be subject to open meeting laws, and there would be a level of transparency. So, how do we achieve such transparency with this nonprofit?

MR. HILL:

The law requires an annual report be filed with the Legislature and our Board, so we report to our Board in an open meeting. The nonprofit is fairly new so after we got the Board members for the first meeting, we brought that information back to the GOED Board and reported on that and will continue to do that.

SENATOR DENIS:

What about the board meetings for the nonprofit? Are those open meetings?

MR. HILL:

They are not.

SENATOR DENIS:

How is that transparent besides the report?

MR. HILL:

The law does not require the nonprofit board meetings to be subject to the Open Meeting Law, so the first meeting we had was not subject to the Open Meeting Law.

SENATOR DENIS:

The only reason the Legislature created the nonprofit was because the State cannot have equity in any company. But in essence we are still the ones behind this nonprofit, so I am concerned that meetings are being held and all we receive is a report after the fact.

CHAIR WOODHOUSE:

Seeing no further questions, let us move on to B/A 101-1526.

GOED - Governor's Office of Economic Dev — Budget Page GOED-5 (Volume II)  
Budget Account 101-1526

MR. HILL:

This is our core economic development budget account. There are not many changes to this account from the last biennium besides the \$660,000 over the biennium in E-125 to continue the Unmanned Aerial Vehicle program (UAV).

E-125 Sustainable and Growing Economy — Page GOED – 8

In 2015, the Legislature allocated \$5 million for the pursuit and the operation of the FAA's designation as a UAV test site. The Legislature allocated \$1 million for the pursuit of that, which was successful. The remaining \$4 million was contingent upon successfully receiving the UAV test site designation. The intention was that the additional \$4 million would probably be expended during that biennium. We have extended that funding so it will last until the next biennium. That original commitment, in the Legislature's part, was to have the \$5 million last for a full six years rather than the shorter period of time that was intended. There is currently about \$669,200 in the Contingency Fund, which will revert at the end of this biennium. We will not come to Interim Finance Committee (IFC) to request that, but we are requesting the \$660,000 be added to our budget for use of the UAV program.

In Enhancement Unit E-233 we are asking for the elimination of the Train Employees Now (TEN) program. The TEN program was in place prior to

GOED being started. The program was designed to help offset the training cost of companies that are moving to Nevada or expanding in Nevada. The TEN fund is no longer necessary since the creation of the Workforce Innovations for the New Nevada (WINN) fund and the ability to use the Catalyst Fund for the same purpose that we use the TEN fund.

E-233 Efficient and Responsive State Government — Page GOED – 9

We are not eliminating the purpose of the TEN fund. We simply do not need three different programs that we can use for workforce development. The two programs that will remain will function across the entire spectrum. What we have in mind with the WINN fund is to create programs that apply to specific companies that are moving to Nevada or expanding in Nevada. But we would like those programs to be more enduring than just applicable to a company right now. For example, we are developing advance manufacturing programs in northern and southern Nevada. They are in response to specific needs on the part of specific companies. We also think this will have applicability to a broad cross section of companies and will last in the future. The TEN fund was a specific grant to a specific company to do specific training as they were moving here or expanding. We can do that with the Catalyst Fund. Either, those companies will fit into a program that makes sense on the WINN fund side, whether it a program that is more applicable to a broader set of companies, or we can provide a Catalyst Fund grant for that training for a specific company. For example, a couple of weeks ago a company focusing on artificial intelligence and software robotics to perform back-office operations for major companies decided to move their headquarters and training location to Las Vegas. They will hire 135 people in the first year and hope to hire about 400 in the course of 3 to 4 years. It takes about three months of training for someone who has no experience in that field. The starting pay for that job is about \$35 an hour. There are not a lot of companies doing robotics and artificial intelligence for back-office operations, so this training is specific for this company. For that situation, we provided a Catalyst Fund grant to help offset the cost of that training. In the advance manufacturing side, it made sense for a WINN fund grant because that program will be put in place for a few specific companies, but there are a number of companies that will be able to take advantage of it moving forward. This is why the TEN program can be eliminated.

CHAIR WOODHOUSE:

Seeing no questions, we will now move to B/A 101-1529.



GOED - Nevada Catalyst Fund — Budget Page GOED-25 (Volume II)  
Budget Account 101-1529

MR. HILL:

This is our Nevada Catalyst Fund. This program was created and funded in the 2011 Legislative Session. The Legislature moved to a Transferable Tax Credit program during the 2015 Legislative Session. In our proposed budget, the Transferable Tax Credit program would remain, so there would be no additional funding provided.

Page 16 of [Exhibit C](#) lists those companies that the Catalyst Fund has invested in and the results of those investments. When we first talked about this program we were hopeful that the original \$10 million provided in the 2012 Legislative Session would help facilitate the creation of 2,500 jobs with an average wage of \$40,000 a year per job. Those numbers are nearly reversed. We have made nearly \$10.5 million in grants in 16 different grants. There have been 3,719 jobs created at \$2,805 per job. The agreements we have structured with these companies are all performance based. So, they do not receive any of the funding upfront. The jobs must be in place prior to the grant being made and they typically run between two to five years. For example, Take-Two Interactive Software, Inc. is eligible to earn up to \$120,000 a year for five years. They have done that for the first three years of the grant. If they do not reach the number of jobs required in order to earn the whole amount, the grant is on a per job basis with a minimum number in that year that are newly created. That is audited by the local governments who are our partners and have made the direct agreement within this Catalyst Fund. They audit the company and certify the results. For example, if Take-Two is eligible at the rate of \$12,000 a year for 100 jobs, and if they only create 80, they would receive \$12,000 per job for the 80 jobs and would lose the \$12,000 per jobs in the 20 jobs that were not created. So, we receive a little bit of money coming back into the Catalyst Fund because companies do not always achieve the job creation that they projected.

SENATOR KIECKHEFER:

I am looking at the list of the 16 companies for the Catalyst Fund on page 16 of [Exhibit C](#). What are the jobs being created at companies like Petco and Solar City with those funds? What are we doing with those funds to lure smaller more tech startup companies into the market?

MR. HILL:

The philosophy of the Office and of the Catalyst Fund has evolved over the course of time that it has been in place. When we started, we were looking to get people back to work. When you do not have a job, any job is a good job. Once we moved closer to full employment, we shifted the way that we do abatements, as we did in the 2015 Legislative Session. We also shifted our thoughts on the Catalyst Fund. We are looking to incent companies that raise the State average wage now where, if you asked four to five years ago, we were looking to get people back to work.

Economic development is all about bringing money in from outside the State into the State, which means it is about companies that export their products and services out of the State. What we recruited when we recruited Solar City, through the Catalyst Fund incentives, was their sales and service operation that cover the entire western part of the United States. We cannot provide incentives for the construction side of what they do in Nevada. We are very careful during the audits to separate those types of jobs. Once you start incenting companies in the construction industry, you are also incenting some companies who are here and now competing with some others you have now incented. When you incent companies that are exporting their products and services, you do not have that negative dynamic.

SENATOR KIECKHEFER:

It strikes me that the total number of jobs listed on page 16 of [Exhibit C](#), based on the grant amount is incredible in comparison to other large scale projects we have approved. I know there are other benefits from the investments such as Tesla, Inc. and Faraday Future to the State, but there is certainly a much higher dollar figure in terms of incentives for a similar number of jobs. This is a high return of investment area for economic development. I would like to explore ways to focus on this type of program going forward.

MR. HILL:

The tax abatement side of the incentive is not shown on page 16 of [Exhibit C](#). It is the most effective and efficient program that we have in order to create great jobs. What drives the incentive number on the tax abatement side is how much "stuff" a company buys. If it is a financial services company they will have an office, furniture and computers, but they will not be buying manufacturing equipment and building big buildings full of expensive things. The tax abatements are primarily there to offset the cost of buying those things. So,

there will be a varying amount of abatement per job based on how capital intensive the business is. Nevada is one out of 11 states that charges sales tax on manufacturing equipment. So, when you look at the abatements for some of the larger projects like Tesla and Faraday, it is concentrated on allowing Nevada to be competitive in that situation where well over half the tax abatements are simply to eliminate the sales tax on the purchase of that manufacturing equipment.

SENATOR GOICOECHEA:

I noticed on page 16 of [Exhibit C](#) that Barclaycard and Barclaycard Expansion together receive almost 30 percent of the Catalyst Fund. Who are they, and what do they do?

MR. HILL:

Barclays is a worldwide bank based in the United Kingdom. They originally set up a large call center in Henderson for their credit card operations. They moved to Nevada at the same time Citigroup Inc. closed their operations and laid off 750 people in Las Vegas. A remarkable number of those people laid off from Citigroup were able to move to Barclaycard to a similar position. The pay for those positions was relatively low at the \$14 to \$15 range for most of those workers. The per-job grant on page 16 of [Exhibit C](#) reflects that. So, we scaled the Catalyst Fund grant per job largely based on the pay level of that job. Barclaycard had such a good experience in Nevada that they decided to move a couple of significantly higher paying and different operations to Nevada. They made the decision twice to move to Nevada, which speaks highly of the State. Having them in Henderson has been a real benefit. They are well over the list of employees listed on page 16 of [Exhibit C](#) under the initial Catalyst Fund.

SENATOR DENIS:

How long do you expect the Catalyst Fund money to last through this biennium?

MR. HILL:

We still have \$1 million in the fund to allocate. Companies do not always achieve all of the jobs that they projected. So, we do have money flowing back in. We will have activity into FY 2020-2021 because our agreements take between two and five years for the companies to earn. At some point the amount in the program will be low enough to shut the program down and let the money revert.

CHAIR WOODHOUSE:

What types of companies and job creation goals will these funds be used for?

MR. HILL:

Our goals now with the Catalyst Fund is to raise the average wage in the State, which is slightly over \$21 an hour. The median wage is \$16.50 to \$17.00 an hour. We would like to do this in areas that are on the cutting edge of innovation and will be in industries that appear to be relevant for decades to come.

CHAIR WOODHOUSE:

Seeing no further questions, we will move on to B/A 101-1531.

GOED - Winn — Budget Page GOED-31 (Volume II)  
Budget Account 101-1531

MR. HILL:

This is the WINN Fund. This fund was created during the 2015 Special Session. We received \$2.5 million during that Session. A good portion of that total was offset by a reduction in the Catalyst Fund Transferable Tax Credit program that aligned with the funding for WINN. It was created at the time for Faraday. So far, our Board has approved \$500,000 to purchase the equipment necessary develop the curriculum. We are anticipating that training will start for the first 350 employees in the second or third quarter of this year.

Our Board approved the Northern Nevada Advanced Manufacturing Program that our Office worked on with the community colleges and the Panasonic and Hamilton Company. The program that resulted from this is the Panasonic Preferred Pathway (PPP). That PPP has just started and provides the opportunity for those who have not been in the manufacturing sector to receive initial training for entry-level jobs or next job level above.

The Leveraging Educational Assistance Program (LEAP) is a complete career pathway beginning in high school and covering everything up until a doctorate degree. The program provides the education and specific skillsets necessary to gain employment in the industry. It is a pretty detailed plan. We have developed this for our advanced manufacturer area. We are working on advanced information and communication technology. As we go into the next biennium, we will do that in life sciences as well.

The Legislature has often asked "how do we tie what businesses need and what we are doing on the educational and training side?" The LEAP program is what makes that tie happen. If a student takes these courses and passes them, they will be a preferred potential employee at those companies that participate in the program. Companies are looking for employees, and we want to make sure that Nevadans have those jobs. We are doing this work in southern Nevada as well.

CHAIR WOODHOUSE:

What kind of impact will the Faraday delay have?

MR. HILL:

Faraday has purchased the Apex Industrial Park. They have also funded the engineering work that Southern Nevada Water Authority, Waste Water District and all the entities that will be installing the infrastructure. Faraday has invested approximately \$160 million in southern Nevada. The agreement, however, was structured differently. We instituted the ability to create a trust fund so that Faraday will be paying their taxes along the way. The portion that would be eligible for abatement, if they achieve the \$1 billion investment threshold, is going into a trust fund. They are earning a little bit of the modified business tax abatement as they go along, and there is a claw-back provision on that. For example, right now the trust fund is exactly at \$400,000. They have earned \$2,500 in abatements that are eligible to be claw backed in the event that they do not reach the \$1 billion. So more than 99 percent of their taxes that would be eligible for abatement are in the trust fund, which would also indicate that there has been \$125,000 in taxes paid as a result of their activity.

There are two significant milestones to the success of Faraday going forward. The first milestone was the release of its car. The car was generally well received at the unveiling. That provides significant value for that company. The second milestone is the ability to manufacture it and sell it. Once the company is manufacturing cars and selling them, the value of the company will jump as well. Faraday has announced that they will now phase their construction of the facility that will employ approximately 350 people per shift. They plan to have that facility operating sometime towards 2018. That facility will be able to manufacture somewhere in the 10,000 to 12,000 cars per year range. This will allow them to accelerate the manufacturing of their vehicles. This is a smart strategy. That facility will be incorporated into the full facility.

SENATOR FORD:

Why should unexpected General Fund appropriations made to the WINN account at the end of odd-numbered fiscal years be carried forward into subsequent fiscal years, instead of reverting to the General Fund as we contemplated during the hearing for A.B. No. 1 of the 29th Special Session?

MR. HILL:

The program will typically span more than one biennium. We would rather hold on to those funds to make sure that program goes forward and provide that funding when the training is actually implemented rather than to commit up front and lose control over the expenditure as it moves forward. We would rather do it based on the results rather than based on projections. It has been pointed out there are ways that can be handled differently, and we are open to that if that is what the Legislature would like to do.

SENATOR FORD:

I am interested in having a conversation with the Chair of this Committee and you, Mr. Hill, because we contemplated that exact issue during the Special Session but we still opted for reversion. So, I am interested in understanding what is different now and what we can do to address it as opposed to having it rollover.

CHAIR WOODHOUSE:

Seeing no further questions we will now move on to B/A 101-1533.

GOED - Nevada Knowledge Fund — Budget Page GOED-33 (Volume II)  
Budget Account 101-1533

MR. HILL:

This is the Nevada Knowledge Fund. This fund was created during the 2011 Session and was not funded until the 2013 Session. It has now been funded for each of the past two biennium's at \$5 million per year. Page 21 of [Exhibit C](#) lists where the Fund has been invested. We have made grants of \$19,659,000 into some exciting programs. I was honored to be a part of the committee that interviewed presidents for the recent DRI presidency vacancy. During that interview process, Dr. Kristen Averyt said DRI was doing some remarkable things. She did not know who I was but someone asked "what do you mean by that? What are they doing that is so great?" She listed the three Knowledge Fund projects that are going on in DRI. She said other institutions

are talking about doing things like this, but you are actually doing them. The Knowledge Fund has really created opportunities that did not exist in the past. The way it is structured of going through GOED, and having our focus be on the commercialization of research and innovation, it is helping drive that actively in the university system. Frankly, five years ago and before, our universities did not commercialize much of their research. The focus is now there and we are seeing results. The remainder of [Exhibit C](#) lists programs that have been funded by the Knowledge Fund and some of the results.

It should be noted that it took a while to get this program ramped up primarily because the university system has to go through a hiring process to allow these programs to take place. So, half the funding was in place in July of 2013, and it took six to nine months to get the programs designed and approved, and additional time to get people in place in order to operate them. The first year was a startup for several of these programs. A few of these projects are new in this biennium. For example, the Nevada Center for Advanced Mobility was announced about a year ago and started in April of 2016.

CHAIR WOODHOUSE:

How does GOED measure the effectiveness of the Knowledge Fund account and associated Knowledge Fund account projects?

MR. HILL:

You can find these reports on our Website. We are trying to find the best way to provide them. Printing them is not a good idea because of the volume of these reports.

We require each of these programs to submit a report on a quarterly basis. There is a matrix page in each of those reports. We have told the projects that you do not have to be responsive to each of the 11 matrixes. The top 6 matrixes have the highest priority from a commercialization standpoint but they report on all 11. The top ones include: companies who move to Nevada, companies started in Nevada, number of jobs created, the amount of intellectual property contracts and revenue that has been generated, the number of patents that have been filed and the amount of grants and contracted resources that the programs have had. We see a broad variety of success at this point. For example, the Nevada Institute of Personalized Medicine is a longer term project and UNLV will be taking that whole program over from the Knowledge Fund in the next biennium. It takes some time to get the genomics research necessary

to allow personalized medicine to take place. They have made some real strides, filed a patent, but significant results will take longer. WaterStart on the other hand, is a program through DRI designed to attract water technology companies to Nevada. That project has been in place for about 18 months. We are on a pace of matching water technology companies around the globe with customers in Nevada. Now there are people copying this model across the globe, and we are thrilled with that. We are attracting companies at the rate of one company a month. Once we got started, 12 to 15 companies have moved to Nevada as a result of this program, including some from Australia, Israel, United Kingdom, Poland and Mexico. We are attempting to build a water technology industry in the State. We have tremendous expertise, but we do not have much industry. We have jobs for DRI, the Southern Nevada Water Authority and throughout the university system, but those jobs were not being commercialized into the commercial market. This program has been highly successful commercializing that industry.

SENATOR HARRIS:

I am interested in hearing more about the Nevada Center for Advanced Mobility and the International Gaming Institute.

MR. HILL:

The International Gaming Institute has been a large success. They have created 38 patent applications in the three years of the program and those patent applications are coming from students. Three of those projects have been sold. We are doing that both in the game development side and in the hospitality solutions institute, which is the nongaming side of the same type of program. It is a reversed Shark Tank environment where the companies in the gaming industry come to the school, present opportunities for product enhancements or problems that they have, and the students then select projects, pick teams, and try to solve that problem or create a project that will address an opportunity.

SENATOR HARRIS:

I got to attend that event and it was wonderful to see the gaming and hospitality components complement each other. A student who created a new baccarat table game was offered the opportunity to have Caesars Entertainment Corporation develop it immediately.



MR. HILL:

Particularly because of those types of opportunities we have agreements directly with these projects or research institutions where, to the extent that these students' projects become successful, a portion of that revenue returns to the Knowledge Fund. So, we are hoping a couple of those games become the next video poker because that would be a nice revenue stream.

The Knowledge Fund will receive 7.5 percent of sales from the cloud seeding operations now going forward. That project has been the center of attention. Countries have reached out to that project to come and perform cloud seeding. We will be the first to commercialize that, and it has applicability around the globe. The Knowledge Fund will receive a portion of that revenue back into it.

SENATOR KIECKHEFER:

Are the universities and DRI able to retain a piece of ownership of that technology as it is commercialized bringing a piece of revenue back to the university as well, or is this money coming back to the Knowledge Fund?

MR. HILL:

In virtually all cases, the university is a part of the revenue stream. The agreement that we have with the three research institutions is that they each get to keep the first \$1.5 million that is generated as a result of the Knowledge Fund and then the Knowledge Fund gets 17 percent of revenue that the institutions receives as a result of the Knowledge Fund project. The cloud seeding effort is the one exception where there is a direct relationship with the Knowledge Fund.

SENATOR KIECKHEFER:

The Knowledge Fund is a 17 percent share recipient after the first \$1.5 million of revenue comes back to the universities, but do the universities retain equity in these companies as allowed?

MR. HILL:

That is correct.

SENATOR KIECKHEFER:

Is this at a fixed percentage?

MR. HILL:

It varies between the institutions. Institutions have guidelines but they have the ability to adjust the fixed percentage in some instances.

CHAIR WOODHOUSE:

What process do you take when deciding who will be involved in the Knowledge Fund?

MR. HILL:

Each of the three institutions reach out to their staff to develop ideas. I meet with the presidents, and often the Chancellor joins that meeting on a quarterly basis, and we talk about the amount of available funding and the priority of the projects. We also work closely with the vice presidents of research at each of the three institutions as well. We have a Knowledge Fund Advisory Committee that is made up of five people who have experience in the commercialization of work that is done in research institutions. My staff and I help screen these projects before they reach the Advisory Committee. We take project applications to a, advisory council which may ask the institutions to modify the proposals, approve them or reject them. They make their recommendations to me and ultimately I make that decision.

CHAIR WOODHOUSE:

Seeing no further questions, we will now close the hearing on the GOED accounts and move on to bill draft requests (BDR) introductions. Regarding Rule 43 of the Senate Standing Rules, I have a request to draft a BDR regarding an interim study of the salaries of unclassified employees.

SENATOR DENIS MOVED TO REQUEST A BDR TO ESTABLISH AN INTERIM STUDY OF THE SALARIES OF UNCLASSIFIED POSITIONS.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

\* \* \* \* \*

CHAIR WOODHOUSE:

Now we will go to public comment.

CRAIG VONCOLLENBERG (Director Apprentice Studies Division, College of Southern Nevada):

I want to offer support for the WINN funding. As Nevada does its workforce diversification efforts, we find that the workforce to support those efforts tends to be lacking in Nevada. As a college institution, that is our challenge, to meet those needs for workforce and to train that new workforce. The training for the workforce is vital to the success of these new employers that come in. Specifically right now, we are working on the manufacturing with Faraday as the catalyst for this. We have been able to make some moves because of the WINN funding. We have purchased equipment that we use, specifically pneumatic, hydraulic and robotic trainers that we have been able to utilize to start training some students. We have also created a new degree pathway for manufacturing due to the support of the WINN funding.

Students will come out of these programs work ready to enter that culture with Faraday Future, Tesla or any of the other numerous manufacturers in Nevada. The manufacturing employers that I have talked to are very excited about these programs. I think it is important that they continue and expand. We support the funding of the WINN funding.

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CHAIR WOODHOUSE:

Seeing no further comments, this meeting is adjourned at 9:23 a.m.

RESPECTFULLY SUBMITTED:

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Edgar Cervantes,  
Committee Secretary

APPROVED BY:

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Senator Joyce Woodhouse, Chair

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

| EXHIBIT SUMMARY |                         |    |                   |   |
|-----------------|-------------------------|----|-------------------|---|
| Bill            | Exhibit /<br># of pages |    | Witness / Entity  | Description   |
|                 | A                       | 1  |                   | Agenda  |
|                 | B                       | 3  |                   | Attendance Roster   |
|                 | C                       | 33 | Steve Hill / GOED | GOED Budget Presentation FY<br>2018 2019 Governor's Office<br>of Economic Development |