MINUTES OF THE JOINT MEETING OF THE SENATE COMMITTEE ON FINANCE AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS

Eightieth Session
February 15, 2019

The joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Joyce Woodhouse at 8:08 a.m. on Friday, February 15, 2019, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 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.

SENATE COMMITTEE MEMBERS PRESENT:

Senator Joyce Woodhouse, Chair
Senator David R. Parks, Vice Chair
Senator Moises Denis
Senator Kelvin Atkinson
Senator Yvanna D. Cancela
Senator James A. Settelmeyer
Senator Ben Kieckhefer
Senator Pete Goicoechea

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Maggie Carlton, Chair
Assemblywoman Teresa Benitez-Thompson, Vice Chair
Assemblyman Jason Frierson
Assemblywoman Sandra Jauregui
Assemblyman Al Kramer
Assemblywoman Daniele Monroe-Moreno
Assemblywoman Dina Neal
Assemblywoman Ellen B. Spiegel
Assemblyman Michael C. Sprinkle
Assemblywoman Heidi Swank
Assemblyman Tyrone Thompson
Assemblywoman Robin L. Titus

Assemblyman Jim Wheeler

COMMITTEE MEMBERS ABSENT:

Assemblyman John Hambrick (Excused)

STAFF MEMBERS PRESENT:

Alex Haartz, Principal Deputy Fiscal Analyst
Vicki Kemp, Committee Secretary

OTHERS PRESENT:

Tina M. Leiss, Executive Director, Public Employees' Retirement System
Cheryl Price, Operations Officer, Public Employees' Retirement System
Paul Anderson, Executive Director, Office of Economic Development, Office of the Governor
Matthew P. Moore, Deputy Director, Office of Economic Development, Office of the Governor
Derek Armstrong, Deputy Director, Office of Economic Development, Office of the Governor
Karsten Heise, Director, Strategic Programs, Office of Economic Development, Office of the Governor
J. Kyle Dalpe, Interim Executive Director of Legislative Affairs, Nevada System of Higher Education
Terri Laird, Executive Director, Retired Public Employees of Nevada
Kent Ervin, Nevada Faculty Alliance
Tracy Bower, Director of External Affairs, Desert Research Institute
Paul McKenzie, Executive Secretary-Treasurer, Building and Construction Trades Council of Northern Nevada
Tom Dunn, Northern District Vice President, Professional Firefighters of Nevada

CHAIR WOODHOUSE:
We will begin with the Nevada Public Employees' Retirement System (PERS).

TINA M. LEISS (Executive Director, Public Employees' Retirement System):
Before providing testimony on the proposed administrative budget for the PERS, I will review the contribution rates for the next biennium based upon the actuarial valuation performed by the PERS Retirement Board's independent actuary. Actuarial valuations determine the liabilities of the plan and the contribution rates needed to fund PERS on an actuarial reserve basis. Several areas are analyzed during the course of an actuarial valuation including the plan design, member demographics and economic assumptions. By statute, contribution rates may change once every two years based on the even-numbered year's valuation. Each July 1 of an odd-numbered calendar year, PERS' rates are subject to change automatically by law based on the actuarial valuation. Last year was an even-numbered valuation; therefore, the rates are subject to change effective July 1, 2019.

The contribution rate mechanism (CRM) requires a PERS rate increase when the actuarial rates are more than 0.5 percentage points above the current rates. If the actuarial rate is more than two percentage points lower than the statutory rate, then the statutory rate will decrease. The contribution rates are based on the 2018 valuation, as well as demographic information for all three of the plans administered as shown on page 2 of the PERS Presentation (Exhibit C). The chart shows demographics for each plan. The regular fund is for all members, except for those meeting the definition of a police officer or firefighter. The police and fire fund includes members who are a police officer or firefighter. There is also the judicial retirement system (JRS) and the legislative retirement system (LRS). As of June 30, 2018, PERS had 107,506 active members with 94,615 participating in the regular fund and 12,891 participating in the police and fire fund. This is the first year active membership has exceeded the previous highest membership of 2008.

There has been a decline in active membership for the past ten years. Currently, there are 67,108 annuitants. This includes service and disabled retirees and retiree survivors. The regular fund has 58,561 members and the police and fire fund has 8,547 members. The average monthly benefit for the regular fund is $2,807 a month and $4,983 a month for the police and fire fund. As members of PERS do not participate in social security retirement, this is most likely their only source of retirement income. The JRS has less members: 113 active members and 73 annuitants. This fund includes State judges as well as municipal court judges and justices of the peace with jurisdiction who have opted to participate. The State and local government entities have a separately determined actuarial cost, so the State and each local government pay their own costs. There are 30 members and 72 annuitants in the LRS plan.

A comparison of the results of the 2008 valuation of the regular fund and the police and fire fund and the impact on the pretax employer-paid contribution rate is shown on page 3, Exhibit C. The employer-paid contribution rate is not completely paid by the employer. The employer transmits the entire contribution to PERS and the employee pays 50 percent of the rate through a salary reduction or in lieu of a pay increase. For example, when the employer-paid contribution rate increases, 50 percent of the increase will be seen as a reduction to the employee's salary to account for their 50 percent of the contribution rate.

Approximately 80 percent of the regular fund and the fire and police fund members participate in the pretax employer-contribution pay plan. The first portion of the chart shows the accrued liabilities actuarial valuation of assets and value of each plan. From 2016 to 2018, the regular fund ratio increased, the police and fire fund rate decreased slightly, and the entire plan funded ratio increased from 74.1 percent to 75.1 percent. Showing the comparison from 2016 to 2018 provides the rate setting from one year to the next. The chart on page 4 of Exhibit C shows the actuarial valuation results for the JRS and the LRS and also a comparison of the 2016 and 2018 valuation. The JRS has a funded ratio of 91.8 percent and the LRS has a funded ratio of 90.5 percent.

Contribution rates for both the JRS and LRS are shown on page 5, Exhibit C. Both of these plans, unlike PERS, have a direct payment for the employer payment and the unfunded liability payment. The State's lump sum contribution for each of these plans is decreasing for the upcoming biennium. The statutory CRM for the PERS' pretax contribution is shown on page 6, Exhibit C. The actuarial CRM for both funds are higher than the current statutory rate. As a result of the statutory CRM, the change is automatically initiated. The regular CRM and the police and fire CRM will increase for the upcoming biennium. The results of the PERS valuation for members participating in the employee/employer paid, after-tax contribution plan, is shown on page 7, Exhibit C. The employer's 50 percent of the rate is taken as an after-tax reduction which will show on the employee's pay check. This plan is slightly more expensive to fund.

The changes in the contribution rate for both the regular and the police and fire funds are attributable to certain actuarial assumptions modified by the Board at the recommendation of the independent actuary. To project PERS' liabilities, owed to current members and retirees, assumptions are made about future events affecting the amount and timing of benefits to be paid and the assets to be accumulated. As projected liabilities include payments due decades into the future and are based on events not yet occurred, the use of appropriate assumptions is important to maintaining adequate funding. To ensure assumptions remain appropriate, the Board conducts an experience study through an independent actuary at least every four to six years. In October 2017, a PERS actuary performed an experience study and, based on the trends and data, the actuary recommended certain modifications to the assumptions. These assumptions were utilized in preparing both the 2017 and 2018 valuations. The 2018 valuation is the first to affect the contribution rates. The demographic assumptions modified include the retirement rates, mortality, termination rates and disability incident rates. Economic assumptions modified include investment return, inflation, individual salary increases and active member payroll. The demographic assumptions are modified to more closely reflect actual experience. The mortality rate is modified to account for future expected increases in longevity. The changes to the economic assumptions were driven by a reduction of the long-term rate of inflation from 3.5 percent to 2.75 percent, and the assumed rate of return (ROR) was reduced from 8 percent to 7.5 percent.

The assumed payroll growth assumption was reduced by a percentage point for both the regular fund and the police and fire fund. Modifications to actuary assumptions may have increasing or decreasing effects on the contribution rates. Nevada is unique, when changes are made to the actuarial assumption the contribution rate is impacted immediately. Many other states have a statutory rate set at a certain number, and the change may not flow through to the employers or employees. When the Board makes changes to the actuarial assumptions it is seen on July 1 of the odd-numbered year.

Unlike most other states, PERS contribution rates are not in addition to social security. Most other states allow employees to participate in social security. Nevada's contribution plan replaces both the public pension contribution and the social security contribution.

From the 2018 valuation, changes to the payroll growth to the investment return and the mortality assumptions had increasing effects on the contribution rates. The changes to these three assumptions account for the entire contribution rate increase. If the changes had not been made, the contribution rates would not have increased. It is necessary to account for improved longevity of members and the impact to the liabilities. There is an increased cost when members live longer and the benefit is paid longer. A lower ROR will increase the contribution requirement. A lower payroll growth indicates a lower payroll. The same dollar amount would be a higher percentage of the lower payroll. Three factors account for the change in contribution rates for this biennium, which will be shared equally by the employer and employee.

ASSEMBLYMAN KRAMER:
What is the anticipated time frame for when the extra amount of unfunded actuarial accrued liability will no longer be required from the actual payments as shown on page 3, Exhibit C ?

MS. LEISS:
The time period to pay off the unfunded liability is 17.8 years.

ASSEMBLYWOMAN NEAL:
Why is there an assumption for a decrease in the assumed investment ROR? What are the factors driving the decrease?

MS. LEISS:
The assumed ROR is a recommendation by the independent actuary, driven by the decrease in the assumed inflation rate. The Board adopts the recommendations of the independent actuary. The investment ROR has two components: the real return and the inflation component. Reducing the inflation component reduces the assumed ROR.

ASSEMBLYWOMAN BENITEZ-THOMPSON:
With the current rate increase, PERS has $78 million in unrecognized gains to smooth out costs over the next five years. What does the trend show for future contributions? What is PERS doing to increase the asset value?

MS. LEISS:
There is an overall slight gain not included in the asset mix as we smooth out costs over a five-year period. The five-year assets being rolled in an uneven pattern means there will be losses in the next couple of years. The Board will review and account for this. The market value is close to actuarial value. In the 2009 and 2015 Sessions, there were modifications to the benefit structure. There are three items contributing to the cost and assets of PERS: contributions, investment returns and the benefit design. The benefit design dictates the liabilities. There are cost savings as a result of changes, and there will be more changes as more members are enrolled from the 2010 tier and the 2015 tier. The Board will continually monitor the assumptions and brings recommendations forward to the Legislature.

CHERYL PRICE (Operations Officer, Public Employees' Retirement System):
The PERS is not a General Fund State agency but a public agency with the powers and privileges of a corporate body. Pursuant to the *Nevada Revised Statutes* (NRS), PERS is governed by the Board. Revenue for the PERS administrative budget is from a trust fund on a per capita basis for each member and benefit recipient. Revenues are derived from employer and employee contributions received from the 206 public employers and over 100,007 active participants. The base budget, as adjusted for maintenance, includes items necessary to administer the trust fund and fulfill duties owed to all members and beneficiaries. Expenses contained in the administrative budget include amounts for actuarial and audit services, required client communications and notices, the Las Vegas counseling office and the disaster recovery site. The budget includes amounts for legal expenses associated with ongoing benefits litigation and information technology services to ensure the security and efficiency of the pension management system (PMS).

Two new positions are requested in enhancement unit E-225 of budget account (B/A) 101-4821 and information technology equipment and funds for the implementation and design of a new pension administration system is requested in enhancement unit E-710. Minor enhancements for additional travel, training and technology are requested. The two new positions will be in the Employer Production and Pension Services Division in Carson City, Nevada. The first position is a retirement examiner I and the primary duties include final benefit calculations and estimated benefit calculations. The second position is a retirement technician in the same division. The position would perform benefit estimates and preliminary benefit calculations which would be verified by a retirement examiner. The complexity and research required to properly calculate benefits under the post 2010 and 2015 tiers establishment has increased significantly. The new positions would be key to improving service requests within established timelines and improve overall customer service. Both positions will be assigned to assist with the demands of a growing complex tier of members enrolled on or after January 1, 2010. In order to calculate the benefit, there is a manual entries component and employer research which is used to determine the average monthly compensation.

SPECIAL PURPOSE AGENCIES

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

PERS - Public Employees' Retirement System — Budget Page PERS-3 (Volume III)
Budget Account 101-4821

E-225 Efficient and Responsive State Government — Page PERS-5
E-710 Equipment Replacement — Page PERS-5

Years of service, highest 36-month average compensation and the member's age are criteria used to calculate a monthly PERS benefit. If the member's date of enrollment is on or after January 1, 2010, the member's highest 36-month average compensation may not increase greater than 10 percent in each 12-month period unless there is a promotion or an assignment-related task certified by the employer.

Currently, there is no mechanism to determine why a member's compensation has increased more than 10 percent in a 12-month period because the current system does not track positions, promotions or assignment-related pay through the monthly wage and contribution reports. If the member's compensation has increased more than 10 percent in a 12-month period, PERS would reach out to the employer and request certification of why the salary had increased. This process takes time and follow-up with employers to determine if the compensation reported should be capped. If capped, the average monthly compensation would not reflect any increases greater than 10 percent. This requires staff to look at the highest 36 months of compensation and 60 months of compensation to calculate year-over-year increases.

There are more steps involved for part-time members who work varied hours from year to year. Benefit provisions, for persons with membership dates on or after January 1, 2010, were modified through Senate Bill (S.B.) 427 of the 75th Session. Modifications include retirement eligibility, service-time multiplier, rules regarding reportable compensation, postretirement increases, early retirement reduction and an anti-spiking provision. The benefit structure, for persons with membership dates on or after July 1, 2015, was modified through S.B. No. 406 of the 78th Session. Modifications include retirement eligibility, service-time multiplier, postretirement increases, purchase of service provisions and a forfeiture provision. This results in PERS having three different tiers with very specific structure differences. Identifying a member for which tier of eligibility they qualify can be straight forward or complex. If a member has a prior date of employment, terminates employment, withdraws refundable contributions, in effect cancelling their membership, and subsequently enrolls in PERS again at a later date, their eligibility or tier is based on the new enrollment date. However, if the same person is enrolled in a PERS eligible position again for at least six months, and repays the original withdrawn contributions, the service credit is restored as well as the original hire date which could change the tier of eligibility.

As members retire each month and new members enroll, the number of pre-2010 members continues to decrease. Members enrolled after January 1, 2010, and July 1, 2015, will continue to increase. They are becoming close to being vested, if not vested already. This leads into the need for a more automated PMS. The current PMS is built on a 20-year-old architectural framework. With the numerous statutory and technical changes, the current PMS has struggled to keep up with newly required data not contained in the original structure. An example is increased compensation tracking. There is only so much outdated technology can accomplish and do to implement the plan changes PERS has received over the last nine years. In many instances, only an indicator could be added to alert staff of possible required information. This leads to more and more estimates, preliminary and final calculations for retirement benefits being processed manually. This takes more staff time. Components of the budget requested for implementation and design of the new PMS include; a pension administration vendor, the vendor who will build, test and deploy the new system; a data services vendor who will identify data discrepancies based on PERS business rules to establish a bridge to migrate and convert data into the new system. A project manager will oversee all aspects of the project to ensure PERS goals are aligned and resolve PERS and vendor concerns by tracking to make sure the project stays within budget and is completed on time.

Success criteria for the new PMS includes improved functionality with almost no down time and faster turnaround time for member and employer requests. Traceable workflow can be assigned or reassigned by the supervisor and automatically imaged into the file as work results are produced. Internet self-service will be greatly enhanced with the calculation of benefit estimates for members to perform themselves with less restrictions. The goal is for automation of benefit calculations to be at 80 percent, which will decrease the labor intensive manual processes for benefit calculations. Identifiers for the appropriate tiers will be automated. Details regarding the member's employment history, promotions and job titles will be accessible. Codes for employer wage and contribution reports will be enhanced thus removing the need to contact employers for further information for certain criteria such as promotions, leave without pay or cost-of-living increases. Employer training will be streamlined greatly enhancing the ability to receive all necessary monthly wage and contribution data, which builds the member service credit with fewer adjustments after initial posting. This will allow for more efficient benefit calculations.

Simple and streamlined training is invaluable because turnover in the employer area of human resources and payroll positions is frequent. Training and assistance to employer staff responsible for monthly wage and contribution reporting is required by PERS. From a high-level perspective, if the budget request is approved, the request for proposal is on track to be issued early in the next biennium. The vendor is estimated to be on board by December 2019 and final implementation is anticipated within 4 1/2 to 5 years. The time frames will be based on the successful vendor's project plan.

Two minor budgets for PERS are for the LRS and one for the JRS. These budgets include amounts for the cost of staff time to administer each of these systems, audit and actuarial expenses.

ASSEMBLYWOMAN NEAL:
What activities does the system perform to increase the value of assets in a public retiree system fund in order to minimize future contribution rate increases?

MS. LEISS:
We want to make sure of accurate liability projections in order to have the assets necessary to provide for the promised benefits. The Board has a funding policy and one of the goals is to stabilize the volatility of the contribution rates. We also need to make sure adequate funds are available to pay benefits. We have some of the lowest investment management costs in the country, if not the lowest for a public pension plan of a similar size. This helps to moderate the contribution rate increases. We also look to the asset smoothing to even out volatility so there is not undue influence on the rates. Asset stabilization and keeping administrative costs low is available to the Board.

ASSEMBLYMAN SPRINKLE:
What would happen if we did not invest in implementing the new system? What would be the consequences?

MS. PRICE:
There would be increased manual work. Implementation of a new PMS will allow for further anticipated changes. The current PMS is over 20 years old; a proprietary system built for PERS, it is not as efficient with changes and there are technical difficulties.

ASSEMBLYMAN SPRINKLE:
The PMS would still function but there would be a lot more man hours?

MS. PRICE:
Correct.

ASSEMBLYMAN SPRINKLE:
With the efficiencies anticipated with the new PMS, is there going to be a need for the current staffing levels in the future, or will there be a decrease in staffing needs?

MS. PRICE:
It is difficult to determine because we could utilize staff in other areas such as employer training. Employer training has always been and continues to be a priority. The pillar of our system is building the service credit and receiving the wage contribution reports from employers. The more accurate the reports, based on PERS training, the better the service credit will be and the cleaner the data. Calculation of benefits would be much more accurate.

ASSEMBLYMAN SPRINKLE:
Are you looking at approximately 4 1/2 years to fully implement the new system?

MS. PRICE:
Yes.

ASSEMBLYMAN SPRINKLE:
If there was a need to decrease staff, it would not be this biennium?

MS. PRICE:
Correct.

ASSEMBLYMAN SPRINKLE:
Would you talk more generally about the implementation of current staff who will be assisting with the project and the roles of the contract people?

MS. PRICE:
We are getting creative with our staff usage and contractors. Because this is all new, we are moving slowly. There are many resource needs for this project.

ASSEMBLYMAN SPRINKLE:
Over the next three to four years, what is the need to utilize contract staff as opposed to fully-trained PERS staff to be able to assist with the project implementation?

MS. LEISS:
A project like this takes a lot of staff time to help assist the vendor to understand the program rules and testing. There is not enough staff to pull off current projects to help the vendor. We anticipate full-time work for a number of

staff. The vendor must understand the operation of the PMS, perform testing and review the data with the cleansing data vendor. It would not be in the best interest to request additional staff who may not be needed after the project is completed. When contractors are used we are limited to people who have retired from PERS, so they would be working under the reemployment restrictions. People needed to implement the system need to have PERS experience and background. We are doing all we can to make sure we have staff and resources available without sacrificing the service to members and beneficiaries. Benefit payments are required to be distributed and we must retire people in the system, upon their request. Staff are required to perform certain tasks within a specific timeframe. Staff are not pulled off of particular assignments to help the vendors. It would be best to have contract staff on the project for a designated time frame.

SENATOR DENIS:
Walk through what is anticipated to be completed over the next two years and then explain the timeframe for cleaning up the data.

MS. PRICE:
Data cleansing is paramount in the next two years. Data cleansing will include removing duplicate accounts. Business rules will be determined and the vendor will be learning the rules. The project manager is currently guiding the project. We expect progress in the next two years.

SENATOR DENIS:
Please explain what making progress means. Will all the planning be done?

MS. PRICE:
Yes, definitely, the planning piece will be completed. We do not anticipate a "big bang" implementation. There will be two phases of implementation; the membership side and the benefit side.

SENATOR DENIS:
When is the full system anticipated to be up and running?

MS. PRICE:
The system is to be up and running within 4 1/2 to 5 years.

SENATOR DENIS:
Is the total cost $33.6 million?

MS. PRICE:
Yes.

SENATOR DENIS:
Is the amount being spread out over the biennium? What will be in place, if the vendor is not meeting the deliverables? We would like to make sure what is anticipated to be completed in the next two years so when you come back in two years, we know what was to be accomplished by PERS staff and the vendors.

MS. PRICE:
There is a very specific deliverable charter under review. The project manager is ensuring it will meet the project demands. There are numerous details.

SENATOR DENIS:
I would feel more comfortable if the Committees received a copy of the deliverables.

MS. PRICE:
We will provide it.

SENATOR DENIS:
Is the system an off-the-shelf program? Or is it fully customized?

MS. PRICE:
We are considering a more off-the-shelf product with customization ability. We have researched other pension systems and this appears to be the most cost effective with customization for PERS specific rules.

SENATOR DENIS:
Usually, when a completed customized design is chosen, there are unanticipated problems. Using an already proven design can be brought up quicker. How long will the training take, once the PMS is up and running?

MS. PRICE:
Discussions regarding training have just started. Are you referring to employee training?

SENATOR DENIS:
Yes.

MS. PRICE:
I do not know the answer.

SENATOR DENIS:
Hopefully, the deliverables have the training information. There should be retirees testing the retiree access piece.

MS. PRICE:
Yes. Current retirees do use the current PMS, and the plan is to allow for an easier and streamlined process in the new PMS.

ASSEMBLYMAN KRAMER:
The PERS budget is not General Fund dollars. However, PERS receives a management fee from the management portfolio. Over the next five years, the $36 million will come out of the administrative fee. How is the administrative fee calculated? Once the project is completed, will the fee reduce and thus have an impact on the fees paid by the municipalities who contribute to PERS for their membership?

MS. LEISS:
A per capita fee is transferred from the trust fund to the administrative budget, B/A 101-4821. The contribution rate has three components. The administrative component is small in the context of the contribution rate. The contribution rate has the normal cost, an unfunded payment and a 0.15 percent contribution rate which is obligated for administrative expenses. The 0.15 percent has been a constant amount in the budget for decades. It has not increased as a percentage of the contribution rate.

ELECTED OFFICIALS

FINANCE AND ADMINISTRATION

By law, each year, there is a working capital calculation performed. It is approved by the administrative budget and then divided by the number of members to arrive at the per capita fee which is used to transfer money from the trust fund to administer the budget. The estimate for the next biennium budget would increase the per capita fee transferred out of the trust fund by approximately $2 per member and retiree. It is not assessed against the members or contribution and will not increase the part of the contribution rate for expenses. What is debited out of the trust fund will increase slightly for the project. It would then decrease when the budget no longer reflects the higher cost for the project implementation.

Automation will reduce errors. There is more risk with human error, and the impact could be extremely large, especially when it involves a lifetime benefit. Implementing a PMS, not based on a 20-year-old architecture, will reduce the risk. The risk of human error is never fully resolved even with the amount of training provided.

ASSEMBLYWOMAN CARLTON:
There have been prior conversations on the best methods to smooth this out for State employees. There could be a pay raise, but there could also be an increase in PERS which affects their paycheck. What can the Committee do to help PERS smooth this out and take a longer time to review adjustments?

MS. LEISS:
A disconnect is having a long-term program, long-term focus on the investment ROR and a long-term focus on members and retirees. As an example, a retiree may start work at the age of 25 and work until age 60. They may live in retirement for 30 to 40 years. The PERS investment ROR has a 30-plus year focus. Our contribution rate mechanism is a short-term, two-year focus. There is disconnect on how the long-term basis is funded, and the changes to the statutory mechanism every two years, which can be driven by short-term volatility in the investment markets. The investment markets will smooth out over time. There are a number of areas to be reviewed. The Board currently performs a five-year asset smoothing. The CRM has done a good job in making sure we account for costs moving forward. Possibly, a two-year period is too short of a time period for a PMS with a decade-long focus. Ultimately, costs will have to be paid, but we can look at other smoothing methods. If the regular fund contribution rate is going to increase by 1.25 percent, approximately

0.6 percent will be a reduction to a State employees' salary. It is unusual around the Country for employees to pay 50 percent of the contribution rate. A number of things could be reviewed. The time horizon on the CRM and the asset smoothing should be looked at by the Board.

ASSEMBLYWOMAN CARLTON:
Will the Board need a statutory change this Session to address this?

MS. LEISS:
Yes, if it were the Legislature's desire to review the CRM on a longer term. Asset smoothing is a board funding policy.

ASSEMBLYWOMAN CARLTON:
Do you know the statute?

MS. LEISS:
There are three statutes relative to the CRM; NRS 286.410, NRS 286.421 and NRS 286.450.

ASSEMBLYWOMAN BENITEZ-THOMPSON:
The calculations seem to have gone from simple arithmetic to a more complicated formula. If the PMS upgrade is approved as the calculations become automated, would the requested retirement technician and retirement examiner positions continue to be needed?

MS. LEISS:
Yes, because they would be deployed to other areas after the project is completed. The number of memberships and retirees continues to increase. Individuals who were close to retirement or retired were more work-intensive due to the benefit estimates and the calculations of postretirement increases. There are many processes involved with those near and in retirement.

ASSEMBLYWOMAN BENITEZ-THOMPSON:
Has PERS considered using temporary contract staff, instead of adding two new positions until the efficiencies are gained and realized and then reassess staffing needs?

MS. LEISS:
Yes. It has been considered, and we do currently utilize temporary contract staff. There are limitations to utilizing contract staff to retired PERS employees because contract staff do not know how to calculate benefits. It is not efficient to find contract staff who have not been PERS employees because of the training aspect and the fiduciary nature of the work. There is a limited work pool and reemployment restrictions. Contract employees can work less than 50 percent of the time and they can only earn up to 50 percent of the regular member salary, which is about $24,000 a year.

CHAIR WOODHOUSE:
Have any services been limited to participants in order to manage the workload?

MS. LEISS:
We have implemented additional restrictions on who may request a retirement benefit estimate to those close to retirement because we are not able to keep up with the volume of retirement estimates. Persons not within a year of retirement are not being provided estimates. The limitations may hinder a person's ability to plan for retirement. Estimates must be done timely and accurately because the PMS, by case law and statute, is responsible for errors. We must be careful in determining benefit estimates and take time to determine an accurate benefit.

CHAIR WOODHOUSE:
Will the two new positions help with this or will there still be the same issue?

MS. LEISS:
We will always face the issue of providing accurate and timely benefit calculations. The two positions will allow PERS to take away some of the restrictions regarding whom can request a benefit estimate. It will also help with the preliminary calculations. Employees who terminate employment and retire before the 15th of a month are guaranteed their first retirement benefit by the end of the same month. This is a short time period to calculate and set up a retirement benefit. A preliminary calculation is done because all the employer reporting is not complete. After all the employer reporting is received, a final calculation is completed, which may increase or decrease the final benefit.

CHAIR WOODHOUSE:
We are now moving onto the Governor's Office of Economic Development (GOED).

PAUL ANDERSON (Executive Director, Office of Economic Development, Office of the Governor):
In 2011, Assembly Bill No. 449 of the 76th Session was introduced, as mentioned on page 1 of the Governor's Office of Economic Development Presentation (Exhibit D). In 2008, Nevada experienced the Great Recession and realized the need to create a more diverse economy for a State which historically relied upon mining, gaming and tourism. By diversifying the economy, Nevada would be better equipped to withstand another recession. During the Recession, we had a 14 percent unemployment rate; 186,000 Nevadans lost jobs, and two out of three construction workers lost jobs, seemingly overnight. To combat a dire economic situation, or at least better prepare Nevada for the next economic downturn, GOED was created. The mission of GOED is fairly straightforward and simple as shown on page 2, Exhibit D. Our job is to remove obstacles so businesses can create primary jobs. The primary job component is important. Primary jobs are those that export their products or services, in turn then import dollars and create jobs.

We grow the pie bigger rather than slicing the pie into smaller pieces. We do not incentivize or focus on secondary sector jobs such as certified public accountants, accountants, attorneys and temporary labor jobs. It is important to diversify into key sectors requiring different skill sets with higher pay and better benefits. We have seen this over the course of the previous eight years. Removing obstacles to create primary jobs may mean infrastructure, workforce, education and global engagement to make sure we create an opportunity to grow the economy in a diversified manner. We continue to support Nevada's core industries.

There are tool sets utilized by GOED to coordinate the State and regional economic development efforts. This is done through several regional Economic Development Authorities (EDA). The Economic Development Authority of Western Nevada is in northern Nevada; the Las Vegas Global Economic Alliance (LVGEA) is in southern Nevada. There are several other EDAs throughout the State. Coordination efforts of GOED and the EDAs include recruitment of businesses, finding opportunities to meet with companies interested in relocating their business and partnering with companies willing to expand in the economic market. About 50 percent of the activity is spent on both expanded and new companies as shown on page 3, Exhibit D. The definition of a small business is a company having less than 150 employees. Larger businesses such as Teraelectronvolt Energy Superconducting Linear Accelerator (TESLA) and GOOGLE represent 0.3 percent of the incentive packages.

I will review the business development experiences as shown on pages 4 and 5, Exhibit D. There has been wage growth in the past two years with momentum carrying forward. Nevada has led the wave of economic recovery and is leading in several key indicators as shown on page 6, Exhibit D. Although successful, Nevada is experiencing challenges with adequate and affordable housing and transportation. There has been significant growth in the Unmanned Aircraft Systems (UAS) as shown on page 7, Exhibit D. Nevada is leading the Nation in drone testing; both in lightweight and large package delivery. The GOED's International Division awarded Nevada's businesses $57,000 in State Trade and Export Promotion (STEP) federal grant funding to assist in exporting products and services around the world. The Nevada Global Business (NGB) initiative allows companies to use Nevada as a landing spot when they want to enter the U.S. market instead of utilizing the typical areas such as Los Angeles, California, the Silicon Valley, Boston, Massachusetts and New York, New York. International companies are becoming more familiar with Nevada's options.

Nevada mining, a legacy industry, is a critical economic component. Nevada mining is leading in several categories, as shown on page 9, Exhibit D. Nevada's mining industry specialist is a key player to ensure Nevada maintains an important role in the mining industry. Increased capital investment and workforce is a driving component, especially in Nevada's rural communities. The Workforce Innovations for a New Nevada (WINN) funds were utilized to create a diesel mechanics program at Ely High School and a Commercial Driver's License (CDL) program in Elko.

The current GOED budget accounts are listed on page 11, Exhibit D. Today, we are presenting B/A 101-1521, B/A 101-1526, B/A 101-1529, B/A 101-1531 and B/A 101-1533.

COMMERCE AND INDUSTRY

GOVERNORS OFFICE OF ECONOMIC DEVELOPMENT

GOED - Nevada SSBCI Program — Budget Page GOED-28 (Volume II)
Budget Account 101-1521

GOED - Governor's Office of Economic Dev — Budget Page GOED-8 (Volume II)
Budget Account 101-1526

GOED - Nevada Catalyst Fund — Budget Page GOED-27 (Volume II)
Budget Account 101-1529

GOED - Workforce Innovations For A New Nevada Acct — Budget Page GOED-33 (Volume II)
Budget Account 101-1531

GOED - Nevada Knowledge Fund — Budget Page GOED-35 (Volume II)
Budget Account 101-1533

On page 12, Exhibit D is GOED's organizational chart. I will now review B/A 101-1526 and point out key areas, as shown on page 13, Exhibit D. Decision unit E-125 is the mining industry specialist position created in 2013. The Nevada Mining Association (NMA) initially contributed matching dollars to fund the position. The request is to shift the funding source to General Fund money. Decision unit E-128 is for additional out-of-state travel funds for the NGB. The NGB program is essentially a two-way boot camp in Nevada, when companies spend time in northern Nevada and southern Nevada. Poland was a result of a Governor-led trade mission. There are several memorandums of understandings with several countries. The request is for additional travel funds to support countries through Nevada outreach and in-state travel.

E-125 Sustainable and Growing Economy — Page GOED-10
E-128 Sustainable and Growing Economy — Page GOED-11

Decision unit E-129 is for additional in-state travel funds for the NGB program.

E-129 Sustainable and Growing Economy — Page GOED-11

ASSEMBLYWOMAN SWANK:
Has the mining industry specialist position been funded through a donation from the NMA?

MR. ANDERSON:
Yes.

ASSEMBLYWOMAN SWANK:
Usually, requests like these go through the Interim Finance Committee (IFC) and are reported as donations. Please explain why this was not put through the IFC process.

MATTHEW P. MOORE (Deputy Director, Office of Economic Development, Office of the Governor):
The initial agreement with the NMA in 2013 was to fund $60,000 of the salary for the position. The NMA was to be invoiced if there were budget shortfalls. There have been no shortfalls in the last few years, so there has been no invoicing. Salary cost savings have been utilized. There was no reason to go to the IFC.

ASSEMBLYWOMAN SWANK:
Was it a promise donation which was not taken advantage of? The money never came in?

MR. MOORE:
You are correct.

MR. ANDERSON:
The donation was available if needed. Savings from the GOED's budget account was used to cover the costs of the position.

ASSEMBLYWOMAN NEAL:
Please explain what entities will participate in the NGB program's boot camps and the Immersion program. Are there additional State funds?

MR. ANDERSON:
The ecosystem within GOED is built around the initiative. There are both public and private partners who assist in vetting companies interested in doing

business in Nevada, as shown on pages 15 and 16, Exhibit D. It is important that businesses are a good fit both for Nevada and the ecosystem. When businesses go through the boot camp they are paired with mentors. The additional funds requested are for the anticipated travel expenditures to be used as a liaison service. Businesses will be provided the benefits of doing business in Nevada and how they can access other capital to grow their business here.

ASSEMBLYWOMAN NEAL:
What outcomes have occurred in the demonstration of the NGB and how will it be successful for a return on investment (ROI) to the State?

MR. ANDERSON:
Businesses and their various sectors are shown on page 16, Exhibit D. The benefit is exposure to a more diverse group of international companies. Several companies have started businesses in Nevada. One is embedded in the National Gaming Institute, developing programming for games, and experiencing success. The ROI is job creation and international exposure. The program was launched in June 2018 during initial trade missions to Spain, South Africa, Australia, Poland and Ireland.

ASSEMBLYWOMAN NEAL:
When creating the NGB program, were there thoughts on how to expand the logistics sector? Is the assumption for companies to import and export from Nevada? Will there be an exchange of employees across global lines? How is Nevada going further into logistics to significantly benefit?

MR. ANDERSON:
Import and export may include services in addition to products. Many of the companies are in the technology sector. The technology could be water, drone or health care. Different sectors are focused on the seven sectors which are in GOED's State Plan. The NGB began with an initial trade mission, and a subsequent trade mission two years later, and was designed in partnership with Poland. The European Union (EU) has a program similar to GOED's STEP grants. Companies coming to Nevada are often utilizing some EU program dollars to travel to Nevada. They essentially have an EU sponsorship. The cost of the program is relatively low and GOED is not having to incentivize companies beyond the ecosystem.

The companies listed on page 16, Exhibit D, are successful in their home nation, have market share and are growing. They are looking to expand their market. The NGB program encourages companies to come to Nevada and learn about the benefits of the program; increasing the sector, technology and adding jobs to the tax base.

ASSEMBLYWOMAN CARLTON:
I have concerns regarding the trade missions and the Legislature not being informed. What are the actual costs of the trade missions and why was the Legislature not informed on how the trade missions were funded. Are they being subsidized?

MR. ANDERSON:
The last six months of last year we intended to do a few trade missions. Many of the agreements needed to be closed out with the new administration changes. I recognize the value of the trade missions differently than in the past. General Fund dollars are used to fund the trade missions. There are no outside funding sources. There are no remaining funds available as of October 2018. Staff fly coach or economy and most often U.S. Embassies provide security and financial support.

ASSEMBLYWOMAN CARLTON:
We would like to review the documents from the nonprofit, Success Nevada. The NRS 353.335-353.339 is in reference to receipt of gifts or grants. The Legislature is to be informed when there is a gift or grant. The General Fund does not pay for nonstate personnel and industry travel and expenses. We would like to evaluate the numbers to better understand moving forward.

MR. ANDERSON:
Your request is appropriate. There was a National Governor's Association (NGA) event in Japan. Therefore, the NGA helped fund the Japan trade mission.

ASSEMBLYWOMAN CARLTON:
We would like to get the total picture of how the General Fund dollars are being spent.

MR. ANDERSON:
If industry, or others, go the only additional dollars utilized are STEP grant funds. An urban chamber joined us on the South Africa trade missions. Some of those dollars were reimbursed from STEP grant monies through a federal application process. Any other expenditures are solely the responsibility of each person.

ASSEMBLYWOMAN BENITEZ-THOMPSON:
It appears the agreement was for NMA to provide a portion of the mining specialist cost during the last biennium which was not invoiced or requested. The actual amount of the $60,000 did not reside in a budget. It would only appear if an invoice was submitted. We are trying to determine if a gift is actualized when the commitment is made or actualized when it is used. In the past, a State department took a gift of sight-seeing dogs and the aggregate value was over the $20,000 limit and was brought through the IFC process. How are you defining gifts and sponsorships related to this budget? If the State funds the position with General Fund dollars and the industry agrees to pick up additional costs related to travel, we need to know where we would see the dollars in the budget or where the commitment of the dollars would be. Why ask for funding when salary savings can be utilized to cover costs?

MR. MOORE:
The real impact is the ability to hire for vacant positions. The $60,000 up front does impact the ability to hire and bring on employees. Although the NMA is a valuable partner, we would like to single source this position.

ASSEMBLYWOMAN BENITEZ-THOMPSON:
We would like to receive more specifics as to what is considered the work product and success for this particular position to determine the value of the funding?

ASSEMBLYMAN SPRINKLE:
The request is for $175,000 in General Fund dollars in the next biennium. In 2013, part of the initial justification was provided with the intention the program would become self-funded. Why is there a request for General Fund dollars if there is success with money coming in?

DEREK ARMSTRONG (Deputy Director, Office of Economic Development, Office of the Governor):
The Nevada Institute for Autonomous Systems (NIAS) is on the path to becoming self-sustaining. The amount of funding from the Legislature in support of the effort continues to decline. As the industry evolves, we believe it is important to continue supporting a portion of operations and services. In the last biennium, the request was for $330,000 per year and the recommendation in the Executive Budget is $100,000 in the first year and $75,000 in the second year. The level of funding is being reduced.

ASSEMBLYMAN SPRINKLE:
Is the technological advancements and experimentations driving the General Fund request?

MR. ARMSTRONG:
The technical advancements and experimentations are part of the change and demonstrates how the industry business model has changed. When the first Federal Aviation Administration designation was received, it was assumed we would have a monopoly on being able to operate the testing range and it would be a profit center for companies. Nationally, the air space has opened and there is no monopoly of test ranges as anticipated. We have adjusted moving forward and have seen the increase in technology.

The NIAS has been successful in obtaining several National Aeronautics and Space Administration (NASA) contracts to help develop the industry and increase technology. Are you referring to the move from visual line-of-sight testing to the Unmanned Aircraft Systems Traffic Management Technical Capability Level (TCL) 4 operation? International partners in coordination with NASA will be testing the TCL 4 in Reno in the upcoming months. The technology is advancing how drones communicate and how air space is coordinated. A significant amount of NIAS time and effort is spent obtaining federal contracts and answering request for proposals. It is important for us to coordinate, and be available for them to leverage, private industry partnerships and public entities, who have incredible technology they wish to share with us.

ASSEMBLYMAN SPRINKLE:
When talking about the future budget, expectations and needs, are there other assumptions to help assure us the need for General Fund dollars will continue to decrease?

MR. ARMSTRONG:
Definitely, as we are building out and adopting new technologies. Nevada will continue to be the leader for developing technologies and partnerships. The increased revenue and self-sufficiency will come as NIAS forms partnerships with private industries and public entities.

ASSEMBLYMAN SPRINKLE:
Since 2013, how is this benefiting the State of Nevada? Why should we continue to invest in this?

MR. ARMSTRONG:
Former Governor Sandoval referred to this as the fourth industrial revolution; Nevada is staying ahead of the curve by developing new technologies. We see NASA's involvement in the TCL 4 operation placing Nevada at the forefront. Development of new companies coming to Nevada is part of NGB and Nevada-born companies. Nevada is a leader in the world for drone technology as it merges with smart cities and autonomous vehicles; all technologies are intertwined. Creating jobs in this industry has a higher-than-average State wage. Nevadans quality of life stays ahead of the curve.

ASSEMBLYWOMAN BENITEZ-THOMPSON:
We would appreciate information if there are any State dollars, General Fund component, or staff in-kind time, with Success Nevada. Justification for the increase for outside travel of the NGB program already expended $130,000 last year and is now asking for an additional $10,000 in each biennium for a total of $20,000 for two trips. Provide a better justification of what will come out of the travel budget; the total number of foreign companies who move headquarters and operations to Nevada, and a quantified number for the goal.

CHAIR WOODHOUSE:
We will move onto the Nevada Catalyst Fund.

MR. ANDERSON:
A tool we utilized in the past is B/A 101-1529. It is a grant program in conjunction with municipalities looking to incentivize companies on job growth and job creation. There are 21 active companies since the first inception, $8 million has been expended for 3,288 jobs with an average incentive of $2,440 per job. The original appropriation was $10 million for this fund. The funds in this account do not revert. Unspent funds at the end of each fiscal year balance forward to the next year. As there is less than $2 million remaining funds, we anticipate this program will be expended through the 2021-2023 biennium.

It is difficult to predict when it will be used; it is somewhat discretionary and the funds are typically used to close deals on incentive packages. For example, when a company moves into town and they do not have a lot of capital expenditures because the transferrable tax credits did not provide much incentive, the catalyst fund is used to close the deal.

ASSEMBLYWOMAN NEAL:
How many local governments have partnered with the EDAs in order to advance the catalyst funds?

MR. ANDERSON:
The majority of counties participate in the program. In every municipality, especially in the urban areas, we have granted catalyst funds. Clark County is the only area not participating.

ASSEMBLYWOMAN NEAL:
Has there been significant job creation through the partnership with LVGEA? What were the benefits delivered from the companies?

MR. ANDERSON:
Typically, if there is a company we need to offer catalyst funds in order to close a deal, we would either pick the transferable tax credit, which is a certificate they can redeem against modified business tax or other tax liabilities, or sell on the open market outside of this program. This is a grant to the municipality, and the municipality would then grant the monies based on performance to the entity creating the jobs. The 21 active companies and their commitment are

shown on page 18, Exhibit D. There have been 3,288 jobs incentivized through the catalyst fund.

ASSEMBLYWOMAN CARLTON:
Why did Starbucks receive $82,000 in July? They are not a company who would need our help.

MR. MOORE:
The Starbucks' incentive was not for retail stores. It was for the expansion of manufacturing jobs at the regional roasting and distribution facility in Douglas County, Nevada.

ASSEMBLYWOMAN CARLTON:
It is difficult to believe Starbucks would not do this without help from the State of Nevada for $82,000.

ASSEMBLYMAN THOMPSON:
Where can we find specific information by municipality and jurisdiction on the jobs and the expansions?

MR. ANDERSON:
We will provide the information to the Committee.

ASSEMBLYWOMAN BENITEZ-THOMPSON:
Active catalyst account grants are 1.4 million each year in new grants, $652,107 in fiscal year (FY) 2020 and $959,107 in FY 2021. What is the plan for the gap of approximately $700,000 not yet accounted for?

MR. ANDERSON:
Some of the commitment levels were not achieved and not paid out. There may be discrepancies on the amount of remaining authority. This is the current commitment level, as shown on page 18, Exhibit D. Unspent dollars will revert back and will be used for future grants.

ASSEMBLYWOMAN BENITEZ-THOMPSON:
We want to make sure the numbers match and we will review the information.

MR. ANDERSON:
We will update the chart with the municipality information and provide it to the Committee.

CHAIR WOODHOUSE:
We will move onto B/A 101-1521.

MR. MOORE:
I will review the State Small Business Credit Initiative (SSBCI), B/A 101-1521 as shown on page 19, Exhibit D. The Small Business Jobs Act of 2010, also known as the House of Representatives Resolution 5297 of the 111th Congress, provides support to states for use of programs designed to increase access to credit for small businesses. Participating states use federal funds and leverage private lending to help finance small businesses. Manufacturers who are credit worthy may not qualify for loans to expand or create jobs. In 2017, the U.S. Treasury transferred the program to state ownership. Impacts are highlighted on page 19, Exhibit D.

The program was administered by the director of the U.S. Department of Agriculture, Rural Economic and Community Development. A percentage of the funds were used for salary, benefits and operating costs. The request is for this to be funded in B/A 101-1528. The transition of the program to State oversight in 2017 using the existing SSBCI funds to administer the program would remove collateral availability for loans. With the transition to State oversight, there has been internal program restructure with the rural director overseeing the Nevada Collateral Support Program and the overall SSBCI program falling under the Carson City deputy. As with the mining specialists, we prefer to consolidate the salary funding. Cost allocation for this position and the duties is extremely difficult as all of the tools of the rural director are intertwined and funding sources are blended. The intent is to make it evergreen using a portion of the funding for salaries and to reduce the amount of available capital or collateral.

GOED - Rural Community Development — Budget Page GOED-18 (Volume II)
Budget Account 101-1528

ASSEMBLYWOMAN NEAL:
Can you discuss the long-term outlook for the SSBCI?

MR. MOORE:
The long-term outlook is to continue to deploy it as collateral or venture investment through Battle Born Venture (BBV).

ASSEMBLYWOMAN NEAL:
Does GOED anticipate the revenue generated from the loan repayments and filing fees will be sufficient to cover costs? How is the nonprofit functioning who was given control over the BBV? What is the status of their loan repayment?

MR. MOORE:
The long-term goal is to keep the money in the economy. Fees and interest do cover a small portion of operating costs. The goal is to roll it back into the collateral portion. There are zero loan defaults. We would like to accept the fees and maintain the collateral fund intact as long as possible.

ASSEMBLYWOMAN NEAL:
Is Senate Bill No. 126 of the 79th Session integrated into this?

MR. MOORE:
No, it is not.

ASSEMBLYWOMAN NEAL:
Do you receive the loan repayment schedule and could you share it with the Committees? Of the 19 current loans, it would be nice to know, by jurisdiction, where the businesses are located. Are there any in North Las Vegas?

MR. MOORE:
There are 20 loans for the Collateral Support Program and 19 of those have been in Las Vegas, the other is in Elko. We will provide the detailed information on each of the collateral investments to the Committees.

ASSEMBLYWOMAN JAUREGUI:
The revenue generated from the loans is very small. Are loans provided with low interest rates?

MR. MOORE:
If there is a cash-rich, collateral-poor business and they desire to expand, but lack the collateral for a loan, the collateral-support program deposits up to 35 percent of the loan value to the bank, not to the borrower. Each deal is negotiated between the borrower, the lender and us. Many of the loans are small. There is typically a small annual fee, opening or closing fee and possibly a percentage of the interest of the overall loan. Compared to what is actually invested, we are not necessarily tied to the current loan rate. We assist to help the loan go through and do not receive a percentage of the average business rate.

CHAIR WOODHOUSE:
How will the amount of time spent on activities be tracked to ensure administrative costs are being accounted for?

MR. MOORE:
We could attempt to do time tracking. All of the programs overlap and intertwine in relation to small business creation and community development. This is the reason to sole-source salaries. It is difficult to track administrative costs when programs become blended.

ASSEMBLYWOMAN NEAL:
The Carson City deputy director position is responsible for the SSBCI administration. How are the salary costs supported by SSBCI? Would it be more efficient to have the position where the majority of the loans are located in Las Vegas?

MR. MOORE:
I am the Carson City deputy director. When the program was created in 2010 it landed with the rural director who had the capacity to administer the program. Phone and email is utilized for communication and administering the program. I do not go out and physically broker loans. As the role evolved, responsibilities increased. The rural director had the oversight of the SSBCI and coordinated with the U.S. Treasury for compliance, reporting and administering the collateral support program. Another person, better suited, administered the BBV program. Since the SSBCI has moved from no federal oversight to State oversight, certain requirements went away. We internally restructured. I started as the rural director and when I became the deputy director it was decided I would continue

with the oversight, and the rural director would continue with the collateral support program, and the special project director continue with the venture capital program. We worked with two vendors in Las Vegas who are proponents of the plan, and the physical location of administration has no negative impact.

ASSEMBLYWOMAN NEAL:
Is there no interest to duplicate your position in Las Vegas or move a position to Las Vegas for face-to-face communication?

MR. ANDERSON:
The banks drive most of the conversations; the majority are located in Las Vegas. There has been outreach to other banks.

CHAIR WOODHOUSE:
We will move onto B/A 101-1531.

MR. MOORE:
I will review B/A 101-1531, the Workforce Innovations, WINN account, as shown on page 21, Exhibit D. The 2019 Biennial Report, (Exhibit E) provides detail on individual projects. The Learn and Earn Advanced Career Pathways builds a career map focusing on career development and obtaining appropriate job skills. Approvals for WINN are shown on page 22, Exhibit D. There is collaboration with the Nevada System of Higher Education (NSHE), Department of Employment, Training and Rehabilitation and the Governor's Office of Workforce Innovation on the direction of investments and workforce needs. The program is focused on providing a flexible response to industry workforce needs. On the backside of each of these programs is at least one, if not several, industry partners committed to hiring program graduates. They establish capacity at the institution to develop the curriculum and buy equipment and supplies. The majority of programs were approved in 2018 and are continuing to be established with currently 17 industries, 38 employers, 715 participants and over 250 credentials issued.

I will show a brief video highlighting the impact of WINN to a Nevada resident. Quran Broussard is employed at TESLA. He is unable to be here today due to the poor weather conditions but provided written testimony of Quran Broussard, (Exhibit F).

Current projections with $4 million are shown on page 23, Exhibit D. All programs were created without a guarantee for funding past June 30, 2019. Requests are expected for new or to continue previously approved projects. As unemployment rates decline, and in an environment where employers need specific skill sets, there is a need to expand the program into an incumbent workforce. Those are workers already employed in need of additional skills which will raise the average wage. There are further recommendations to shape WINN outlined in Assembly Bill 32 which address the incumbent workforce issue. There is intent to expand with nonprofits and carry over funding past the biennium. Based on current funding levels and the program commitments, the WINN fund is effectively being closed out.

ASSEMBLY BILL 32: Revises provisions governing workforce development. (BDR 18-329)

MR. ANDERSON:
The equipment at the Desert Rose Technology Center (DRTC) was purchased with WINN funds. The initial grant was through the College of Southern Nevada (CSN). The WINN fund was created during a special session to address new skill sets needed as new companies came about, especially in advanced manufacturing, came about. There has been expansion into different sectors from diesel mechanics to CDL. The Supplemental Nutrition Assistance Program (SNAP) assists recipients to increase their skills which leads to higher paying jobs. Reentry programs help students in halfway homes to participate in the Truckee Meadows Community College (TMCC) Heating, Ventilation and Air Conditioning program. There are two phases of successful outcomes. Having industry at the table is required through WINN to help develop the curriculum. It is used as a closing fund when the incentive packages are not necessarily the driving decision and workforce is a larger driver in the decision to move to Nevada. The WINN fills gaps and helps pipeline students into the programs. The industry determines needs, the GOED finds a public or private curriculum partner and then pipelines scholarships to student populations to kick start the program. The programs are expected to be self-sufficient. Programs shift and change as industry needs change. They often become permanent programs in the institutions.

ASSEMBLYMAN THOMPSON:
Can you provide comprehensive updates on progress for each project? Or where could we find the information?

MR. ANDERSON:
We have an annual WINN report in the presentation, which provides the matrix and outcomes for each program. A WINN coordinator was hired in 2018; thus we have accelerated moving funds out to the programs. At this time, new programs may not have outcomes.

ASSEMBLYMAN THOMPSON:
When I worked in the Nevada Division of Welfare and Supportive Service's Employment and Training unit, the term customized workforce training had a specific meaning. Does the report show how many people were placed in jobs, received jobs and retained jobs? These areas should be measured, if they are not already.

MR. MOORE:
Some programs having been in place for a while and track students who are placed into the workforce. Some programs are just starting and have not yet placed students. We will provide the number of jobs based on the business partner who has a WINN grant application.

ASSEMBLYMAN THOMPSON:
Where is the outcome data? Are companies scrutinized on their performance when they request additional funding?

MR. ANDERSON:
We track it very closely. We will provide the Committees with all the outcomes of the programs, except for the new businesses. The SNAP program tracks how many are eligible for the program, how many entered the program, how many successfully completed the program and those who secured employment. The outcome is what matters.

CHAIR WOODHOUSE:
We have the WINN annual report.

SENATOR KIECKHEFER:
This is where money should be invested, if we are concerned about people trapped in low-wage jobs. If we do things artificially, like set a new floor for minimum wage without providing the new skill opportunities, they will remain at the low wage. These are the types of programs that can provide people with new skills, become more productive and get them into a career path rather than just having them stuck in a job. I would like the Committees to invest in this program long term to provide growth opportunities and seek new opportunities.

CHAIR WOODHOUSE:
We will move to B/A 101-1533, the Nevada Knowledge Fund (NKF).

MR. MOORE:
I will review the NKF, B/A 101-1533 and review the accomplishments as shown on page 24, Exhibit D. Outcomes are not comparable for each accomplishment because within each of the institutions there are differences. We consider the outcomes based on goals created from the original project. For example, one project may be aimed at creating spin outs and another project may focus on the number of patents developed and submitted. The amount of funding for the NKF is listed on pages 25 and 26, Exhibit D.

CHAIR WOODHOUSE:
A major issue is the $10 million appropriation in the base budget. Nevada has invested $30 million in the NKF since 2014 and one of the purposes was to spur commercialization research. When do you anticipate the State will see a ROI in the form of commercialization?

MR. ANDERSON:
The NKF is difficult to measure for ROI, as each program has different goals and varying time lines. The Stanford Research Institute has more money, but their outcomes are often measured in a five, seven or ten-year span. The Institute for Personalized Medicine (IPM) has $3.2 million invested through the NKF and they recently received two different federal grants in the tens of millions. The ROI would be to measure the matching funds for continued research. The IPM had a company that spun out from practicing medicine in the realm of what someone may be susceptible to based on DNA research.

The WaterStart program is a water technology nonprofit functioning under the Desert Research Institute (DRI). Approximately, $2.85 million has been invested into WaterStart with 163 jobs created and an economic output of $22 million. Grants have been received from Queensland, Australia. They contributed $500,000 with the currency exchange being equivalent to $360,000 to $380,000 to do matching pilot programs. Not only are companies doing water research they are exporting their expertise to Queensland Urban Utilities. We are seeing an export of Nevada products and services beyond the standard nature of the NKF.

CHAIR WOODHOUSE:
What factors are considered prior to investing into a project?

MR. ANDERSON:
This is an area under continual refinement. We do not want to do research for the sake of doing research. We do not fund science projects. In the proposal from NSHE institutions, only three are research; DRI, UNLV and UNR. We need to see a path to commercialization. Some fail, or find a different path, when the research did not commercialize. The holy grail of economic development is research and development because it attracts the smartest and brightest from around the world as well as the entrepreneurs who commercialize products, develop businesses and employ Nevadans.

ASSEMBLYWOMAN NEAL:
Has there been thought about using the WINN fund to start up a program at CSN related to NKF to create student researchers and connect a cohort of students to build mentorships and advance themselves? They do not go to UNLV but this would possibly make them want to go and get a four-year degree and help move students across pathways?

MR. ANDERSON:
What you are referencing is what we are planning to do. We have the ability to do outreach for entrepreneur ecosystems and to be more strategic in how funds are allocated. When looking at economic development, we look at job creation and retention pieces. Workforce is important and the entrepreneur ecosystem drives the conversation around helping a student understand their capabilities. In the video, the gentleman did not see an employment opportunity until he was exposed to the technology through the DRTC. Students' testimony shows how

bright eyed students are when they see the opportunities before them. There are dual-credit programs in high schools with an attached career path. Not just to get a diploma, but something to do with the rest of their lives. Students learn, grow and expand. Especially here at TMCC with the TESLA Gigafactory program and the Panasonic Preferred Pathway (P3) program. These programs are aligned with engineering degrees through the UNR and the UNLV and there will be a clear path to go through certificate programs and move into the four-year schools and beyond.

ASSEMBLYWOMAN NEAL:
It would be good at CSN and North Las Vegas. Exposure is important and the efforts in the north should be duplicated in the south. We need to make a concerted effort to open students' minds. This may turn in to excellence.

ASSEMBLYWOMAN SWANK:
Federal grants coming into the State may look like a ROI. Explain the range of rubrics you use to measure the success or failure of a grant program. It sounds like it is not a straightforward path. Every project is not evaluated with the same criteria.

KARSTEN HEISE (Director, Strategic Programs, Office of Economic Development, Office of the Governor):
By statute, you give us the metric to apply. The metrics are requested from the universities to produce reports on a semiannual basis. High-level data from the reports is shown on page 24, Exhibit D. One needs to review individual projects and each project report is accessible on <http://www.diversifynevada.com> with each year's accomplishments highlighted.

ASSEMBLYWOMAN SWANK:
The numbers will not show the picture of diverse projects, to have more in depth information is important.

MR. ANDERSON:
There is a NKF catalog describing each program in depth as well as the metrics tied to each program which are slightly different from each other.

ASSEMBLYWOMAN SPIEGEL:
Could you please speak about any WINN projects coming up in the next biennium?

MR. ANDERSON:
Current projects are listed on page 23, Exhibit D. Some are nearing the GOED Board approval timeframes and some are pending funding availability.

ASSEMBLYMAN THOMPSON:
Can you indicate which high schools are connected? There are higher education institutions listed. Can you start reporting where it starts in high school, so we can see the broader picture?

MR. ANDERSON:
This would be a positive method to show the map of the ecosystem and we will provide it to the Committees.

CHAIR WOODHOUSE:
I would like to see the information as well.

ASSEMBLYWOMAN BENITEZ-THOMPSON:
Regarding the NKF, if the funding for the 2019-2021 biennium is approved and $40 million worth of appropriations is transfered to NSHE, and the ROI numbers are flat. A separate $40 million from GOED to NSHE does not show any NSHE information. Although the money may be used in a good way, the ROI is not happening. We have not seen an actualization as anticipated. Essentially, it appears to be just a pass through of funding.

MR. ANDERSON:
There is a continual need to review and refine our approach. We have been working on updates to how each institution engages with the NKF. We can look at anecdotal successes, but the metrics are the metrics. Through the Session you will hear from the institutions and how they are utilizing funding such as: propping up the International Gaming Institute, the Innovations Center partnerships, the businesses and startups related to the NKF investment versus a direct investment, those are difficult to track. We will clarify for the Committee.

J. KYLE DALPE (Interim Executive Director of Legislative Affairs, Nevada System of Higher Education):
Since GOED's creation, NSHE and its institutions have worked with GOED on a variety of initiatives. The GOED works to support and expand economic development in the State defining strategic direction and partnership with regional economic development agencies. To support these initiatives, NSHE institutions have developed and implemented a variety of programs and research initiatives in collaboration with industry partners. Some were mentioned by Mr. Anderson and all are in the book.

Concerning the WINN funding, a diesel program was started in Ely by Great Basin College. Nearly $2 million in training was provided to TMCC who partnered with Panasonic and created the P3 program. A pilot program for SNAP recipients helps defray education costs and leads to high wage and in demand jobs at Western Nevada College. More than $400,000 to support students who become certified through the Nursing Assistant Home and Health Aid program at the CSN.

In reference to the NKF, Nevada State College has partnered with the Nevada Institute for Autonomous Systems to establish the State's first urban test site for UAS. The UNLV has established a Nevada Institute of Personalized Medicine to conduct research and clinical trials integrating denomix computational biology and health informatics; UNR has used the NKF to support significant research in autonomous systems and subterranean robots. I was able to develop an exchange program with the Senati Technical Institute in Peru after GOED opened the doors through a trade mission to South America. In September, we hosted a cohort of students and instructors; the exchange will continue this July with TMCC students studying there. This was made possible by opening the doors with the trade mission, collaborative grants and established partnerships. We look forward to continuing our work to train Nevadans across the State and conduct research. We appreciate the support of GOED and the resources available to make this work happen.

TERRI LAIRD (Executive Director, Retired Public Employees of Nevada):
Since 1976, the Retired Public Employees of Nevada (RPEN) has been representing public employees and retirees. We are here is support of PERS. We are aware of the efforts during recent legislative Sessions from outside groups who desire to change PERS from a defined benefit to a defined contribution

401K hybrid plan. Such a change is opposed by RPEN. We believe PERS is well managed, and it shows in the stability of the plan with a slow and steady investment strategy. For many, PERS is the only retirement income received. Members joined RPEN years ago when incomes were not as good as they are today. We urge the Committees to keep this in mind when efforts arise to reform PERS.

KENT ERVIN (Nevada Faculty Alliance):
I appreciate Mr. Dalpe talking about our institutions and faculty involvement with the GOED and WINN programs. My comments today are on PERS. All classified staff colleagues and about 18 percent of faculty are PERS members. Many faculty nearing retirement would be better off in PERS than on NSHE's mandatory defined contribution plan. Despite identical retirement contributions over the decades, there are advantages of a collective pension plan. We support the continued fiscally responsible PERS administration. The increase in the statutory contribution rate is not ideal. The 0.62 or 0.75 percent, depending on the plan, will reduce the take-home pay of State employees. The contribution increase is due to more conservative assumptions. Projected future costs to the present is a prudent course of action. A time of economic strength is the right time to adjust costs. The actuarial increase does not mean and should not be used to claim PERS is an unsound system. The challenges are real and manageable. Nevada is fortunate to have a statutory and constitutional mandate in place to ensure PERS continues to be funded at an appropriate level based on sound actuarial science.

TRACY BOWER (Director of External Affairs, Desert Research Institute):
As one of eight institutions in the NSHE, the DRI has been a recipient of three rounds of GOED NKF distributions. The NKF has been transformative at DRI by enabling faculty to undertake critical-capacity building in areas such as data analytics, cloud computing, software and hardware development and empowering a technology transfer business process through the DRI Corporation. These additions, experienced personnel and infrastructure have greatly enhanced the ability to engage public and private industry in Nevada and beyond building innovative market-based solutions to a diverse array of environmental, scientific and business challenges. The NKF has enabled DRI's Applied Innovation Center to solve complex challenges farmers in Nevada are facing by developing organic solutions to crop disease. We have developed intelligent weather systems to better manage farming land and water resources.

The DRI WaterStart program is bringing together the best in technology to improve water-system management and reduce water loss. Since 2015, WaterStart members have identified 50 priorities, and WaterStart pilot projects have addressed 16 of the priorities since the program began. These efforts benefit both rural and urban water managers. We are using NKF dollars to develop innovative technologies and wildfire science. Our team is developing drone-mounted sensors to monitor air quality and assess smoke impact during wildfires. With support from the NKF, both DRI's Applied Innovation Center and WaterStart have created high-value jobs and attracted both Nevada native talent and new knowledge to Nevada in the form of data scientists, programmers, bio-engineers, technicians, engineers and more. The DRI is creating jobs to support Nevada's new economy and training and attracting the best people to do the work. Given the NKF investments to date in capacity building, we have established considerable momentum. We are laboring towards a sustainable business and scientific process meant to secure innovation-based economic development and the NKF is an important part of the effort. We appreciate GOED's support and trust of DRI.

PAUL MCKENZIE (Executive Secretary-Treasurer, Building and Construction Trades Council of Northern Nevada):
The problem we have today is Nevadans are without a home because of the environment created with incentive-based jobs. We are giving incentives to companies to come to Nevada and demand a workforce which is not paying a living wage. In Washoe County, the U. S, Department of Housing and Urban Development rate for average median income (AMI) is $36 per hour. This is $10 more an hour than GOED's incentives to bring jobs to this State. The $26 hour is below 80 percent of AMI. There is not housing to match this model. There has been a lot of good work from GOED, but the $26 hour is the high point. There are people receiving incentives for $18-hour jobs, such as TESLA. The average wage includes the CEO of the company. They pay minimum wage and people are not able to find affordable housing. Wages as high as high as $400,000 to $500,000 a year is used to average out the wage. We are not seeing a true reflection of employee wages. There was a story in the *Reno Gazette-Journal* about two people living on the streets in Reno who have jobs at TESLA and they are unable to afford housing. You will hear much about affordable housing this Session. When we look at how we move forward with GOED, I hope there is consideration if jobs are created and provide incentives to

companies to come to Nevada then they need to create jobs where people can have a place to live.

TOM DUNN (Northern District Vice President, Professional Firefighters of Nevada):
I am in support of PERS. Our members rely on PERS when they reach the end of their public employee careers. The PERS system it is a healthy system. Our members work with PERS representatives on a weekly and monthly basis as our employees near retirement. The employees need to be in a stable management system providing information in a timely manner and also work with employers to ensure proper benefit contribution.

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CHAIR WOODHOUSE:
Having no more business on the agenda, I adjourn the Committees meeting at 10:49 a.m.

RESPECTFULLY SUBMITTED:

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Tom Weber,
Committee Secretary

APPROVED BY:

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Senator Joyce Woodhouse, Chair

DATE:______________________________

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Assemblywoman Maggie Carlton, Chair

DATE:______________________________

EXHIBIT SUMMARY

Bill	Exhibit / # of pages		Witness / Entity	Description
	A	2		Agenda
	B	4		Attendance Roster
	C	8	Tina M. Leiss/Nevada Public Employment Retirement System	Presentation
	D	29	Paul Anderson/ Governor's Office of Economic Development	Presentation
	E	23	Matthew P. Moore / Office of the Governor	WINN 2019 Biennial Report
	F	1	Quran Broussard	Testimony