MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON REVENUE

Eighty-First Session
February 9, 2021

The Committee on Revenue was called to order by Chair Lesley E. Cohen at 4:05 p.m. on Tuesday, February 9, 2021, Online. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/81st2021.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Lesley E. Cohen, Chair
Assemblywoman Teresa Benitez-Thompson, Vice Chair
Assemblywoman Natha C. Anderson
Assemblywoman Shannon Bilbray-Axelrod
Assemblywoman Venicia Considine
Assemblyman Gregory T. Hafen II
Assemblywoman Heidi Kasama
Assemblyman C.H. Miller
Assemblyman P.K. O'Neill
Assemblyman David Orentlicher
Assemblyman Tom Roberts
Assemblyman Steve Yeager

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Terri McBride, Committee Manager
Gina Hall, Committee Secretary
Cheryl Williams, Committee Assistant

OTHERS PRESENT:

Michael Brown, Executive Director, Office of Economic Development, Office of the Governor
Melanie Sheldon, Director of Business Development, Office of Economic Development, Office of the Governor
Mike Kazmierski, President and CEO, Economic Development Authority of Western Nevada
Jonas R. Peterson, President and CEO, Las Vegas Global Economic Alliance
Robert C. Hooper, President and CEO, Northern Nevada Development Authority
Steve Hill, President/CEO, Las Vegas Convention and Visitors Authority; and Chairman, Las Vegas Stadium Authority

Chair Cohen:
[Roll was taken and Committee rules and protocol were reviewed.] Before we move on to our presentations, I want to acknowledge that today is Nevada Tribes Legislative Day per *Nevada Revised Statutes* (NRS) 236.038. Nevada is home to 27 tribal nations, bands, and colonies, along with over 50,000 urban Indians who choose to make the Silver State their home. The Nevada Indian Commission is part of the Governor's cabinet. If you are interested in more information, please go to nevadaindiancommission.org.

We will now move on to our presentations. For the public, you can find the exhibits on the Nevada Electronic Legislative Information System. We will start with an overview and discussion of economic development programs in Nevada presented by Michael Brown, Executive Director of the Office of Economic Development (GOED) within the Office of the Governor. We also have presentations from some of the regional development authorities. We will start with Mr. Brown, stop for questions, then have Mr. Peterson, Mr. Kazmierski, and Mr. Hooper present and go with questions from there.

Michael Brown, Executive Director, Office of Economic Development, Office of the Governor:
I am pleased to be here today representing GOED and to present an overview of the agency and an assessment of where our economy is today [Exhibit C]. Governor Sisolak named me to lead GOED in November 2019 after serving last session as his director at the Department of Business and Industry. In public life I was previously the president of Barrick Gold USA. I retired in 2018 and joined the administration. I am pleased to serve the Governor and the people of Nevada in this capacity.

I have been in my job at GOED for the last year. Just 60 days after my appointment, the COVID-19 pandemic gripped the world. For the last year, every resource of GOED I could deploy in the relief response and recovery to the global pandemic I have endeavored to do so, while preparing for the next normal. Let me cite a few examples:

- Under the leadership of Bob Potts, GOED organized economists from across state government to provide economic information to policy makers and to collect data needed for federal relief programs.
- Under the leadership of Kris Sanchez, GOED supported the Private Sector Task Force to acquire PPE [personal protective equipment] and to stand up manufacturing of PPE here in Nevada.
- GOED's communications team was detailed to provide support from Nevada Health Response and extra support for the Department of Education.
- GOED worked with Switch and the Vegas Chamber to establish a business information network that allowed us to cascade reliable information in real time all across the business community in this large state.
- GOED partnered with State Treasurer Zach Conine and Terry Reynolds, Director of the Department of Business and Industry, to design and implement relief programs for small businesses, disadvantaged businesses, arts and cultural institutions, chambers of commerce, and other nonprofits. With over $60 million committed thus far and a pending request for $50 million, this is the largest small-business relief program ever launched in Nevada and perhaps the largest program of its kind in the United States (U.S.).

A central banker commented that government is good at bailing out banks but it is not very good at helping coffee shops. I think the program we rolled out, in cooperation with the Interim Finance Committee (IFC), has helped a lot of coffee shops, hair salons, and other businesses in the state.

While the 2008-2009 Great Recession triggered by a financial crisis was severe, it did not lead to structural changes in the economy. Businesses have spent the last year scrambling to adapt to extraordinary circumstances. Now, at the start of 2021, it is clear that this is the year of transition. I think looking forward we will look back at this period and we will define it as a prepandemic and postpandemic economy.

The McKinsey & Company consulting firm describes us as moving into the "next normal" to describe the future. Between 2021 and 2026, we are going to see billions of dollars invested in private and public capital with the reshoring of manufacturing, acceleration of medical technologies, a rebalancing of supply chains, and an acceleration of the fourth industrial revolution. If Nevada is agile and moves with urgency, the opportunity to capitalize on this and to diversify our economy further is before us. Governor Sisolak outlined in his State of the State address some bold ideas to capitalize on those opportunities as we move to a post-COVID-19 economy, and I am going to walk through some of that today. While we do this, we must maximize our advantages and remediate our deficiencies. I look forward to working with all of you as partners on this matter.

Assisting me today are Deputy Directors Bob Potts and Kris Sanchez, who will help with questions; and our economic team, Melanie Sheldon, Tatjana Vukovic, and Chelsea Walburg are also here. I have to say the career civil service in my office and across the state rose to the challenge of the pandemic with dedication and quiet efficiency. Whatever measure of success I will have in this appointment will be because of them. Following my presentation you will hear from leaders of three of our regional economic development authorities, Mike Kazmierski, Jonas Peterson, and Rob Hooper, true partners, and I appreciate the experience and knowledge they bring to economic development.

On a personal note, a faith leader made a statement at the start of the pandemic that when confronted with something that seems highly unlikely, such as a global pandemic, other things that we considered impossible and unachievable are suddenly within reach. I will outline some of those things today.

I will review Nevada's economic situation and our development programs going forward. First, let us think of Nevada. Senator Paul Laxalt was the first to educate me about the three states of Nevada. We need to look beyond our borders. You can see the incredible reach that our economies have. There are nations of the world that would like to be in the geographic position that Nevada has with extensive connectivity to California to the west, reaching to Denver and Phoenix to the east and south, plus access to the immediate Pacific Rim. This chart was prepared by Brookings Mountain West as a perspective as to how to look at how our economy is organized [page 3, Exhibit D].

Recognizing the pandemic was changing things, we turned to SRI International (SRI), who had worked on the state's first economic development plan. They were originally drafting a new economic development plan for them as the pandemic unfolded. I told them we need a relief and resiliency plan. They helped us with the "Nevada United: Roadmap to Recovery" that Governor Sisolak released in the summer, and helped us produce the new plan for recovery and resiliency, recommending Nevada focus on advanced manufacturing, zero-carbon economy, strengthening our health care system, and becoming, in this new age of work, a remote work playground while strengthening our recreation, arts, and entertainment sectors [page 4]. They made several suggestions, such as fully funding the infrastructure bank, to developing an office as has been proposed to help small businesses under the Lieutenant Governor, to enhance and improve everything within our community college system, to adopt a climate change plan, and to do what we can in the energy area [page 5].

The Governor embraced many of these and, as you know, launched initiatives for a New Energy Economy focused on new industries, raising up a workforce for that new economy, and investing in critical infrastructure [page 6]. We have taken the Governor's plan, as seen on the left, and tasks on the right [page 7]. We will be pursuing these with the legislative session and afterwards to truly work to diversify the Nevada economy.

I want to touch on the Nevada economy [page 9]. I think it is very important that we all understand what it looks like. The box we want our emerging targeted base industries to be in is in the Stars box. We have a wonderful, internationally acclaimed, robust hospitality industry that I have full confidence will bounce back just as in the Roaring Twenties when they bounced back after the 1918 flu pandemic in the era of *The Great Gatsby*. I know people are going to want to travel and be entertained again. We are fortunate not to have anything in the Transforming sector. Coming from Cleveland, Ohio, I can tell you if I put this up for Cleveland, there would be some bubbles in that Transforming sector. We have emerging opportunities in manufacturing, resources, technology, and health care.

Southern Nevada, being such a dominant part of the state, obviously influences the state numbers [page 10, Exhibit D]. When we look regionally and when we look at northern Nevada, we can see the last ten years of economic development and diversification have had the effect of raising these bubbles up so we now have stars in natural resources, which is energy, manufacturing, logistics, challenges in health care we need to address, and emerging opportunities in information technology [page 11]. Rural Nevada looks much like the rest of rural America, except we do have a robust mining industry that is a superstar in rural Nevada, with the opportunity to expand that beyond precious metals into the lithium sector [page 12].

Our current economic situation is no secret to any of you as elected officials as to what happened [page 14]. We saw a 22 percent decline in our service-producing industries, but in our goods-producing industries such as manufacturing, we saw only a 3 percent decline. We saw a dramatic difference between the unemployment rates in Las Vegas and Reno. I will show you why later.

Obviously, response to the COVID-19 pandemic was the first priority, restoration of the public health system, and dealing with the challenge of the pandemic [page 16]. I explained how my office tried to support that. The second priority was in relief: Paycheck Protection Program loans, which we helped facilitate in Business and Industry in the Small Business Administration, where $4.2 billion was deployed across Nevada and we now have $600 million in the second phase. We worked with lots of people in Nevada to help them apply for these loans and to use those business information networks the Chamber created to make that happen. I am very pleased with the emergency economic injury disaster loans. I think we were the first of the 50 states to qualify for that. In fact, the Governor signed that the evening he had to make the unfortunate announcement that we were having to shut down the Strip and shutter many businesses as we rode out the efforts to flatten the pandemic curve in April. After that press conference, I told the Governor the paperwork was ready and he needed to sign it. We filed it with FEMA [Federal Emergency Management Agency] and I think we were the first state to qualify. In July we had the conceptual idea for a commercial rental assistance program with the support of the IFC and a merger of operations between my office and the Office of the State Treasurer. We rolled that out in October, and followed that with the Pandemic Emergency Technical Support (PETS) program [page 16] you are very familiar with, particularly those who have served on the IFC. This was an enormous infusion of dollars into small businesses. Had I the opportunity to do it all over again, I would have called it "Operation Dunkirk" because our mission here was to rescue the small businesses stranded on the beaches with small-business grants, to bring them to safety so they could live to thrive and fight another day.

When I became the Director of GOED in 2019, which was an entirely different economy than the one we face today, the first thing I did was move to strengthen our compliance programs, our interactions with the Department of Taxation, and visit with the leading think tanks in Washington, D.C., on economic development. We got ideas from organizations that ranged from liberal groups such as Good Jobs First, to Brookings Mountain West, to more conservative think tanks. We have taken about 12 different steps to strengthen our compliance programs. We enhanced our coordination with regional economic development partners. In the summer we conducted a comprehensive study of our economic tax and incentive abatement programs. I have tried to prioritize applicants coming for our standard abatements to consider corporate social responsibility, commitments to the state, and we are also encouraging diversity, equity, and inclusion of the applications that come forward. We commissioned SRI initially to update the development plan but also to provide us advice and guidance during those turbulent months, and then produced the recovery and resilience plan [*Nevada's Plan for Recovery & Resilience*, Exhibit E, and "Nevada's Plan for Recovery and Resilience February 2021," Exhibit F].

Economic development 101 is the visible hand. It is focused on business development, workforce development, and community development [page 19, Exhibit D]. There is a large ecosystem of partners in the state of Nevada that are involved in economic development. One of the things I have done is direct engagement, particularly in southern Nevada, with our local GOED directors [page 20]. What I have found in this job is that there is a lot of troubleshooting and problem-solving. At the risk of a fine for using the word "tool box" in the legislative session, I will say that we have lots of tools in the tool box for economic development [page 21]. The Legislative Counsel Bureau (LCB) staff asked us to focus on incentives and tax abatements today, but we have other programs I would be glad to present or meet with any of you individually to discuss.

Business development is about business attraction—bringing businesses here from outside the state and helping our existing businesses expand and be on the leading edge [page 22]. This is a very important chart [page 23], and I want to walk through this. At the top you see something called the "Measure of Economic Diversity (Hachman Index)." This is an index that goes to 100 and ranks states on their diversity level. When you look at our competitive states—Utah, Arizona, and Colorado—they have economies that are highly diverse. Utah is leading the nation at 97.1 and is the most diverse state in the nation. Arizona is at 96, Colorado is at 93, and Nevada is at 67. Our goals to strengthen this economy, to provide fiscal resiliency, and to provide job opportunities for Nevada mean we have to raise that number. In this economy, the kinds of industries that make that happen are the ones everyone else is chasing. Even my counterpart in Maine is seeking to bring technology, health care, high technology, and manufacturing jobs to Maine. One of the things I did was associate GOED with the Pew Research Center in Washington, D.C., and the Center for Regional Economic Competitiveness, which is a group of forward-thinking economic development directors. We are in constant consultation with them and they have been very helpful in this process. One of the things that makes us different is that we do not exempt manufacturing machinery from the sales tax. We cannot take that down to zero. Most states on the chart on the left have zero on sales tax for manufacturing machinery. Economic incentive programs help make that palatable for interests coming to Nevada. We have about 16 incentive programs on the books. You can see that is about half of what you will find in Utah and some of the other states. Again, I want to focus on that measure of economic diversity. We have to raise that 67 percent if we are going to move Nevada forward.

Manufacturing leads to diversification [page 24]. In 2010 northern Nevada had 6.7 percent manufacturing. In 2019, it had 9.9 percent, and is probably over that at this point. Mike Kazmierski can speak to that. That made an enormous difference in their economy. This is an area where we have to bring focus in the south.

When companies are thinking of relocating, they consider these factors [page 25, Exhibit D]. They consider workforce skills, workforce development, transportation infrastructure, permitting, state and local tax structure, labor relations, utilities, quality of life, tax abatements and incentives, and the legal climate. It is the combination of all these things that guides a company in making its relocation decision. There are folks who rank states in these categories. I do not have a ranking as to how Nevada fits nationwide, but I know that of these categories there is only one where we rank in the top ten, and that is in state and local tax structures. In the technology sector we have an index now that shows Nevada ranks 26th. It is very interesting that we rank 1st and 2nd in many of the categories, and 47th and 48th in other categories. What that says to me is that we are on the edge of really building a strong, reliable technology sector, but we have to bring those pieces together.

Particularly for the new members of the Committee, I will walk through tax abatements. This is not the Tesla abatement; this is the standard abatement we use with companies coming to the state [page 27]. A tax abatement in Nevada is a temporary reduction of a tax obligation. It is not a cash outlay from the state budget. Our tax abatements are statutory. They have significant compliance obligations, significant reporting and auditing, and clawback provisions. They are not discretionary to me as the Director of GOED. If companies make application, they qualify, and if the Board of Economic Development concurs that they qualify, then we proceed. We have an audit program where they have obligations they have to meet. We file a 51-page report biannually to the LCB [Exhibit G]. This is all statutory. It is not discretionary.

One of the things I implemented is before bringing an application forward, I now do a cross-check with all the other agencies on the compliance side. We check with OSHA [Occupational Safety and Health Administration], Workers' Compensation Section, Division of Industrial Relations, Department of Business and Industry; Commissioner of Insurance, Division of Insurance, Department of Business and Industry; and the State Department of Conservation and Natural Resources. Every application that comes to our GOED Board, we know there are no issues with other agencies. I also do a national compliance check using a database from Good Jobs First that I was introduced to last December. We have a significant regulatory regime that goes on top of our abatements and incentives. Melanie Sheldon, my assistant, presented at a conference on compliance by the Center for Regional Economic Competitiveness. We discovered that we have one of the most rigid and controlled in the nation. Some of them were quite surprised that we have audits and clawback provisions, and that performance measures were set. No one cited they did any cross-agency clearance on any of these things going forward.

We do not offer cash grants. There were catalyst funds offered in the early days of GOED, but my understanding is the Legislature closed that fund and those were simply being fulfilled as existing obligations. This is a very rigid system and one I think you and the people of Nevada can take comfort in. I take comfort in this personally. Our standard tax abatements are a sales and use tax abatement, modified business tax abatement, personal property tax abatement, and real property tax abatement. We have two industry-specific programs in aviation and data centers [page 28, Exhibit D].

We file a 51-page, single-spaced report to the LCB on compliance [Exhibit G]. In the 10 years Nevada has had this endeavor going forward, 316 companies were approved for these standard abatements; 91 did not seek them for whatever reason, even though they were approved; and 225 contracted [page 30, Exhibit D]. You can see the distribution. Seventy-five percent of those were for businesses of 1 to 50 people. About half of them came into Clark County, and about 70 percent was for new businesses coming into the state. On a compliance rate [page 31], in working with the Department of Taxation, we have 86 percent compliance. Of the 31 companies that were not in compliance, we have been able to recapture 84 percent, which I think leaves about 5 companies that are still out there and we are still working with. This is a very high compliance rate and came as a shock to the colleagues Ms. Sheldon visited with at that conference.

Over the last decade there has been $339 million in our standard tax abatement category [page 32]. Because we do not abate anything to zero, as these companies are coming here, we are collecting revenue. On a net basis, we have collected $1.5 billion through this business attraction program with an economic impact of $55.5 billion.

We have done one data center abatement under the new provisions from the last session. You can see the numbers on page 34. This was something the Governor personally worked on with me, and that company has made a strong commitment to corporate social responsibility, green energy, and minimal water use in Nevada. There are four companies that have come through the aviation program [page 36]. This is an area I hope we will see more activity in when we return to that next normal.

Transferable tax credit existed with Senate Bill 1 of the 28th Special Session and Senate Bill 1 of the 29th Special Session, which were the Tesla and Faraday arrangements. It is my understanding that those have now been exhausted [page 38]. We can provide more information on that if you wish but this is not a tool we are using at present.

We have other business development programs, including the Knowledge Fund, which gives us the seat with the Silicon Valley and high-technology companies. We have State Small Business Credit initiatives [page 40]. We have an international component [page 41]. If you think about it, we have Panasonic, we have Barrick, we have multiple international corporations here. We have strong relations with many of the G7 [Group of 7] countries, and we have an increase in our Federal State Trade Expansion Program Grant for our global engagement, which is something we are very proud of.

We have a small-business program where we are busy helping small businesses win Defense Department contracts. I will say that Joan Rueben, who runs this on her own initiative reached out to the Department of Administration and worked with them on a program this year for state contracting to help small and disadvantaged minority businesses win state contracts. We have the Nevada Film Office and Federal Opportunity Zones, although Nevada has very little continuing engagement with that [page 42, Exhibit D].

We have workforce development programs [page 43]. The most important one right now is the Nevada SkillsMatch that the IFC approved that we have rolled out. The Governor's Office of Economic Development looks after community development in rural Nevada [page 44], so I have a staff here that works closely within rural Nevada with Community Development Block Grants, Nevada Main Street, and entrepreneurial programs. During the legislative session, I get to join the rural caucus every other Friday at 7 a.m.

With that, I am happy to answer any questions. I know I covered a lot of territory and particularly for new members of the Committee in their first term, I would be glad to do a more in-depth briefing on any of these topics at your convenience. I know the challenge you have. Your first term will be the most challenging term you have during your tenure in the Legislature, and we thank you for your service.

[Exhibit H] was submitted but not discussed and is included as an exhibit for the hearing.]

Chair Cohen:
That was a lot of information. Thank you for making it very digestible. I do have some questions. Assemblywoman Anderson will start.

Assemblywoman Anderson:
I am a first-year legislator, so I will definitely be asking to have that one-on-one tutoring time soon. You mentioned Ms. Rueben at the end of your presentation and the outreach she has done on her own for our minority-owned small businesses. Is there any other outreach that GOED does to help our small businesses, whether they are currently in Nevada or moving to Nevada, in particular our minority-owned businesses? Also, I serve on another committee where we heard about how few of the smaller businesses are able to become a vendor for our state. Are there any trainings for them to be able to become vendors?

Michael Brown:
To your second question, that is something I spoke earlier with Senator Neal about and is something she has prioritized. I promised to come back with some options and ideas in that area. To your first question, yes. We have Sonia Joya, who is our liaison with all the

various chambers of commerce, particularly the diversity chambers—Latin Chamber, Asian Chamber, Indian Chamber, and Urban Chamber. As the pandemic unfolded, one of the things I realized was these businesses were going to have the toughest climb back up. We have tried to embrace them and keep them posted on everything happening in real time.

To the issue of how the state services small business, I have a function, Director Reynolds has a function at the Department of Business and Industry, and he has a wonderful staff in Las Vegas who used to work for me in this space. The Nevada System of Higher Education has a function in this area. It is almost like we have all the parts of an orchestra but we lack a conductor. The Governor has made the recommendation that the Lieutenant Governor be empowered in this area, and we have staff there. We do not have time to sort out lines and boxes. We have to help small businesses now. There are a lot of people in this space. That is why that legislation is there.

I will say on the compliance side of the PETS Grants that because we were so concerned about fraud, State Treasurer Zach Conine and I looked at every single application. We spent hours and hours looking at them. If we felt we could not find the business, we picked up the phone, called the business, and talked to them. It taught both of us a lot about what the challenges are for small business. The first challenge is, they are busy running a small business. They do not have a big staff to work on these things. We needed to make things easier and simpler for them. From that experience we have developed this religious fervor that we have to do more to help our small businesses. That is why that legislation is there, and we are all prepared to work cooperatively in that space.

Right now we are doing research on what states are doing in the small business space for minority business specifically. Harvard University had a conference, "5 Big Ideas in Inequality: The Racial Wealth Gap," and I was able to participate in some of that. We are shopping right now for some ideas and we will bring them forward.

Assemblywoman Anderson:
To verify, the outreach is across the state, not just in the very specific chambers.

Michael Brown:
It is absolutely across the state. Having worked in the rural areas for a long time, the tyranny of distance can be challenging in a big state like Nevada.

Assemblywoman Considine:
That was a lot of information and I apologize if my question is something you already covered. Back on page 27 on business development environment, tax abatements, the statutory compliance said there are specific criteria. Is there a list somewhere to see what that specific criteria includes as far as level of jobs, wages, and investment? If so, can you also tell me how often that criteria is updated?

Michael Brown:
They have to meet the capital investment in the employment investment commitments that they make for the abatement. I believe the companies are on two- and five-year audit cycles. I have Melanie Sheldon on the line and I think she could answer that more completely.

Melanie Sheldon, Director of Business Development, Office of Economic Development, Office of the Governor:
It is *Nevada Revised Statutes* (NRS) 360.750 that outlines the criteria. It has been continually tweaked every legislative session since 2011. Companies are on an audit cycle of two and five years, unless they are aviation or data center, and then it is two-, five-, eight-, and ten-year cycles.

Assemblywoman Considine:
Will the specifics of all those areas be in that section of NRS?

Melanie Sheldon:
Absolutely. I would be happy to send you some of the high-level overview. We do a one-pager that we offer to companies as well.

Michael Brown:
We sat down with the audit staff at the Department of Taxation and we asked what we needed to do on our end to make their job easier and more complete. We have made a few changes with the contractual arrangements going forward. They have had an experience curve of ten years, and I personally believe if you are going to engage with the government, you have an obligation to meet a very high standard of compliance. We sat with the auditors and asked how we make this the tightest, most robust program we can in the U.S. Assemblywoman Considine, we will also send you the complete report we file with the LCB so you have that [Exhibit G].

Chair Cohen:
Director Brown, if you send that to me, I will ensure the rest of the Committee gets it.

Michael Brown:
I think we officially filed it today [Exhibit G], but we will resend it just in case.

Chair Cohen:
Can you explain to us a little more about the clawbacks? What do you do to ensure there is going to be something to claw back, if it comes to that?

Michael Brown:
I will have Ms. Sheldon address that for the Committee.

Melanie Sheldon:
The Department of Taxation actually undertakes those audits. When a company enters into an abatement agreement with us, we outline those recapture and audit provisions in that abatement agreement, and that is then signed by the company and also countersigned by us. They are aware of their obligations and also of our obligations. The Department of Taxation keeps a running list of the effective date of the contract and two years post as to when they will undertake those audits. They will then audit those companies to the statutory requirements. If the company does not meet the statutory requirements as outlined in NRS, they would be deemed noncompliant and would be billed for all tax abatements they had received with interest.

Chair Cohen:
How do we know we can recapture those funds?

Melanie Sheldon:
We do not know for sure that we can, but we do know that this is an unforgivable debt. If a company does owe money on these tax abatements, it is not something the Department of Taxation would give up chasing. I do believe that is why out of the 31 companies that have been noncompliant, we have only had 5 where the bill is still being chased. Three of those have just received their bills, so they are probably in the very early stages. Two of those are a little more aged and are being chased.

Michael Brown:
We could get a status report on those specifically and provide it to you.

Chair Cohen:
Thank you. You also gave us a lot of information about manufacturing. Could you go into that a little more? Is there a specific type of manufacturing you think we should be going to or is any manufacturing good for the state right now?

Michael Brown:
Let me speak from the macro level and then maybe we can talk about the success we have had in Henderson. What we are seeing right now is we are getting inquiries from companies that are saying, "We have a just-in-time inventory system, and with the rise of e-commerce, we have discovered we did not have the capacity to ship from where we were shipping or where we were producing things, and we need to spread this across the U.S. and put things in multiple time zones." We are also getting inquiries from companies that are in California, and they have decided that for whatever reason they are looking to move into the central part of the U.S., so they are looking in Nevada, Utah, Arizona, or somewhere in Texas. Those are the kinds of inquiries we are getting right now. We are looking into advanced manufacturing. We have had Haas Automation come to Henderson, which is a significant commitment for advanced manufacturing in the state. The interest in manufacturing is also one of the reasons the Governor has prioritized support for the engineering school at the University of Nevada, Las Vegas (UNLV). Having that school becomes like the Lego box.

Mike Kazmierski can probably address this more solidly, but manufacturing produces value-added jobs. They have very deep supply chains, very extensive supply chains, and limited environmental externalities. The manufacturers we are talking to have great interest right now in green energy. This is an area where Nevada has an advantage. Where we are struggling right now, particularly in southern Nevada, is the available industrial park space for those kinds of facilities and campuses. We also think because of changing global dynamics with China and other nations in the world, there is a belief that the U.S., and I think we will see the Biden Administration try to advance it, in the reshoring of manufacturing back to the U.S. There was an incredible offshoring of manufacturing that occurred in the 1990s and early 2000s. I think federal policy makers and U.S. chambers of commerce and others are talking about how we can bring that back to the U.S.

What we need is to find the manufacturers that best fit our workforce because we do not want to import a workforce. We would rather train a workforce for that kind of sector. We think we have natural logistical advantages and energy cost advantages to bring to it. Mike Kazmierski can probably speak to that. As a senior member of the economic group, he has the most experience in this area.

Assemblywoman Kasama:
My question is on slide 21 [page 27, Exhibit D]. You talked about in the state of Nevada we have a temporary reduction of our tax obligation, and to the right, you have the other states where it shows zero tax obligations, tax credits, land and infrastructure, or up-front cash funds offered. How important is it that we offer even more than we do now? In general, how many businesses have we lost because we did not offer more? Is it important that we move to more incentives to accomplish some of the goals you have been speaking about?

Michael Brown:
This is an area that as policy makers, both on your side of government and the side I sit on, we need to find a creative balance. We have fiscal obligations we need to provide to the state. We need to ensure the deals coming here are good for the state of Nevada. Several of these states have corporate and personal income taxes, so they are able to offer incentives on their corporate income tax that they then get repaid with on their personal income tax. Let us say you have a company come into Utah, and they provide corporate income tax incentives, and that company then hires a workforce of 200 folks who start paying substantial income taxes. One is offsetting the other. That is not the situation we have here, so we have a conservative program that matches the fiscal system we have. Prior to the pandemic the leading thinkers in this area were advocating for workforce grants, workforce partnerships, and community college partnerships. If you wanted to help a disadvantaged community, try to partner the company up with a workforce grant. That was prior to the pandemic, and the fiscal crisis that has been created because of the economic crisis. Regrettably, funds are scarce for grant programs these days. Literature would actually suggest that we should be looking on the grant side of things. As Donald Rumsfeld once said, "You go to war with the army you have . . . ." This is the program I have and what I am trying to do with it.

Assemblyman O'Neill:
Thank you for coming to work for the state. You were great for mining and I know you will be great for the state. I have a question about slide 6 [page 7, Exhibit D]. Mr. Kazmierski may be better able to explain it specifically to Storey County, but you talked about the creation of innovation zones. Are we talking about having multiple areas of innovation zones? It may be a small comment about having the plural versus the singular that we have been briefed on, but I want to clarify if we are looking at multiples or just one. Can you give a brief presentation on why they cannot work within the Storey County government as it is?

Michael Brown:
Innovation zone versus zones, that could be a typographical error. This is something the administration is still getting ready to roll out with the Legislature. If you will allow me, I would like to work with my colleagues in the Office of the Governor and the Office of the State Treasurer, and come back with a more robust presentation on that. Today, I am not ready to speak to that.

Assemblyman O'Neill:
I appreciate that. The biggest thing I wanted to clarify was the singular versus the plural.

Assemblyman Roberts:
There are several components to the federal lands bill. I am curious as to how that might help your efforts with GOED and state diversity. Can you explain that more?

Michael Brown:
Yes, there is a public lands bill the congressional delegation is working on I have spoken with the commercial developers in the state about it. They have advanced their needs on it. I have simply said to those who will listen, that if we are going to attract the kinds of businesses we need for diversification, we have to find a place to put it. I do not have a pencil and I am not pretending to draw any lines as to where lines should be. I believe I was told by the City of Henderson, and I stand to be corrected on this, but I think right now the largest parcel of land they have for commercial development is 57 acres. If someone comes to me and needs a parcel of 225 acres, what can we do about that?

The other thing we are trying to do right now is work with the Bureau of Land Management, U.S. Department of the Interior, because little things such as getting power lines and easements in place for the lands we do have also have to be addressed. I am discovering this job is a lot of troubleshooting, but I am in touch with folks who are working on that, but I am not in the line-drawing business. I leave that to others.

Assemblyman Roberts:
I applaud you for working on it. It is an important issue in southern Nevada, and northern Nevada is getting that way in some of our more urban areas. I just wanted to hear your thoughts and your efforts.

Chair Cohen:
You touched on outdoor recreation. Can you give us a little more information on what GOED is doing with outdoor recreation, because it is such an important industry for us in this state. We have heard from other presenters about how well it is doing for the state throughout the pandemic. Can you just talk about that?

Michael Brown:
As the Director of GOED, I sit on the Division of Outdoor Recreation's Advisory Board on Outdoor Recreation, which has started to have its meetings under our new director in the State Department of Conservation and Natural Resources (DCNR). Coming from the private sector, I realized how many silos there were in state government. One of the first silos I broke down was we now have a monthly meeting of the three directors—GOED, Office of Energy, and DCNR. Outdoor recreation is very important to all of that, as is our rural tourism business. I believe the Nevada State Demographer has statistics showing the age groups coming over from California. What we are finding, particularly in the north but also in the south, is once they get over here, they are discovering that in Las Vegas there is a robust life off of the Strip. In northern Nevada, they are now on the other side of those mountains they can possibly enjoy from the San Francisco side. Most of my counter progressive offices around the West, in Utah and Colorado particularly, have prioritized outdoor recreation. I have a staff person working on some ideas on what we can do in the area of attracting businesses here as the place to live, enjoy, and recreate. There are resource issues in this area. I am from Ohio, and I once worked in the Ohio House of Representatives, so I still read the Ohio papers. Over the weekend, I read that the Governor of Ohio has allocated $50 million to a marketing campaign encouraging people on the East Coast to move to Ohio. That is a substantial amount of money for a marketing campaign. We are resource-constrained in this period of fiscal austerity, but it is certainly an area where I try to give as much support as I can.

Chair Cohen:
One of my favorite little nuggets from 2017 was how when the Utah Legislature [unintelligible] some votes about Bears Ears [Bears Ears National Monument], they lost the outdoor recreation convention that I believe was bringing in $30 million a year for them. It was a direct result of that vote they took on Bears Ears that they did not even have control over.

Assemblywoman Benitez-Thompson:
Mr. Brown, I know you have been working so hard to change the tone and tenure of the office. The accountability measures are important and valued, and I think you have made some great strides in that. For the PETS program, I want to make sure the Committee knows you were absolutely serious when you said when you got applications, you and the State Treasurer were physically calling businesses to ensure they were indeed viable entities. We have so many shell entities in this state and because we do not have regular types of filings as other businesses do, it is hard to know what is a real entity, and putting in some real safeguards such as making sure people who qualify to pay the commerce tax did not qualify for those dollars. We know that nationally, we saw a lot of outrage from the public when

they saw very profitable companies being able to take advantage of loans, and the smaller businesses did not have enough lawyers and lobbyists to get the loans themselves. From the get-go, we said we are not going to let that happen; we are going to make sure these dollars get to small businesses.

As I am looking at slide 4 [page 5, Exhibit D], I have a couple of observations. I am incredibly intrigued by a term I had never heard before. I imagine we will have conversations on it going forward—the establishment of a sovereign wealth fund. I look forward to conversations about what a sovereign wealth fund is and what it means to establish one.

I thought I would be remiss if I did not point out the title of Manufacturing Leads to Diversification on page 24 of Exhibit D. I know we talked about this before, but for the Committee, if you look at the trends from 2010 to 2019, northern Nevada or southern Nevada, it shows how much government has shrunk. You look at the number of people employed in government in northern Nevada in 2010, 17 percent, and it dropped to 5 percent, and then it dropped in southern Nevada as well. I think that is interesting because as we talk about economic development and as you said, the state's first and primary role is to provide services to people, and we have child welfare, a judicial system to fund, health and human services to fund, and education to fund. I think it is always interesting to me to talk about how we generate this revenue but specifically how we capture it, too, as a state. It begs the question about this economy at times, because we are not always as mindful as we could be to make sure we are always able to grow government efficiency so that we are an attractive place for businesses to come and live. Once again, in this budget, as we all know because we have fewer resources, the number one strategy is not to fill positions. Once again, we will see the size of government shrink. There will be some people who applaud that until they have to stand in a really long line at the DMV [Department of Motor Vehicles]. I thank you for the presentation and look forward to all the work we are going to do together this session.

Michael Brown:
With the SRI report, I realized this was an historic moment. It was not a moment I expected to confront in life. I turned to the team at SRI, Brookings Mountain West, and John Restrepo of RCG Economics. I told them I needed big ideas. We may not pick up all those ideas, but we need to put the ideas out for people to consider what is politically possible and what fits Nevada. A sovereign wealth fund was one of the things SRI recommended. It may not be this session or next session, but it was something we at least wanted to flag for policy makers to know they exist and they are an emerging trend. If the Committee wishes, I can have SRI testify since we have this wonderful technology that no longer involves a three-day trip from the East Coast to Reno to testify. We could go into more depth if you wish. Right now, we are focused on what the Governor laid out in the State of the State address. That is what I am going to be driving forward with the implementation page you saw. We will endeavor to produce a little bit more on manufacturing for you. As I said, Mike Kazmierski and Robert Hooper have great experience in this area.

Assemblyman Miller:
Like my colleague, Assemblywoman Anderson, I will be requesting that deep dive throughout the information. I do have a question about something you mentioned earlier in the presentation regarding some of the industries we seek to attract to Nevada being courted heavily by other states. What types of strategies do we have to attract those and secure them here in Nevada?

Michael Brown:
To give you a brief history, Nevada had a very fractured economic development system a decade ago. The Legislature, the Governor, and Steve Hill worked with SRI and Brookings, the same folks I work with, a decade ago to create a regional unified system. We have seven regional development authorities (RDAs) underneath the state agency. They are state-chartered. They are 501(c)(6)s and can move with great ability. They have boards of directors. The Las Vegas Global Economic Alliance (LVGEA) has a 50-person board of leading members in the Las Vegas community. On the attraction and recruitment side, they have incredible capacity in that area and are kind of the frontline marketing for Nevada. Underneath that, in Las Vegas, each of the jurisdictions has an economic development officer and has been prioritizing that. That triangle of resources is there for that. We do not have the resources to do advertising campaigns that you might see in other states. This is pretty much an insider's game. There is a group of highly specialized real estate agents called site selectors whom companies will hire. The RDAs maintain very good relations with those site selectors. We have some natural advantages in energy that companies will immediately see, so we work closely with the utility also in identifying who is calling the utility to find out whether they want to be here. In a different world, if we had resources for a big marketing campaign, it might be useful, but my experience so far in this is that this is an insider's game, with site selectors and networking, and the sophisticated companies have pretty much already narrowed down the group of states they are interested in. They make a contact to us or through a site selector. I will say the City of Henderson and LVGEA are standing up more efforts on business intelligence and making targeted appeals in sectors. We will see if that is useful. I think this is still a very highly personal business where most people know what the factors are.

Chair Cohen:
We appreciate your willingness to have these meetings to explain this in more detail to us. We will now hear from our next presenters.

Mike Kazmierski, President and CEO, Economic Development Authority of Western Nevada:
My special thanks to Director Brown and his team. We cannot do our job without the support of the state. Under Michael Brown's leadership, the team at GOED has made our job tremendously easier. That leadership, work with the Legislature, and working with the RDAs allows us to do a lot more. I am going to get through this [Exhibit I] fairly quickly because I know we are running late. I would be happy to meet with any of you one on one as necessary to give you more details.

I want to highlight the fact that we are nonprofit. Most of our funding comes from private investors [page 2, Exhibit I], although we also get significant funding from the state and local governments. Our area of responsibility for the Economic Development Authority of Western Nevada includes the metropolitan area of Reno and Sparks out to Fernley, including the Tahoe Reno Industrial Center [page 3]. Obviously, this year has been kind of crazy [page 4]. Despite that, here in the north we have some pretty incredible rankings. Area development ranked us the No. 1 MSA [metropolitan statistical area] for job growth and No. 3 for economic strength [page 5, Exhibit I]. Part of the reason is we have worked aggressively to diversify our economy over the last ten years. You can see that up until about 2015, our unemployment rate was essentially identical to Las Vegas. During that period we have brought in about 40 manufacturing companies. As they ramped up—between manufacturing, technology, and some of the other companies we have been able to bring into the region—you can see a small diversion in the unemployment rate [page 6]. We were having better numbers on unemployment.

You can see the recession was really the stress test for economic diversity and the economy we had before essentially mirrors the gaming and tourism economy of Las Vegas; whereas because we are diversified, our jump in unemployment was significantly less and continues to be less. We are almost one point below the national average, which means the people up here are working. Manufacturers are working. Technology workers are working from home. E-commerce has exploded and they are working. All of those people working are spending money, so our revenue, and this is hard to believe a year into the pandemic, is actually higher this year from a combined sales and use tax than it was last year [page 7]. Even our gaming, at 25 percent capacity, is essentially where it was last year once they reopened. Part of that is our employees here. Our citizens up here have jobs and are working. Other than certain sectors, obviously small business is affected and there is some retail affected, but generally speaking, the bulk of our workers are at work. Since they are not traveling, I guess they have decided to go to the casinos to have fun because our numbers are not that bad [page 8].

Our strategic plan focuses on three areas: Attracting great companies, keeping them here and helping them grow, and entrepreneurial and startup growth, or organic growth [page 9]. Keeping them here and starting them to grow is really important, and we have worked aggressively to support them through the pandemic. Workforce development is the key to success, both near term and long term. Community development is something the entire plan is based on.

Our success over the last year showed over 2,000 jobs with the average wage over $58,000, and again, this is an entire year of pandemic [page 10]. In this calendar year we are up over $70,000. You can see corporate headquarters are something we target. Logistics, distribution, manufacturing, and technology are the bulk of the companies coming here. These are the companies we are getting ready to announce [page 11]. There is no surprise that most of them are from California. A lot of corporate travel has been shut down, so we got a lot of drive traffic; in fact, we had a prospect visit us here today. We have somewhere between four to five businesses every week. This is half our normal number, but these companies are serious about coming here. Again, manufacturing is an area we targeted aggressively eight to nine years ago. We had almost no manufacturing here at the time. We are now up over 100 manufacturing companies. Everyone wants to talk about Tesla, but that is just one of many.

This is a list of companies that are looking to come here as soon as they can get on an airplane and corporate travel allows that. You see California on this list but it is not the bulk of it [page 12, Exhibit I]. This is just a small part of a list of 150 companies we are working with now. None of these technology companies were here seven years ago [page 13]. Thanks to the prior administration, Steve Hill, and a whole lot of help from a lot of people, we were able to convince many of these companies that this is the place they want to grow. It has helped us attract even more technology companies. Obviously, this list is very long now, and these are some of the larger ones.

Because of technology and advanced manufacturing, which averages $60,000 to $80,000 a year, the average income increased in our region [page 14]. It is up 45 percent in the last seven years. The pandemic has forced us to change [page 15]. We are now more aggressive in California. We have been open throughout the pandemic and we have had a lot of activity up here in the north. We are working to attract remote workers. That talent in the region is good for our economy overall. Reskilling those workers who have been displaced because of the pandemic, who may not have a job to go back to, is something we are really focused on.

Retention and expansion are about keeping the companies here and helping them grow [page 16]. I mentioned the first leg is attraction. The second leg is retention and expansion. Some of the things the retention and expansion team works on, the focus is really on workforce. What do the employers need, not just today, but in five years? How do we connect that ecosystem, the education pipeline, attracting talent, and upskilling incumbent workers?

Clearly the jobs of the future are not the jobs we have now [page 18]. That is something we oftentimes forget. When you start doing the research on this, and I know you all have, many of the jobs that will exist in 2030 do not exist now. Many of the jobs that exist now will not exist in 2030. What are we doing to help? Ten years is not that far away, actually nine years now. What are we doing to help our employees make this shift so they have living wage jobs in nine years? It is about skills [page 19]. Here are some of the areas that will lose many of the workers they have now. How are we helping them upskill? That is where workforce development is more important than ever.

Skills of the future: If you start going down the pipeline, our kids need to be comfortable with robotics, with coding, and with the skills of the future [page 20]. Unfortunately, we are not where we need to be as far as educating our workforce, our kids, for the jobs that we are working so hard to bring here. Entrepreneurial growth is about attracting talent as well as helping them grow here [page 21]. If we can get a one- or two-person startup to come here and grow their company here, that company then becomes a part of our economy. They will have their corporate headquarters here. It just helps us all the way around. When you look at the 30 new companies on the entrepreneurial side, there are only 139 jobs. These are tiny companies. We talk small companies, but these are technology companies, innovative companies, companies that will create those jobs for the 2030 workforce.

We help the ecosystem grow. Our team for entrepreneurial development is as large as our attraction team [page 22, Exhibit I]. We believe organic growth is the key to sustainability and quality jobs. For investment growth, we set up a Reno Seed Fund [page 23]. We got investors who invest in these companies so they do not have to go somewhere else to grow their company. The goals on the entrepreneurial side are to help companies grow, connect companies to work in the ecosystem, and then help fund them [page 24].

I will close with challenges. We are all somewhat obsessed with the pandemic, but the pandemic will pass. Our preparation now will help us come out of the pandemic much better [page 25]. Workforce, education, and homelessness are the three we list as our priorities. Our housing prices are unbelievable [page 26]. It is really no excuse—we have not built enough housing. There are a lot of reasons for it. Our growth continues and our housing production is not keeping up. Here is a good example [page 27]. We were building more houses in 2001 than we are building now. Our economy now and our population now are one-third larger. Most of what we are building now is multifamily. Most of what we were building then was single-family. We just have not figured this out.

Our permits pulled so far this year are less than they were the last five years [page 28]. It tells me if this is the pipeline for housing, we are going to have fewer houses next year than we plan to have now, well below that purple line at the top, which is the 2005 number. Permits pulled predicts the number of housing units that will be available in the next year or two.

These are things we have talked about [page 29]. We have a lands bill up here as well [Truckee Meadows Public Lands Management Act]. We need to open up some land for housing. The lack of available land is one of the key reasons why our housing is becoming so unaffordable. More multifamily zoning is something that could help us. Affordable housing is really the key. People with a $50,000-a-year job now cannot buy a house.

Finally, education [page 30]. I mentioned workforce, skills of the future, and what we need with our kids. This is a pretty sad report card for the state—funding for education. If my kid brought this report card home we would have a serious talk. Maybe it is time the state does the same thing. We talk about how we are giving money to education in these tough times, and yes, that is true. This shows the Washoe County School District funding [page 31]. You see the blue line is actually going up, but in real dollars, they have taken a one-third cut in their actual funding because of inflation and the cost of doing business. What does that mean in our district here [page 32]? Many teachers have been laid off, textbooks our kids are forced to use are obsolete, and classroom sizes are among the largest in the nation. This is not the way to build the workforce of the future. This is a picture of the science book our 6th graders are using [page 33, Exhibit J]. It is 21 years old. Do you think science may have changed in the last 21 years?

Our plea is for help to support education and workforce development. Reset upon sale legislation will help our schools on the funding and local government on the funding [page 34, Exhibit I]. Our tax system, as you know, is seriously flawed. The fact that we are the only state in the nation that allows our real estate to depreciate is not the best way to fund our education system. Support for entrepreneurs and affordable housing—and just a reminder that the RDAs do need support. For every state dollar, we match it at four dollars local. With that, I am open for any questions you might have.

Chair Cohen:
Thank you. This is really important information and reminders for us. I do have a question from Assemblywoman Anderson.

Assemblywoman Anderson:
From your discussions with businesses, when it comes to housing, and to an extent education, are these two data points items they look at when considering moving to the Washoe County, Truckee Meadows area? Is there any information on why companies make the decision not to come to the Truckee Meadows?

Mike Kazmierski:
There is no doubt we have lost companies in the last six months because of our housing prices. They come here and are paying good wages. We target $30 an hour for our companies. At $30 an hour, that is $60,000 a year. If you do not have both wage earners earning $60,000 a year, you cannot afford housing. You cannot even find an apartment or condo anymore because availability is so lean. We have lost projects because of our housing prices. On the education side, I can tell you that is a constant struggle. They are coming here and investing hundreds of millions of dollars, the life of the company, and are we going to have the workers they need to succeed? We have to help through that process, explain what we are doing with our K-12 education system, help our upscaling programs from the community college perspective. We will lose projects that do not think we can meet the demand. In fact, most people would recognize that Tesla's expansion was limited by available workforce and talent in this region.

Assemblywoman Anderson:
Do you see a large amount of companies being started by our graduates from either the Truckee Meadows Community College, University of Nevada, Reno (UNR), or even UNLV graduates moving to the Washoe County area? Are there many startups?

Mike Kazmierski:
Most of our startups are local. Some are out of UNR. It is amazing. You bring a Tesla employee here, and their spouse or partner wants to start a company. The beauty of attracting talent is it oftentimes leads to second or third effects for entrepreneurial growth, and especially if you are in the technology sector. We see both. We attract some, but the majority of the startups we are helping grow here are really from this region.

Chair Cohen:
I do not see any other questions for Mr. Kazmierski. Thank you for that information. We will hear from Mr. Peterson next.

Jonas R. Peterson, President and CEO, Las Vegas Global Economic Alliance:
Thank you for the chance to share with you an overview of economic development in southern Nevada and our work at the Las Vegas Global Economic Alliance (LVGEA). Our mission at the LVGEA is to grow the economy in southern Nevada [page 2, Exhibit K]. That means we care deeply about job creation. We pursue a variety of roles to encourage job creation in the region. Top of the list is getting a wide variety of partners to move forward on a common strategy. Right now we are updating our target industries where we focus our efforts in southern Nevada, and over the upcoming months we will be working with SRI and a wide variety of partners to create a new comprehensive economic development strategy and recovery plan for southern Nevada. [Unintelligible] the issue of planning and strategy. We work to support small business. This has been a focus area of our work over the last year throughout the pandemic. It is not just small businesses we work to support. Through our BizCONNECT program, we meet with hundreds of companies throughout the year to connect them with resources and provide counseling and support to help them stay and thrive throughout the region. We also work to attract new companies. Our team meets with firms from the Southwest, from California, and internationally to identify and work with firms to help them select our region as a place to do business and get operational, create jobs, and invest new capital in the region. We also promote southern Nevada as a great business destination. You may have seen our "Vegas: Living Here, You Can" campaign, among other efforts to promote the region, our quality of life, and our attributes as a preferred location for business. We do a lot to support workforce development and education from our workforce blueprint, to getting young people excited about the jobs of tomorrow, to a new internship match-making service that we announced this morning called HireUp. It is designed to be a clearinghouse where employers and interns can connect.

We are really proud of the team's work over the last year [page 3]. When the pandemic hit, we shifted our entire strategy and focused a lot of our efforts on outreach to provide assistance to small businesses in particular, connect them with the resources that would help them make it through the pandemic and hopefully be successful in a post-COVID-19 economy. Honest work is difficult to track, but we do know with the help of many partners, we helped over 3,000 firms access resources, and more than 6,000 attended a wide variety of webinars and programming on things such as the PPP [Paycheck Protection Program] to ensure our firms in Nevada have access to those programs and those resources. I want to give a shout-out to all the partners in the Nevada Business Information Network. Our Chairwoman, Betsy Fretwell, and many partners including chambers of commerce and RDAs across the state, came together in ways I have never seen before to collaborate, to get information out to businesses, and to provide resources, and really to provide a coordinated effort with remarkable success throughout the state of Nevada.

Our team at LVGEA is led by a large board of directors known as LVGEA 50 [page 4]. These are leading public, private, and educational leaders from throughout the region, and really from around the state, who work together to advance that one common economic development strategy. We have one big picture in strategy, a large board, and over 100 investors who all contribute to the work of economic development [page 5]. Every dollar invested by the state is more than matched by the private sector, and the majority of our budget is supported by those private investors who believe in the work of economic development. Over 75 partner organizations are aligned with our plan to help us move forward with a variety of initiatives, programs, and services. The companies we have worked with, with many partners since 2012, have delivered over $4.5 billion in economic impact.

There are five target industries we focus our efforts on. You can see those here [page 6, Exhibit K]. I want to emphasize that these are some of the high-growth opportunities. As we move to a post-COVID-19 economy, and you have heard it from the other presenters today, logistics and manufacturing is a strong opportunity around the state and in southern Nevada as well.

There is a long track record of success [page 7]. I want to congratulate the team at GOED and other RDAs around the state. You have a good economic development system. We all work together. With GOED's help, we are all more productive. In southern Nevada alone, if you look at 2015 to 2020, we have made leaps forward. Our team of many of those partners, cities, counties, and others along the way, helped provide assistance to create over 20,000 jobs.

We do not just work with small businesses. Many of these are some of the largest job creation projects that have advanced in southern Nevada [page 8]. We are working to diversify our economy. We are more diverse today and have made leaps forward, yet we are simply not diverse enough to withstand being a tourism dependent economy with the high highs and the low lows that come along with that. The need for economic development going forward is great [page 9]. The need for job creation is great. I know this is not lost on any of the members of the Committee. In southern Nevada, our unemployment rate shot up to 34 percent in April of last year. That is the highest level on record, higher than the rest of the state, and certainly higher than the rest of the country [page 10]. In that period in April, Nevada lost 290,000 jobs, with 240,000 of those here in southern Nevada [page 11].

It was not just declining jobs; visitor volume also fell drastically. You can see in blue [page 12] the 2019 performance for our visitor volume, and then in red the year we had in 2020. For April in particular, you can see 3.5 million in a normal year was down to 100,000 in 2020.

The need for job creation is great, and the need for economic development is great right now. We need your support to make this happen [page 13]. Funding is critical to our efforts. I mentioned the leverage we are able to provide from the private sector investors to support that work, but funding from the state is critical, so continued funding from the state for RDAs is one of our requests. I am pleased to see Governor Sisolak include maintained funding in his budget proposal. The second request would be funding for the state infrastructure bank. Again, I am encouraged to see the Governor include this in his budget going forward. Infrastructure is important to all of us for job creation, but in particular in southern Nevada. You heard Director Brown mention the need for served industrial parks and buildable sites that match up with what employers are looking for, some of those larger job creation projects. The state infrastructure bank is one tool to help us get there. We also need flexible workforce training. This can be accomplished in a wide variety of ways. We have seen success through the state's Workforce Innovation for the New Nevada program and I would encourage you to not only support that program, but if resources are available, look at increasing that program because it is one of those critical tools that allow us to help companies create more jobs and also train up Nevadans to fill those jobs. We would also ask for your support for existing incentives. We know the budget is tight this year. With incentives, we believe there is a demonstrated high return on investment for the state.

We have a couple of slides here about incentives [pages 14 and 15]. We know they help us reduce unemployment. We know it is not just the firm that receives the abatement or incentive that benefits. There is a multiplier effect. We talked about manufacturing firms. Manufacturing firms have among the highest multiplier effects of all industries. When we are able to locate or grow a manufacturing firm, for instance, it benefits so many other areas of our economy. Ultimately, return on investment from abated firms actually generates new tax revenue, locally and for the state. This is what the numbers look like in southern Nevada [page 15]. For every tax dollar abated, we are generating over three dollars in new tax revenue. This is 2014 to 2019 in southern Nevada. For every dollar abated, we are producing over $105 in economic impact. That is a tremendous return. The state and local governments are generating $1.57 billion in new tax revenue. Those abatements and programs you heard Director Brown lay out have helped us in southern Nevada to create over 23,000 new direct jobs with an average wage over $22 an hour. Those tools are critical in our tool box. With that, I will close my presentation, but I am happy to answer any questions you may have.

Chair Cohen:
Thank you for that information. I am not seeing any questions from the members of the Committee. I know your presentation is different than Mr. Kazmierski's, and our housing issues are different in the south than the north, but there are still issues. Could you hit on that a little more?

Jonas Peterson:
In a variety of ways, and especially as we move through and out of the pandemic, we have differences around the state. We have seen it in unemployment levels, and we are seeing it in housing levels, where constraints are much more so up north than in the south. I appreciate the issue. Our ability to provide housing stock and master plan developments in southern Nevada has moved forward more units to meet that demand, so it is not as much a barrier in our market.

Chair Cohen:
What are you hearing about education from potential businesses coming to Nevada?

Jonas Peterson:
When we talk to a high-value company today, the type of company that we are all looking to attract, the first things they ask about are the quantity and quality of your workforce—whether you have the workforce they need today and whether you will have it five years down the road. It is the top issue now. I think it is only going to grow in importance. Our ability to grow jobs in economic development is inextricably linked to education and workforce development. You see a trend when you are looking at tools to attract companies towards more robust workforce development efforts. It is critical at the moment.

Chair Cohen:
As for quality of life, where does that fall with education and the businesses, knowing they are bringing their employees and they are going to want to have a certain lifestyle and certain education for their children? Are they asking about education in that respect?

Jonas Peterson:
Yes, it is across the board. It varies from company to company. Some decisions are made based on our ability to meet what the leadership of the company is looking for, for their families, but most take the broader view and are looking for their employment base—over the long run, can we meet the needs of what they are looking for, for their employees in terms of skillset and availability. This is a challenge for all of us, especially on a tight budget. Our ability to educate the workers of tomorrow, to keep turning out that pipeline, the in-demand occupations where we need the most workers going forward, is going to be critical in the long run. It is all about talent.

Chair Cohen:
Thank you for going through those differences. I have a question from Assemblywoman Anderson.

Assemblywoman Anderson:
Do you ever find that yours and Mr. Kazmierski's companies are going after the same outside entities to come to the region? If so, how do you handle those issues?

Jonas Peterson:
Director Brown had a great slide [page 3, Exhibit D] showing the three economies of Nevada. They are very different with connections to different markets outside of the state. When we are implementing economic development and recruiting, it is rare that we end up going after the same companies. It does happen from time to time, but among the RDAs there is a high level of cooperation. This is a coordinated effort with GOED taking the leadership role. Companies make their own decisions. We can be competitive, but that company is going to make its decision based on what is in their best interest and where the fit

is the best. There are many times when we communicate and work on projects together, and eventually that company will take the lead on deciding which region it needs to drill into further.

Michael Brown:
We have a biweekly call with the RDAs and are tracking potential projects as they come into the state. When folks approach us directly, we do an evaluation and tell them where we think they would fit well—in the rural areas, in the north, or in the south. In some cases we will pursue them jointly and try to come up with proposals from different parts of the state to see which one fits them the best. These are sophisticated players on the other side, so we want to give them as many options as we can as they consider Nevada. We have not had any problems within intramural politics. This is a group that has worked very solidly together, and I am very proud to be in partnership with them.

Chair Cohen:
I am not seeing any other questions for Mr. Peterson. We will now move on to the next presentation.

Robert C. Hooper, President and CEO, Northern Nevada Development Authority:
I have had the honor and privilege of leading the Northern Nevada Development Authority (NNDA) for the last 12 years here in northern Nevada. My purpose today is to share who we are, what we do—looking forward to what we can do to further our mission. The area we service is Nevada's Sierra Region. This encompasses five counties. You can see on the map [page 2, Exhibit L] Carson City, Douglas County, Lyon County, Mineral County, and Storey County. I will also add that we have great relationships with the other RDAs. As an example, today there was a company looking at southern Nevada. The folks in southern Nevada called me because they knew I had something I could offer them. I had a great conversation with them and turned them back to southern Nevada. We work together on these things. I agree with Mr. Peterson: We never tell a company where they are going to go. We are not selling used cars here. We are providing information and service.

Nevada's Sierra Region is a huge area. Its land mass is 7,000 square miles and has about 165,450 people. We are the third-largest metropolitan area in Nevada. We sometimes get confused with Reno because we are so close, but we are really a different region. You can see on the map the differences between Mineral, Lyon, Douglas, Carson City, and Storey Counties; there is quite a variety in our region as well. Jeff Page, County Manager for Lyon County, often in his presentations talks about how there are five distinct communities within Lyon County. Part of our job is to work in that diverse environment and bring all those agendas together. I also want to acknowledge that Carson City is the home of Western Nevada College (WNC). We are very proud of WNC and the skilled workforce programs they bring to the region.

The NNDA is the state-designated RDA for this region. We like to refer to ourselves as the oldest RDA in the state, and that was because you had four counties that came together and consolidated their economic development into one organization, which goes back a long way—way before me. We are the go-to resource for this area. You can see our wheels on this page [page 3, Exhibit L]. My background, educationally, is in ecology. When I look at business systems, I think of it as an ecosystem and how we manage an ecosystem. We try to balance out our work in supporting the workforce, education, development of infrastructure, and access to funds, how we can get new jobs here through attraction, retention, and expansion, and how we create the place where this business can take place.

Since 2010 we have reduced the industrial vacancy rate in this area from 26 percent to 3 percent, and that was pre-Tesla [page 4]. We actually created a bigger problem for ourselves because we ran out of buildings. We have developed a pipeline of more than 900 companies, and we have assisted 116 relocating and expanding companies for more than 5,000 new jobs. For a mixture of small, metropolitan, rural, and frontier counties, we are very proud of the $2 billion total economic impact. I also want to point out [page 4] the sphere of influence. This also speaks to some of the questions I have heard today. Where we have control is on the front end. That is on the marketplace. It is whom we talk to. It is how we market and how we position ourselves. That sphere of influence goes down as you go through the pipeline process. Companies are going to decide where they are going to go, and our job here is to target the right people, target the right companies, stay with them, provide them the information they need, and take good care of them, and hopefully our wins will go up. I am proud to say they have, and not just in our region but throughout the state. Mr. Kazmierski, Mr. Peterson, and all my fellow RDAs are out there doing a super good job.

As in the other two presentations, a lot of our funding comes from the private side [page 5]. We do get good government funding but we want more, Mr. Brown. We get good funding from our contracts with GOED and from our cities and counties, but it is our private partners who really bail us out, not only with their [unintelligible] but with their time and talent. We could not do it without everybody. We want to give a lot of credit to folks such as NV Energy and many others who work with us in this process.

When COVID-19 hit, like everybody, it threw us for a loop but we jumped right in. We supported businesses in our region that were essential, did not close but needed our help, and we continue to do that. We worked with those that closed. We created a dedicated information page on our NNDA website. We hosted many Zoom informational meetings. We created a special website for manufacturers that were introduced and producing needed medical supplies for the state. We also focused on bringing in companies that could help with [unintelligible]. We developed the Sierra Region Reopening Safety Plan template. I also have a manufacturing background. I looked at safety plans that were needed to augment our safety plan, to make it safe for my employees and my customers, so how do I go about changing my OSHA plan. We worked with the Department of Business and Industry and put together a really good template, and got that out to the companies to help them navigate these waters.

One of the things we focus on here is economic corridors [page 7]. Our region is diverse and we see six distinct corridors: The Fernley-Interstate 80 corridor, Walker River corridor, U.S. Highway 50 corridor, Comstock corridor, Carson City-Carson Valley corridor, and South Lake Tahoe corridor. These corridors are both independent and interdependent. One of the things we are doing right now as a pilot program is working with the Walker River corridor. We helped Lyon County put together an application for a community development block grant, which they did get, to create an economic development plan for that corridor. The corridor stretches from Smith Valley, through Yerington, and down to Hawthorne. It includes the Yerington Paiute Tribe, the Walker River Paiute Tribe, and the Hawthorne Army Depot. It is a very diverse corridor but it is tied together economically. We are working on this plan with an outside consultant, and the County is driving that process. We believe this will be a good road map on how we can create economic growth within a corridor, and something that can be replicated in our other corridors. I look forward to presenting that to you someday.

This is NNDA's approach to economic development [page 8, Exhibit L]. I have been almost an evangelist on this now for 12 years. Economic development is not about what is in it for me. I will never forget the day the chairman of our commercial real estate committee told the other real estate agents on the committee that if they were there and participating with the NNDA because they wanted to get more commissions, they were not there for the right reason and they should probably not be there. We measure our success by how we are lifting up families. It is all about what is in it for our kids, our grandkids, and the future of our communities. We take a regional approach because we can do it for less cost and get higher impacts, and frankly, we are doing a better job when everybody is working together towards common goals. The whole idea of economic development is that it is never-ending—it is inevitable. No matter what the current economic cycle is, we must be there. Looking back to page 3, think of that as a tachometer with a red line on it. Depending on the economic cycle that red line is going to focus on a different wheel. We are here to coordinate those efforts and to get good results for our families.

Here are some of our problems. We need expanding industrial space [page 9]. One solution was, we were able to secure four federally designated Opportunity Zones in this area. One of those is active right now, which is in Silver Springs. Another solution was, we created the Sierra Region Certified Sites program. This is a really great program. When I say we, what I mean is our designing construction committee, along with the Nevada Builders Alliance that is on that committee, and others came together and put together a really great program that did all the heavy lifting up front.

When you talk about a strategy on how to bring companies to Nevada, I will never forget the one we did for Fernley. I was speaking with the Nevada representative for Mark IV Capital. They bought the Crossroads Commerce Center in Fernley. I told him I loved the certified site document and he said he hates the certified site document. I loved it because it gave me everything I needed to know, saving me a lot of time. When it is done, the document is about 13 inches thick, and that is why he said he hated it. It kept him up all night for many nights. It was very instrumental in bringing them to this region. We have heard that from a lot of companies. We have seven of these sites. It is a way for us to get more things built here.

Another solution was the Environmental Protection Agency (EPA) Brownfields Program which provides grants and technical assistance to communities, states, tribes, and others to assess, safely cleanup, and sustainably reuse contaminated properties. We are working on our third program with that right now. We completed the first one on schedule [Lyon and Churchill Counties]. The Carson City and Douglas County program has been in progress since October 2017. Our second Lyon and Churchill Counties has been in progress since October 2018. If you are not familiar with the EPA Brownfields Grant, we get funding from the EPA to go in and look at previously used lands, do assessments on them, and see what needs to be done to make them ready for new development. There are some other opportunities that come out of that. One of those is the Brownfields to Certified Site to New Business [page 10]. The EPA has worked with us and has used our program as a model nationally. We are able to use the planning feature of the EPA Brownfields Program to create reuse plans that have worked out really well, and we are going to continue to do that.

Another thing we have talked about a lot is workforce. It is a big issue for us and for everyone on this call. That is part of our pipeline issue. The solution for us has been working with WNC [page 11, Exhibit L]. I have been honored to serve on the Institutional Advisory Council since its formation and was reelected this year as Chairman. I think our community college program is probably the best I have seen anywhere. I have talked to a lot of companies in California, as my associates do, and they are amazed at what we can do with our certification programs that they do not have in California. That becomes another attraction element. One of my asks is you do everything you can to prop up our community colleges. They are doing the heavy lifting right now.

I want to tell you a story about their mechatronics program. We had a young lady here in Carson City—single mom with two kids, working for $15 an hour, and living at home because she could not afford her own place. She got into the mechatronics program at WNC, was hired at the end of her level one certification course, immediately jumped up to six figures in income, the company paid her to go back to college for her level two certification, and she is now in charge of the entire manufacturing process for the largest employer in Carson City. It works—it absolutely works. We need more students in that, which is why we invented the R.O.A.D.S. [Realizing Opportunities for the American Dream to Succeed] program. The R.O.A.D.S. program is addressing incumbent workers to help provide economic solutions for those families that want to get upskilled. The incumbent worker population is our biggest opportunity in Nevada to get skilled workers. It also solves another problem as we can upgrade family income by doing that. Their problem is if they go back to college to take the certification courses, even if it is an eight-week course or a half-year course, how do they buy diapers, food, and everything else they need to live while they are going to school? The R.O.A.D.S. program was put together to provide that kind of funding, provide coaching to teach life skills, a great workforce we are committing here in

Carson City that works on that. We were lucky enough to get a line-item budget in the Department of Employment, Training and Rehabilitation to seek this program. We are still waiting for that line-item budget to be released, but we hope someday it will be and then we can really kick this into high gear.

Another need is infrastructure. You have heard a lot about that here today. This is something we really need [page 12]. We are all bumping our heads on the ceiling for growth right now. Infrastructure is one of those key things. We have been addressing this in a lot of different ways. We have been working closely with the Department of Transportation (NDOT) and we supported the revision of the Nevada State Rail Plan in many ways. We put together a study for the NDOT Fernley Multimodal Freight Facility Feasibility Study. You will find that in the appendix of the Nevada State Rail Plan, which is now available for public comment. The results that came out of that were absolutely amazing in what could happen in logistics by switching freight traffic off of Interstate 80 and putting it on C-containers in Fernley, and how we could have two-way C-container traffic going back and forth with the Port of Oakland, which has as much freight going out as coming in. That study was instrumental. I am happy to say in the last week I have had great conversations with the Port of Oakland and other freight owners, and they are saying this makes a lot of sense. We are hopefully going to take congestion off of Interstate 80 and create a lot of new jobs with that as well.

The Nevada Technology Corridor is a look forward [page 13, Exhibit L]. I like looking forward and seeing what the next opportunity is and how can we make that happen. In looking at our rural counties, our frontier counties, you saw on the map [page 2] we represent all the way down through Hawthorne. They were hit hard during the Great Recession and with COVID-19 they were hit harder [page 14]. We asked what we can do there and for many years I have looked at the opportunity to connect north and south. We are all in this together. We should all be working together to increase the economy of western Nevada. It cannot be north versus south. It cannot be rural areas versus metropolitan areas. We have to be working together. We are putting together this Nevada Technology Corridor program. We are getting a lot of support from the counties. People on this call have signed on as collaborators, thank you, Mr. Peterson. We are putting this together as a real push to try to connect northern Nevada with southern Nevada with rail, broadband, natural gas, and different types of transportation. We believe we can highly impact the future of Nevada with this project. I also want to thank Blockchains LLC that has helped us get into this and is helping fund the study and everything else we are doing here.

This is a strategic transformation of Nevada's infrastructure for the missing middle of western Nevada [page 15]. Part of this is the establishment of two inland ports. You have heard a lot about inland ports. The Assembly passed a bill some time ago about allowing inland ports. We are working with and assisting Senator Ben Kieckhefer with Bill Draft Request 22-536, [Later introduced as Senate Bill 298] to amend NRS Chapter 277B to align inland ports and the language in that act with the reality of how you run an inland port and how you run an inland port authority that fits the current needs. When you see that, I hope you support it.

I think it is the right way to go. We see this corridor being bookended with an inland port at both ends. The routing you see on this map is just one of many routings we are looking at [page 15]. As I mentioned on Friday in another conference, do not go buying any land because of this. It is something we really need in our rural communities.

Another need is our Nevada Climate Initiative [page 16]. Having an ecology background, I wanted to put this in, looking at how poorly we have handled the green projects we have had in the past. I think of the green funds that grew up in Silicon Valley. Everybody rushed to invest in it, and as soon as the subsidies went away, the companies failed. We do not need failing companies. What we need is a cleaner environment. We are promoting what we call conservation economics. We define that as the use of economics to understand the costs and benefits of sustaining natural ecosystems. Our purpose is to accomplish more widespread and lasting conservation by lowering its costs, revealing its benefits, and fitting it within genuine economic development. Part of this is who we target. We have a half dozen companies right now that are recyclers or manufacturing products. One we are talking to right now will cut the amount of energy your refrigerator uses by about 40 percent and extend the life of your produce by 90 percent. Another one is a coating that will go on the outside of new homes that will increase efficiency and lower the cost of building. We are looking for those types of companies that bring those gifts of conservation economics to the world. We want them to be headquartered here in the Sierra Region and in the state of Nevada. Companies can go green, and they can be profitable.

Our focus is to minimize and mitigate downturns, maintain and augment gains, and maximize and leverage upticks [page 17]. We do that by our everyday activities here, we do that with the great partnership we have with our other RDAs, and we do this with the great leadership of Director Brown and his team. I have not seen as much camaraderie and hard work in economic development over the last dozen years as I am seeing right now. That is my presentation. I would be happy to answer any questions.

Chair Cohen:
A few years ago I had a bill and I made some references to WNC in my presentation, and through that I learned about the mechatronics program and how it is linked to Siemens, which is an international company. I was really impressed and surprised at what they are doing at WNC. The same thing goes for manufacturing. I took the tour at the end of last session in Minden and saw the Starbucks roasting plant and the company that manufactures sails for racing boats [North Sails Nevada]. It is one of their three locations throughout the world. I also saw some other businesses. It really is impressive, what is going on. As far as questions, I will try to make it quick because I do have several for you. Maybe I will take them offline. Going back to the EPA Brownfields Program grants, you did not address whether the land needed a whole lot of remediation. Are these really problem areas with a lot of cleanup necessary, or do they just need a little work and they are good to go to relocate another business there?

Robert Hooper:
Fortunately, almost everything we have assessed has only had to go through a phase one, which is saying, here is where it is. It is part of the development process that the builders must go through. By using the grant process, we are able to pay for that. We can lower the cost of construction and we can accelerate things. If we find something, then it goes to a phase two where it has to be more quantified, and beyond that is remediation. We have not gotten that far with anything. We have done a lot of sites and there have been a lot of things built from here out to Fallon. It is a good program, and we get to do the reuse plan as well, which helps us with our certified site program. It pays for part of that.

Assemblywoman Considine:
My question is about housing. I know there has been some spillover with some of the other economic development into some of the areas in your region impacting housing. I am wondering how that is balancing throughout your region.

Robert Hooper:
It varies depending on which part of the region you are talking about. As far as Carson City is concerned, our housing prices have gone way up, just like Mr. Kazmierski was talking about. For the Reno market, it is very thin inventory right now. It is hard to find a place, and it is hard to afford that place when you find it. We have a lot of new houses being built right now, but probably not as fast as they need to be. There are things planned in Lyon County and the permits are there. I think you will see a lot of development out there that will bring obtainable housing into budget-conscious abilities. There are parts of the region that do not want growth, and they are making it very difficult for houses to go in. It is a real mix. You get into the deeper rural areas, and it is kind of the way it has always been. It really varies. I think we are doing pretty well, frankly.

Assemblyman O'Neill:
Is there any update on Interstate 11? I know they are working on it to Las Vegas, but I am talking north from Las Vegas and the impact it will have.

Michael Brown:
I do not know the status, but I will get that information and report back to the Committee.

Assemblywoman Bilbray-Axelrod:
I wanted to tell President Hooper I will be reaching out to you with my other cap on, as the Chair of the Assembly Committee on Education, to talk more about the programs you have. Just to let you know this is pretty amazing and look forward to hearing from me.

Chair Cohen:
I see no further questions from the members of the Committee. I appreciate the informative presentation. With that, we will move on to an update on the Las Vegas Convention Center and Allegiant Stadium projects.

Steve Hill, President/CEO, Las Vegas Convention and Visitors Authority; and Chairman, Las Vegas Stadium Authority:
I was asked to address the status of the bond that had been issued both for the Las Vegas Convention Center expansion project as well as Allegiant Stadium [Exhibit M]. I will start by saying that the status of those bonds is solid and there is no need for concern. I will spend a couple minutes explaining why that is. Both of these projects came from the 30th Special Session of the Legislature that was held in October 2016 [Senate Bill 1 of the 30th Special Session].

With respect to the stadium [page 2, Exhibit M], the Legislature approved an increase of the room tax inside a radius of 25 miles around the Clark County Building itself in downtown, and inside that 25-mile radius the room tax was raised only 0.88 percent. Outside of that radius, for the rest of Clark County but not the rest of the state, the room tax was raised by 0.5 percent. Most of that room tax is generated inside that 25-mile radius. In 2019 that room tax generated $52 million. That was right on the projection we had made in 2016, and it was projected to grow each year. Obviously, with the pandemic there has been a significant drop. You can see that drop has gone from $52 million in 2019 to what we project to be a little over a third of that, which is about $18 million in this fiscal year (FY). Of that room tax generation, there is a prescribed potential set of uses for that revenue. The first use is to pay the debt. That is the highest priority. It takes about 70 percent of that room tax in a normal year to pay the full amount of that debt service, the payments on the bond. After that, we can pay for the operation of the Stadium Authority itself, which is a fairly inexpensive proposition. For the first couple of years it was $1 million, or a little less than that. We are permitted by law up to about $2.2 million right now, and we budget for that. That is why in the 2021 column you see $2.2 million, but we will not spend that. It will be below $1 million. After that, if there is money left over in a typical year, we are required to use the first $9 million of that to set aside in a debt service reserve account, which is basically a savings account to pay those bonds in the event of a revenue shortfall. If there is money left over following that, there are a few prescribed uses in order. Those include payment to UNLV that is up to $3.5 million a year for closing Sam Boyd Stadium for a period of ten years. The rest of the funding is basically around potential maintenance of the stadium, potential capital needs at the stadium, or the early retirement of debt.

This is the status of the debt service reserve [page 3]. Credit should go to Governor Sisolak, who was Clark County Commission Chairman Sisolak then and a member of the Southern Nevada Tourism Infrastructure Committee. These are general obligation bonds of the county, and to the extent that the Stadium Authority is at some point not able to make these payments, the county is responsible to ensure they are made. Governor Sisolak pushed hard to have two years of debt service reserve set aside, which is an uncommonly large amount of reserves. The bond market would have easily lent us the money, with a full year of debt service reserve set aside, but the Governor at the time pushed hard for that, the committee agreed, that was the recommendation made to the Legislature, and the Legislature approved that in 2016. That debt service reserve is created two different ways. When I say two years, it is two years of the average payment over the course of 30 years of payments. The payments will gradually increase over that 30-year period. While our payment right now is approximately $35 million, the average over that 30-year period will be $45 million. The requirement is that we get to roughly $90 million of debt service reserve in these two different ways.

The first way was that when we issued the original bonds, we issued them in a way that generated the first $45 million of reserve. We borrowed more than $750 million. I can get more details on that. That is not technically exactly true, but we borrowed more than we needed for the project itself and set aside $45 million for the first year of debt service. Then, as I explained, we have the waterfall, where revenue is collected and once it fills one bucket, it flows into the next bucket. When we collect enough in that bucket, it flows to the next. We collect enough to make the bond payment itself. We collect enough to pay for the operations of the stadium, and then we start putting money into that $9 million pot that is required to be deposited into the debt service reserve.

As you can see on the spreadsheet [page 2], we have had a couple of years where that has taken place. We collect it in one year, we audit that year, and once that audit is complete, we transfer that $9 million into the debt service reserve. There is a one-year accounting lag in collecting the money and then depositing it into the reserve account itself. That reserve account built up to $52.7 million in 2019 [page 3] and $68.3 million at the end of 2020. Interest earned is also kept in that fund and added to the $9 million from the waterfall contribution, as well as any investment earning that, that fund actually has.

As we go into FY 2021, we anticipate using about $12 million of that debt service reserve, but we will also be contributing $9 million from the waterfall funding available from last FY, as well as a little bit of interest contribution. At the end of this FY, we anticipate that the debt service reserve will still be about $66 million. That is still roughly two years of our current payment, and we will obviously be generating some level of revenue. We anticipate that will be a significantly increased level of revenue as we move into FY 2022. There is a significant, and somewhat extraordinary, level of debt service reserve set aside for the stadium. We see these bonds as continuing to be healthy, and we do not see them at risk. As Las Vegas, recovers we will see the room tax revenue on an annual basis return to being enough to make those bond payments each year. I can pause here to answer questions the members of the Committee may have about the stadium, then I will move on to the Las Vegas Convention and Visitors Authority (LVCVA) project.

Chair Cohen:
My understanding was that some of that money also goes to UNLV, having to do with UNLV giving up Sam Boyd Stadium. I understand we are meeting the debt obligation. Are we meeting our obligation to UNLV?

Steve Hill:
No. At this point, UNLV has not closed Sam Boyd Stadium. They need to do that officially. They are going to do that soon and then they will be eligible to receive that $3.5 million. We have to go through an audit and show how much they are actually losing. That was a capped number based on UNLV's estimate. We have to determine what that actual amount

will be, but we assume it will be in that neighborhood. The way legislation is written, if the room tax revenue does not generate enough revenue to make payments for any of the buckets down through those prescribed line items, that money will be owed as soon as it is available to go to different buckets, including UNLV. We will not dip into the debt service reserve in order to make that payment.

Chair Cohen:
For the investment earnings, who manages the investments?

Steve Hill:
Clark County is our fiscal manager for all our funding. Those funds are invested as Clark County invests all their funds. We just invest those funds alongside investments that Clark County has, as they normally would invest.

Assemblywoman Considine:
You said Sam Boyd Stadium has not been closed yet, but the agreement includes it being closed for ten years. If that is the case, is there some sort of plan for that area? What is happening with it for those ten years?

Steve Hill:
From the Stadium Authority's perspective, it was simply a question of whether UNLV chose to follow through and close the stadium or not. The University of Nevada, Las Vegas has control of that land. It will remain their property. They have the ability to determine the ultimate outcome of that property. I would defer to them to answer the question on what their plans are moving forward.

Assemblywoman Anderson:
My question comes from slide two [page 3, Exhibit M]. You mentioned the Stadium Authority borrowed more than what was needed. What happened to the excess? Did it go back to start to pay it? The other question I have is, due to the pandemic, will there be a longer time frame to pay back the bond?

Steve Hill:
We started collecting room tax prior to needing to make payments on the construction of the stadium. A portion of the construction was paid early; it is called a PAYGO [pay as you go] basis, with cash. There were also borrowings to pay for the remainder of the stadium. We also had enough capacity to borrow enough to contribute the $750 million that the law requires us to contribute to the construction of the stadium, as well as borrowing the additional amount to set up the first year of the debt service reserve. The only additional funding that was borrowed was to set up that reserve account, the savings account. That is set aside for what will probably be a 28-year period by the time we get there because we will have two years of debt service reserve set aside in order to make those final couple of years of payments and pay off the bonds.

Chair Cohen:
As there are no further questions from the members of the Committee, please proceed with the rest of your presentation [Exhibit M].

Steve Hill:
As a part of the Special Session in October 2016, the Legislature also approved additional revenue for expansion and renovation projects to the Las Vegas Convention Center. The contents of this slide [page 4, Exhibit M] were shown to the Legislature during that Special Session. As this points out, when the LVCVA came to the Tourism Infrastructure Committee in 2016, their original request was for a 1.25 percent room tax increase specifically for the LVCVA's set of projects. I was not with the LVCVA at the time; I was Chair of the Tourism Infrastructure Committee. But through that conversation, we worked with the LVCVA to reduce that request down to 0.5 percent and the cap on the local government collection allowance. Currently, for every dollar we collect, we spend 10 cents of that dollar to local governments. That did not have a cap prior to the 2016 Special Session. That cap is now at $25 million and the LVCVA gets to keep anything over and above that $25 million cap. The projection at the time was that 0.5 percent room tax would allow $420 million to be borrowed, and the cap on the collection allowance would allow $132 million. That would require the LVCVA to come up with revenue to pledge against approximately $850 million of additional borrowing that would be funded through the general fund of the LVCVA. I will share with you our income statement.

Generally the LVCVA generates what we would have anticipated to be about $300 million in room tax. We have about $60 million in building revenue by leasing the building and other ancillary revenue that comes from that. Operating the building is about a break-even proposition for the LVCVA, and we use the room tax to do all the other things that we have the responsibility to do. A large part of that, as you can see here, is marketing and advertising, which is a $150 million-a-year operation in a normal year [page 5]. That is both what we do internally as well as what we contract out for. You can see that the collection allocation line item was capped in 2019 at $25 million. In 2020, we did not quite get to $250 million in room tax collection, so the collection allocation is just 10 percent of that number. In 2021, you can see that room tax is down really significantly and so is the collection allocation. We have some other general government expense and overhead for the organization. Then we have this capital construction fund expense. Generally at the LVCVA absent paying for construction costs we spend $10 million to $15 million a year on other capital needs. In addition to that, over the past several years and because of a law that was passed in 2016 and a requirement that LVCVA come up with the revenue to support the rest of that project, we have been transferring $45 million a year from our general fund, which is a part of the $52 million that you see in 2019, to our construction fund to either pay for the construction itself on that same PAYGO basis I talked about with the stadium, or to set aside to assess what paying the debt service or paying the bonds for the organization would be. We have about $42 million to $43 million of debt service that is not the construction debt service, that is paid for out of our general fund. As you can see from an expense standpoint, we have reduced that pretty significantly from 2019 to 2021.

The organizations I am talking about here, along with the Reno-Sparks Convention and Visitors Authority, I think are certainly the three hardest-hit organizations in the state because the majority of our revenue, and in some cases the only revenue that the organizations receive, is the room tax. Obviously, room tax has been the hardest-hit revenue source in our state. In a normal year, we typically break even, and that includes that $45 million transfer into the construction account. As we saw when the pandemic started to strike in 2020, we knew our revenues were going to drop. We took quick and significant steps where we could to reduce expenses and to build up a part of our reserves. A big portion of that is not making the transfer out of our general fund into the construction account. As a result, we have paused the renovation of the LVCVA's current convention center and postponed that until we can recover, and room tax revenue gets back to something that is much more normal and we can replenish the reserves that we are starting to go through in 2021. As you can see, the reserves we built up in 2020 we are basically spending in 2021. We have enough reserves in about seven different funds in the LVCVA, and I am not showing you all of them [page 5]. This is just the general fund. We have reserves that will allow us to last for a little over two years, in addition to FY 2021, without really being concerned about not being able to pay debt or being able to do the job we need to do in order to help the destination of the company. If we were to get significantly into that additional two years, we have a great deal of flexibility in our spending.

It is important that we market the destination we help sell, both generally and specifically. We help resorts throughout Clark County sell meetings and sell the leisure industry. We are responsible for working with McCarran International Airport on airline development. We have a host of responsibilities that are important. But at the end of the day, our No. 1 responsibility and priority is going to be making debt service payments. When we get down to it, our chief operating officer will be the last person here. He will be using the money we have to make that debt service. We do not see any concern over that being the case. We have more in annual reserves than the stadium does. We have a great deal of flexibility in spending so we can reduce our expenditures. There are not many fixed expenditures in the organization. And we see the destination recovering. The health numbers are continuing to get better. The outlook for conventions is strong as we move into 2021. We have more square footage booked right now, once we get into FY 2022, than in any year in our history. The shows will probably not be as strong, as they come back in FY 2022, than in a normal year, but we do see significant recovery in Las Vegas that will cause the income statement for the LVCVA to become much more balanced. We anticipate getting back to being able to set funds aside and moving forward with our renovation in a few years as we move into those [unintelligible].

To give you a sense of where we are in our debt position [page 6], we started this with about $500 million in remaining debt for the buildings that had existed prior to the expansion. Approximately ten years ago, we borrowed about $300 million on behalf of NDOT for Project NEON, and we contributed that money to that project. We continue to pay that back. What was $300 million in debt is paid down to about $250 million. We still owe payments for that. Then we borrowed $900 million for the expansion and renovation project, in addition to having put about $200 million aside for that construction as well.

To give you a sense of where our payment structure is [page 7], what is in black and gray is what we represented in that roughly $43 million of current payments we have outside of the construction, and what is in white are the payments we currently have from the $900 million over the course of the next 30 years. I will stop here and answer any questions the Committee may have.

Assemblywoman Kasama:
You talked about the conventions that will be starting back up in 2021. Could you give a little more insight in that? I read about a convention being scheduled and then it is canceled. What do we have coming up? When do you think they will stop canceling and start having shows again?

Steve Hill:
I talked to our board this morning on a similar subject and a similar question. The cancellations of shows have been a result of the pandemic. Six months ago if you had asked me that question, I would have said that typically an answer like that would be based on the calendar, and now it is based on the status of the health situation, not only in Nevada but across the country and around the world because that is where our customers come from. We are not only seeing light at the end of the tunnel in terms of the health number, but we are seeing significant improvement, and with the vaccination process becoming more mature and becoming more sure, all three of those things build confidence for shows to move forward.

Some of these big shows require a lead time of at least three to four months. The biggest shows, such as the Consumer Electronics Show (CES), may require even longer than that. As they get to that point, they need to be able to commit to exhibitors. Primarily, an exhibitor issues four to five months out, and for that exhibitor to start investing money in their exhibit, to start to move it to Las Vegas, to start to get it built, they need to know that show can happen. What we have seen is through May of this year, those major shows have canceled or have been postponed and are not going to come.

The first major show we have in the building, and really the first major show in the destination, is World of Concrete 2021. They are scheduled for June 8 through June 10. They start to move in before Memorial Day but the entire show starts to be constructed right after Memorial Day. They need to know sometime in March that the show can happen. I think the outlook for that is very promising. I talked to them yesterday, and they are exceptionally committed to making it happen. It so happens that the World of Concrete is the industry I spent the first 38 years in my career in and I know those folks. They would have been here six weeks ago if we would have been able to accept them. They would have been here six months ago if they would have been able to come. It is helpful that it is in an industry that is most likely to come and make that show a success. It is important that if we have any ability to do that, that we do, because the rest of the show industry is watching that show because we have a very robust schedule behind that. As long as they can hang in there, and we can help that show happen, it will have a positive domino effect instead of the negative domino effect we have seen, helping to save the third quarter for this destination and grow from that. That is the kind of time frame we are looking at right now.

Chair Cohen:
Along those same lines, we know that CES was online for the convention for this year, and now people are starting to realize there is a different way to do business, there is a different way to do your daily business. Are you hearing from any conventions? I appreciate what you are saying about World of Concrete. We know there is a difference between being at home and being in Las Vegas. Are there any troubling murmurs you are hearing that conventions might be cutting back or the numbers of people coming might be cutting back once we are past the pandemic because they decided they can set meetings online and do what we are doing here?

Steve Hill:
While we have a very strong schedule once we get to June and beyond with the most robust show schedule the convention center has ever had, a part of that is because our expansion is now available and for some period of time we are able to offer more square footage. Part of that is also a few large shows, World of Concrete being one of them, but there are several of these that typically come to Las Vegas on an annual basis but have postponed from being in Las Vegas right now. World of Concrete typically happens in January, but they postponed this year's show from January to June. They will come back again in January to get back on their normal rotation. Broadcasters are in that same situation. There are several shows that are going to do that. It depends on the industry. It also depends on the reason for the show. A lot of the major citywide shows we have in Las Vegas are put on by associations, though CES is put on by the Consumer Technology Association. The show pays for the majority of the Consumer Technology Association's annual budget. This includes the National Association of Home Builders and the National Association of Broadcasters. All those associations really fund themselves through those shows. There is a real desire on their part to have those shows. There are also a number of major shows that are owned and run by professional show organizers. Though World of Concrete, for example, is owned by Informa Markets, which is a publicly traded company out of London, and their primary line of business is to put on shows, so they need those shows to come back as well.

The strength of the return of the shows will depend on a number of things such as the health of the industry that the show represents. For example, home building has held up pretty well through this pandemic. The technology industry has held up well. Retail has suffered pretty significantly. The National Restaurant Association holds an annual convention in Chicago, and that show will have trouble because that industry is significantly damaged by the pandemic. The economic realities of this are real. It will take some time to ramp back up.

As we go into our budget cycle, right now we are projecting that on average, shows will be about 60 percent of what they would normally be in a very healthy economy. That might be a little conservative. What we are hearing from our customers that are in the second half of this year, is somewhere between 60 and 70 percent. But as we move into the first half of 2021, at least right now the outlook is somewhat better than that.

Assemblywoman Anderson:
This is for both the Las Vegas Stadium Authority and the LVCVA. Has the Authority received any sort of grant, whether federal or private, to help pay some of these bills based upon the COVID-19 situation?

Steve Hill:
The Las Vegas Stadium Authority does not have employees. We have a relatively limited scope of responsibility that is largely defined by making sure the state of Nevada, Clark County, and the City of Las Vegas get the deal that was agreed to during the 2016 Special Session. We would not be in a position, nor do we have the [unintelligible] need, to look for assistance along these lines.

From the LVCVA standpoint, the structure of our organization is a pretty unique structure, even nationally. There are very few destination marketing organizations and convention and visitors bureaus that are actually local governments, because that is really what we are considered, a subsidiary, but stand-alone subsidiary, of Clark County. We could have applied through the State and Clark County for assistance but chose not to. We felt those dollars were being used for a higher priority than what we do, and we have the reserves to make it through the pandemic. In the latest round of stimulus and in further conversations primarily with our congressional delegation, you may have seen just over the past couple of days that Senator Cortez Masto introduced specific legislation to help the tourism industry. It is contemplated in there for the LVCVA to have at least the ability, because we have really not had the ability directly with federal funding because of our unique status, to apply for some assistance primarily to help get the marketing effort back up to what it needs to be to help the entire destination recover. We appreciate the consistent support we get from our congressional delegation throughout the state. The recognition of the importance of this industry is not lost on them, and they are consistent supporters of what we need. In particular, this specific effort is really important to the general tourism industry, to Las Vegas, and partially specific to the LVCVA.

Assemblywoman Anderson:
I might try to connect with you if you are comfortable with that, to see a little bit more discussion if that is possible.

Steve Hill:
I am open to any questions at any time. I make myself available any time.

Chair Cohen:
I am not seeing any further questions from the members of the Committee. Thank you very much for the information and for hanging in there with us. We will be following up with any other questions, and again appreciate your willingness to make yourself available.

We will now move on to public comment. Is there anyone on the line? [There was no one.] Are there any comments from the members of the Committee? [There were none.] Our next Assembly Committee on Revenue meeting will be Thursday, February 11, 2021, at 4 p.m. We are adjourned [at 7:01 p.m.].

RESPECTFULLY SUBMITTED:

____
Gina Hall
Committee Secretary

APPROVED BY:

____
Assemblywoman Lesley E. Cohen, Chair

DATE: __________________________________

EXHIBITS

Exhibit A is the Agenda.

Exhibit B is the Attendance Roster.

Exhibit C is written testimony dated February 9, 2021, presented by Michael Brown, Executive Director, Office of Economic Development, Office of the Governor.

Exhibit D is a copy of a PowerPoint presentation titled "Presentation to the Joint Senate Revenue and Economic Development and Assembly Revenue Committees," dated February 9, 2021, presented by Michael Brown, Executive Director, Office of Economic Development, Office of the Governor.

Exhibit E is a document titled "Nevada's Plan for Recovery & Resilience," dated December 2020, submitted by Michael Brown, Executive Director, Office of Economic Development, Office of the Governor.

Exhibit F is a document titled "Nevada's Plan for Recovery and Resilience February 2021," submitted by Michael Brown, Executive Director, Office of Economic Development, Office of the Governor.

Exhibit G is a document titled "GOED Biennial Report to Legislature of Abatements from Taxation Pursuant to NRS 231.0685," submitted by Melanie Sheldon, Director of Business Development, Office of Economic Development, Office of the Governor.

Exhibit H is a document titled "Tax Abatements for Economic Development, Economic and Fiscal Analysis (FY 2014-2019)," submitted by Michael Brown, Executive Director, Office of Economic Development, Office of the Governor.

Exhibit I is a copy of a PowerPoint presentation titled "Legislative Update," dated February 2021, presented by Mike Kazmierski, President and CEO, Economic Development Authority of Western Nevada.

Exhibit J is a copy of a PowerPoint presentation titled "Legislative Update," containing a copyrighted photo, dated February 2021, presented by Mike Kazmierski, President and CEO, Economic Development Authority of Western Nevada.

Exhibit K is a copy of a PowerPoint presentation titled "Restoring Southern Nevada's Economy," presented by Jonas R. Peterson, President and CEO, Las Vegas Global Economic Alliance.

Exhibit L is a copy of a PowerPoint presentation titled "Economic Development for Nevada's Sierra Region," dated February 9, 2021, presented by Robert C. Hooper, President and CEO, Northern Nevada Development Authority.

Exhibit M is a copy of a PowerPoint presentation titled "Las Vegas Stadium Authority - Las Vegas Convention and Visitors Authority - Presentation to the Assembly Committee on Revenue," dated February 9, 2021, presented by Steve Hill, President/CEO, Las Vegas Convention and Visitors Authority; and Chairman, Las Vegas Stadium Authority.