

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

**Eighty-First Session
February 15, 2021**

The joint meeting of the Assembly Committee on Ways and Means and the Senate Committee on Finance was called to order by Chair Maggie Carlton at 8:34 a.m. on Monday, February 15, 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.

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Maggie Carlton, Chair
Assemblywoman Daniele Monroe-Moreno, Vice Chair
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Michelle Gorelow
Assemblyman Gregory T. Hafen II
Assemblywoman Sandra Jauregui
Assemblyman Glen Leavitt
Assemblywoman Brittney Miller
Assemblywoman Sarah Peters
Assemblyman Tom Roberts
Assemblywoman Robin L. Titus
Assemblywoman Jill Tolles
Assemblyman Howard Watts

SENATE COMMITTEE MEMBERS PRESENT:

Senator Chris Brooks, Chair
Senator Moises Denis, Vice Chair
Senator Julia Ratti
Senator Marilyn Dondero Loop
Senator Ben Kieckhefer
Senator Pete Goicoechea
Senator Scott Hammond
Senator Heidi Seevers Gansert



COMMITTEE MEMBERS ABSENT:

Assemblyman Jason Frierson [excused]
Senator Nicole J. Cannizzaro [excused]

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Sarah Coffman, Assembly Fiscal Analyst
Wayne Thorley, Senate Fiscal Analyst
Brody Leiser, Principal Deputy Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Adam Cates, Committee Secretary
Bet Torres, Committee Assistant

OTHERS PRESENT:

Michael Brown, Executive Director, Governor's Office of Economic Development
Patricia Herzog, Director, Rural Community and Economic Development, Governor's
Office of Economic Development
Bob Potts, Deputy Director, Governor's Office of Economic Development
Leandra Diosa, Director of Administration, Governor's Office of Economic
Development
Stacey Bostwick, Director of Workforce Development, Governor's Office of
Economic Development
Eric Preiss, Director, Nevada Film Office, Governor's Office of Economic
Development
Karsten Heise, Director of Strategic Programs, Governor's Office of Economic
Development
Kent Ervin, Legislative Liaison, Nevada Faculty Alliance
Bo Bernhard, Interim Vice President of Economic Development, University of
Nevada, Las Vegas

Chair Carlton:

[Meeting was called to order, roll was taken, and Committee rules and protocol were discussed.] We will start with budget account (BA) 1532, the Nevada Main Street Program.

**COMMERCE & INDUSTRY
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
NEVADA MAIN STREET PROGRAM (101-1532)
BUDGET PAGE GOED-6**

Michael Brown, Executive Director, Governor's Office of Economic Development:

When he was a senator, Joe Biden said, "Don't tell me what you value. Show me your budget, and I'll tell you what you value." I value the people at this agency. When Governor Steve Sisolak asked me to take on this post, we wanted to restore the Office of Economic Development (GOED) to its fundamentals as a government agency: to bring an analytical approach to economic development in partnership with our regional economic development authorities, local governments, and the business community. I do not see this job as functioning at the 19th hole of a golf course. It is a government agency, and I have taken steps to improve our compliance programs and move forward in partnership. With that, I will walk through just a few slides [[Exhibit C](#)] and get right to the budget.

I think all of you on this experienced Committee understand where this agency came from [page 2, [Exhibit C](#)] and its objectives to diversify the Nevada economy [page 3, [Exhibit C](#)]. Since becoming director, I have worked to strengthen our compliance programs and integrated our weekly work with regional economic development authorities (RDAs) which are state-chartered and state-supported [page 4, [Exhibit C](#)]. The Governor wanted to see a higher standard of companies coming to Nevada, so we have tried to prioritize social responsibility. And, of course, we have had this added mission of administering Coronavirus Aid, Relief, and Economic Security (CARES) Act programs.

When you look at this agency's mission, it has always been to diversify the economy. I want to draw your attention to this chart [page 6, [Exhibit C](#)] which is from the *Hachman Index*. It is an accepted economic index showing state diversifications. The score of 100 is the best score; you can see Nevada's score is 67, yet our surrounding states, particularly our competitive states of Utah, Colorado, and Arizona, are much higher. To bring the fiscal security that this Committee and the Legislature seeks will require diversification of the economy, something that was achieved in the North. We keep an edition of the *Reno Gazette Journal* from 2010 on the wall here that says, "Is Reno Destined to Become the Detroit of the West?" Today, the Reno economy is one of the most diverse and prosperous in the nation. This is something that we need to now make sure goes across all Nevada, and it is something I am committed to. It was Senator Paul Laxalt who taught me about the three states of Nevada. Our friends at Brookings Mountain West have expanded my thinking on this to understand our connectivity across three different economic parts of the United States and the Pacific Rim [page 7]. There are countries who would like to have the borders that Nevada has and the opportunities this presents.

Governor Sisolak is putting forward an ambitious plan that my agency is diligently working on [page 9]. We will form the resilience and recovery efforts of the next 18 months in

partnership with lots of folks around the state [page 10]. With that, I will turn to the fundamentals of our budget.

The GOED Organizational Chart shows we are a unit of about 41 different folks [page 12]. A little over half of our budget is supported by the State General Fund. Federal funds primarily support the international program. Interagency transfers are how we fund the Film Division through the tourism tax, and then other funds are repayments of loans and things of that nature from some of the heritage programs at GOED [page 13].

You wanted us to turn to the Nevada Main Street Program, budget account (BA) 1532, first [page 19]. To meet the austerity that Nevada has faced, agencies across the board were requested to make a series of budget reductions. My agency stepped forward; the Governor asked for these reductions, and we had to deliver them. We had to do that in a pandemic against an uncertain base of knowledge and uncertain as to what the future held. As we looked forward to try to meet those budgetary reduction objectives, we had to recognize that some areas would be slowing down because of the general slowdown of economic activity and the inability of people to socialize and work together on projects. Not only would there be an economic slowdown, but there would be economic activity slowing down. As we tried to distribute our budget reductions across the agencies, the Nevada Main Street Program had to take a small reduction for the next fiscal years. We have some funds that were unspent, and we hope that when we see restoration of normal activity, and can get out in the field and work with partners, that the remaining funds we have will be sufficient to get through this budget year. Then, we will see if our next budget year provides an opportunity to restore this program back to where it was. This program is primarily focused on helping small rural communities across the State of Nevada with urban renewal and urban redevelopment projects. It is run by Patty Herzog, Director of Rural Community and Economic Development at our agency, who also leads our Community Development Block Grant (CDBG) programs for rural Nevada. If there is an office for rural development anywhere in the state, it is here. We would be happy to answer questions about this.

Assemblywoman Peters:

I love this program having grown up in some of our rural communities that are Main Street communities. This is a cool program. Can you go over what benefits the agency expects as a result of providing ongoing support for the Nevada Main Street Program?

Michael Brown:

I was involved in the revitalization of a neighborhood in Alexandria, Virginia, Mount Vernon Avenue, back in the 1990s. I was President of the Del Ray Citizens Association. Getting out on the ground and working with local merchants and local government offices to enhance the basic physical appearance, the streetscape, of an area does so much to help economic vitality. When I started that project in the 1990s, it was a drug dealer infested neighborhood. Today, it is one of the hottest neighborhoods in northern Virginia. I think the Nevada Main Street Program has been a great program inspired by a former legislator to help our rural communities and our tourism base. Tourism is a very important part of the rural economy.

This celebrates the 19th and 20th Century heritage that we have out there. Patty can describe it in more detail, and my agency, for the first time, has produced an annual report where we have summarized all of this.

Patricia Herzog, Director, Rural Community and Economic Development, Governor's Office of Economic Development:

To your question about programming for Main Street programs, we have a contract with the national Main Street association to provide training and support for Main Street communities within the state. We will maintain that contract with the national Main Street program as well as continue our revitalization grants that we offer. We will not be able to offer the same level of funding. Last fiscal year, we distributed \$150,000 in grants to communities. We will be looking at a reduction, and approximately \$65,000 of that will be used for grants in the 2021-2023 biennium.

Michael Brown:

Assemblywoman Peters, we share your enthusiasm for this program, and we hope that as times return to normal the activity in this area will return to normal.

Assemblywoman Peters:

Can you go into additional detail on the Main Street grant projects and the direct assistance that the agency anticipates providing to Main Street communities in the upcoming biennium?

Patricia Herzog:

We will offer the same revitalization grants that we offered last time. For example, a program grant was distributed to White Pine County to help during the pandemic to spotlight Main Street businesses and help drive safe traffic to support those downtown Main Street businesses. That was very successful. In Gardnerville, our only nationally accredited program in the state, they redid a brochure of their Main Street program that had not been updated for a number of years. In our urban program in the City of Reno, we were able to offer a \$50,000 grant to help with the ReTRAC Plaza Beautification Project. In that project they were leveraging a United States Economic Development Administration (EDA) grant for up to \$200,000 plus. The Nevada Main Street program was proud to support that project with the \$50,000 grant.

Michael Brown:

While activity on the Main Street program has been reduced, Patty has been spending considerable time administering three CDBG CARES Act grants that have come to us. The staff has been very busy in this area. I am in an office today, but I have largely worked from home for the last year as does nearly all the staff. The ability to just get out and about has been severely constrained. The Governor and I were supposed to make a trip to Ely a year ago, and that was cancelled because of the pandemic. We need the ability to get out and about.

Patricia Herzog:

During the pandemic, since we have not been able to travel for almost a year now as Director Brown mentioned, what we have done is pivoted to Zoom meetings like we are having today. We have those twice a month with all the Main Street programs in the state, as well as the partners who were listed on the slide that Director Brown shared [page 19, [Exhibit C](#)]. I am very proud of those partnerships with Nevada Outdoor Recreation, Travel Nevada, and the Nevada Office of Historic Preservation in particular. We have also had some nonprofits join those calls and that includes the Nevada Preservation Foundation and the Guinn Center. This has been a great way for our Main Street communities to connect amongst themselves, and to also hear about all the great programs with other agencies to support their work and efforts.

Assemblywoman Peters:

In the 2021-2023 biennium, do we expect to see additional partners coming into the program and accessing these grant opportunities, or are we looking at the same programs just going into a new phase?

Patricia Herzog:

The partners do not receive the grant funding. It is the communities who receive that. The partners are there to support and share the programs they offer; there is communication with and service to the local communities. We will continue to offer the revitalization grants as we have in the past. They will just be funded at lower levels.

Chair Carlton:

The amounts were not fully expended, and I understand that in the last year there has been a problem because of COVID-19. We get that. That is going to be our standard boilerplate for why it happened this year. But in the previous year, there also were some issues with money not being fully expended. Could you expand upon that, please?

Patricia Herzog:

With the Nevada Main Street Program, since the 80th Session of the Legislature (2019), we have focused on growing the program and bringing communities on board. We are a grassroots organization. Most of these communities are run with volunteer staffs, and so, it is difficult for them to expend funds. What we determined was to give communities a longer amount of time to expend those funds and do larger grants. We give communities a year to work on those grants. They will have those funds expended by June 30th of this year.

Chair Carlton:

That is a great answer.

Michael Brown:

I met with the rural caucus on Friday. I said that we have these funds in CDBG and other programs, and that I may need them to tap the shoulders of some city council and municipal leaders to help us get this money onto the street because this money does create jobs.

Assemblywoman Titus:

Following up on what Chair Carlton was asking regarding the numbers and the carryover, I could not find the breakdown of where this money was spent. It would be nice to have some before and after pictures, some success stories of where this money was used, and what it looks like. I drive through downtown Gardnerville every day, and it is a unique and impressive downtown. I know these grants were used in the Las Vegas area and other areas. This was very important to former Assemblywoman Heidi Swank, and I am pleased to see that it is continuing. My question is, how many applicants have you had? I see you list that there were seven Main Street grants for five different communities, but there is still money on the table. Were there grant applications out there that were not fulfilled? Backing what Director Brown said, I was at the rural caucus meeting, and he did bring this up. I am just a little concerned and, number one, I want to see some better pre- and post-grant documentation and the success stories, and number two, are we leaving out any communities that have applied but have not gotten the money? I feel this is a worthy program, and I am concerned that it is not being fulfilled.

Patricia Herzog:

Yes, I understand the concern. There is an eligibility requirement in order to apply for a Main Street grant. We ask that communities be at the affiliate program level and above as designated, so not all the exploring programs were eligible to apply for grant funding. That is why you see six communities applying for those grants. There was \$150,000 in grants allocated directly to communities, and they have up to a year to use those funds. That is why we are seeing a delay in what the budget shows as being expended versus what is out there. A total of \$150,000 has gone out to communities. The purpose of this program, too, is that we have the national Main Street contract to provide service, as far as training, for our Main Street communities. The rest of that money, as much as possible, goes directly to service to the communities for their projects. To your point about pictures and projects, the groups are working on that, and we will get that information to you. Also, there is a grant synopsis that we can share that provides a description and the amounts of the grants awarded.

Assemblywoman Titus:

Did you tell me how many applicants there were and whether they qualify or not? How many applications did you have for these funds?

Patricia Herzog:

I believe for this grant cycle we had seven applications from eligible communities and six were awarded.

Assemblywoman Titus:

Are we leaving any federal dollars on the table in this program?

Patricia Herzog:

No, this is strictly a state-funded program. This is not a federally funded program.

Assemblywoman Titus:

It is my impression that if we can provide matching funds to them, then they can apply for some other federal funds. Is that not correct?

Patricia Herzog:

This funding can be used to match federal grants as the downtown Reno partnership did in applying for an EDA grant.

Assemblyman Leavitt:

You mentioned success—that a certain program was a success. How is that success measured? What does that success look like?

Patricia Herzog:

We apply success measures to how the community is maintaining. We keep the statistics from national Main Street on a number of businesses in a downtown development district. I will point to the fact, again, this is a grassroots effort and community-led process, so the community can determine what those metrics are. At the state level, we are looking at how successful they are in leveraging total project costs for the grant awards that they receive and those metrics with retaining downtown business districts.

Assemblywoman Miller:

This is a two-part question. First, which types of communities? I know that downtown Reno received some funding, but do our communities in the urban core in Clark County also qualify, such as the Huntridge or Historic Westside communities in Las Vegas? Also, you mentioned that there were seven communities that applied but only six were awarded. Who was that seventh community that applied, and why were they denied?

Patricia Herzog:

I can get that information to you. I am sorry I cannot pull that off the top of my head right now, but I will provide that information to you on the one community that did not receive the grant funding. We do have southern Nevada programs in the Nevada Main Street Program; specifically, Mesquite, Boulder City and Henderson have been involved. They are at the exploring level in Boulder City and the City of Henderson. To those core urban areas which you are talking about in Las Vegas, early in the program when I started at GOED, I did meet with some leaders in that area. I am not one for excuses, and I am sorry for the lack of ability to travel and connect with those groups. It has been very difficult to find a grassroots leader to take on program development there.

Assemblywoman Miller:

Are there no funds in Las Vegas or Clark County right now? Besides those you mentioned, Boulder City, Henderson, and Mesquite who are considering or planning, are there no funds going into southern Nevada?

Patricia Herzog:

Currently, there are no grants for programs in southern Nevada. That is because Henderson and Boulder City are exploring programs but did not meet the minimum requirement level in order to apply for grant funding at the time, which was a year ago. When you mentioned Mesquite, that jogged my memory. Mesquite was the one community that did not receive grant funding because the funding level that they were requesting was for a study, and we were looking for a more direct project. I hope that answers your question.

Senator Seevers Gansert:

You mentioned that a number of the communities were not eligible because they were at the explorer program level versus the associate program level. You also mentioned that the downtown Reno partnership was able to leverage their grant funds for federal funds. So, a couple things—how do you go from explorer to associate, and then, are you encouraging and is it part of your application to see how they can use these dollars to leverage more dollars? I think you mentioned that, but not specifically around federal dollars.

Patricia Herzog:

Yes, we would love to see communities leverage their funding, whether they are successful or not in doing that, for federal grants or other grant programs within the state. The City of Reno may not be successful in getting that EDA grant, but it does not mean that project will not be funded with those dollars. They are working very closely with the City of Reno on the ReTRAC Plaza Beautification Project. That funding will be used for the intended project costs, but they were trying to leverage that for additional work on that project.

Senator Seevers Gansert:

Then, circling back to the question, if you are an explorer program you are not eligible for a grant, but it sounds like you may at an associate level. How do you become an associate versus an explorer?

Patricia Herzog:

At the associate level, you have a director for the program, and you have a board that is established. The exploring level allows any community to be a part of the program, learn and get the training, attend the national Main Street conference, and connect with other communities across the country who are also working on this. But the minimum level that we felt, in our office, for funding projects would require support from the local community in the form of having an established board and a director for the program.

Chair Carlton:

I believe all the questions have been asked on this program. I am happy to see it actually have a budget number now as we move forward and address these issues. With that, I believe the next budget on my list to discuss is budget account (BA) 1526, Governor's Office of Economic Development.

COMMERCE & INDUSTRY
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
GOED - GOVERNOR'S OFFICE OF ECONOMIC DEV (101-1526)
BUDGET PAGE GOED-9

Michael Brown, Executive Director, Governor's Office of Economic Development:

Budget account (BA) 1526 [page 15, [Exhibit C](#)] is essentially the operating budget for the Governor's Office of Economic Development (GOED), with most of the staff and the general administrative overhead, to run the operation. It also includes the grants to the regional economic development authorities (RDA). We have seven RDAs in partnership with the state. For those of you who were not here when GOED was created, the economic development system before GOED was a loose confederation of economic development authorities across the state. When they set out the goals for GOED, the first was to regionalize, unify, and diversify. The unifying part was creating the RDAs. Three of the most well-known RDAs are led by Rob Hooper, President and CEO of the Northern Nevada Development Authority here in the Carson City area; Mike Kazmierski, President and CEO of the Economic Development Authority of Western Nevada in Reno; and Jonas Peterson, President and CEO of the Las Vegas Global Economic Alliance in southern Nevada. We also have folks deeper in the rural areas who are managing those RDAs and those are Internal Revenue Code (IRC) 501(c)(6) organizations with state support and a state charter. They have reporting obligations to us. We have had one position that has been associated with the agency but never filled; this budget eliminates that position going forward. Budget account 1526 is the basic, general administrative overhead account for the agency.

Chair Carlton:

I am going to open it up to questions.

Senator Brooks:

Will you please describe the implications of the reduced grants to the RDAs on achieving your goals, and how that distribution across the state was established? This is with an understanding that decades of economic development money spent in northern and central Nevada have worked out very well for them; we saw that in this pandemic. Southern Nevada has the least amount of diversification in the state, and the entire country. Through that lens, could you explain to me how your budget implications impact your operations as well as the distribution of that money?

Michael Brown:

My elevator speech about Nevada right now is that northern Nevada was very successful when it landed Tesla, Panasonic and the industrial park, and right now it is growth on growth. Mike Kazmierski and his team, and the community, responded to that challenge. Recovery hinges on our ability to fix cracks in our economic framework, and great effort was undertaken there. Rural Nevada is ripe for energy investment, lithium investment, and I encouraged rural Nevada leaders to focus in on broad bands and bringing the mining vendor chain to rural Nevada. Southern Nevada is a greater challenge. It was much more biased

towards hospitality and much more biased towards entertainment. It had a robust, global industry. If you think about the total employment at Tesla and Panasonic, it would take five of those to equal one MGM Grand. You get into different proportions when you are in southern Nevada. What I am finding right now is that we are getting calls from companies that are interested in coming to Nevada. They want to be in the Pacific time zone. They do not want to be in California. We have Californians who want to come over onto this side. It is a matter of whether we have the land, and the infrastructure, and the rail, and the trucking, and all of the things that constitute economic development, and whether all of that can come together.

Betsy Fretwell, Chairwoman of the Board of Directors for the Las Vegas Global Economic Alliance (LVGEA), and I have had some robust discussions about how we can focus in on the opportunities coming to us now. I am trying to look through the windshield and not into the rearview mirror on these matters. The struggle with company towns, whether it be a mining town or an entertainment town, is that they tend to compete heavily for the workforce. You need to build a strong workforce and you need to have the infrastructure and everything in place for those opportunities. Going forward, what you are going to see is my office spending considerable time on matters in southern Nevada. I have now started a monthly meeting with local government officials down there, which was not done before, where we troubleshoot the issues. How do we untangle some of the infrastructure issues so that we can further develop and diversify southern Nevada? You will see us spending a lot of time there.

As to the budgets and how these were put together, I will let Bob Potts explain that. He manages this relationship. And on having to take the spending reductions, as I learned in the private sector, when you hit a bad patch of road and you hit a period of austerity, you have to make cuts quickly with the information you have at hand. RDAs absorbed the budget reductions we put in last year, and we moved forward. Former Secretary of Defense Donald Rumsfeld said, "You go to war with the Army you have." That is what we are trying to do now as we move into the recovery stage. It is not the most ideal situation, but I understand the austerity that Nevada faces. Southern Nevada, being the economic engine of this state, is the area where I will be spending a considerable amount of my time trying to put pieces in place to diversify that economy.

Bob Potts, Deputy Director, Governor's Office of Economic Development:

In figuring out how to slice up the RDA grant pie, we have worked through a number of different iterations. We work very closely thinking about a redistricting-type formula based on populations and jobs, but if you look at it just like that, you barely give the rural areas enough to survive. So, the way that they are funded is we have a baseline amount of funding for each of the counties. Prior to the cuts, it was \$55,000 per county. That was enough to get them started, but the second reason we wanted to go down that road is it encourages counties to work together and build regional economic development authorities. If you think about how economies work, they work as regions. They do not necessarily work based on political boundaries. For those two reasons, if you can get them to couple up—if you can get two

counties together—that gives you \$55,000. If you do not have the population base to get you there, that gives you enough to get an executive director for a regional development authority so you can actually get some economic development done in some of these rural regions. Anything above that amount, then we go to a strict redistricting formula based on population. So, Clark County/LVGEA by far gets the largest proportion, followed by the Economic Development Authority of Western Nevada (EDAWN), then the Northern Nevada Development Authority (NNDA) comes in there, and then the RDAs. That is kind of how the fund works.

Senator Brooks:

It does answer my question. Just looking at the numbers it is not proportional to the population, but the rationale that you used, Mr. Potts, makes a ton of sense. I appreciate that. I have a follow up on that position that you are eliminating. Where is that position and what would that position have done?

Michael Brown:

My understanding of this position is that it was created after Tesla. It was more of a special assistant kind of position, and it was never filled. It has never had an incumbent. And, Madam Chair, if I could just say one more thing to the challenge in southern Nevada? This is a personal observation. Both when I was the Nevada Department of Business and Industry (B&I) director and now that I am GOED director, I have probably shown up a half dozen times at meetings with officials in southern Nevada, and I have gotten a reaction of, "The State? The State has come to the meeting?" I gathered that it was not common, that southern Nevadans tended to look to local government first and foremost, and that they were not accustomed to state officials showing up with an interest. I went to an RDA advisory committee meeting of about 50 people just before the pandemic and the reaction was, "The State is here?" I do not mind it at all, but that is why I started this direct discussion with the four local governments in southern Nevada on these matters.

Assemblywoman Benitez-Thompson:

I see the amount of expenditures through grants to the regional development authorities [page 15, [Exhibit C](#)]. I think, if my recollection is correct, that in your budget, the State Trade Expansion Program (STEP) are federal dollars. But are the Inner City Economic Development program dollars pushed down to the RDAs as well or are those held at GOED and your staff uses those dollars?

Michael Brown:

I stand to be corrected by my staff, but I believe those are all administered here at GOED.

Assemblywoman Benitez-Thompson:

Okay, so those are held there. I should not think of those as additional dollars put into the RDAs. That helps as a clarifying question. I see that we have in BA 1526 decision unit enhancement (E) 125 [page 15, [Exhibit C](#)] an addition of approximately \$621,000, but

then in decision unit E-680 a reduction of more than \$441,000. I guess I was trying to figure out where we settle with those amounts.

Michael Brown:

I will turn to Leannra Diossa to answer that. I believe this is a result of just how our budgeting system works.

Assemblywoman Benitez-Thompson:

If I am correct, it looks to me like we end up with about around \$250,000. I will let staff correct me if I am putting something inaccurate on the record.

Michael Brown:

I need to do the same on this. Leannra Diossa may be able to clarify that.

Leannra Diossa, Director of Administration, Governor's Office of Economic Development:

After those two decision units, one that increases the grants to the RDAs and the other one that reduces the grants, we will end up with \$2.5 million in each fiscal year.

Michael Brown:

The other thing I would also say is they are chartered as IRC 501(c)(6), but they had not met as a group. Before the pandemic, we convened. I think it was the first time in five years that everyone had met as one. I convened that meeting in the Guinn Room of the Capitol, and we met for the entire day working on economic development matters. I did it in the Guinn Room specifically because I just wanted everyone to understand that, at its core, we are all government or an extension of government.

Senator Kieckhefer:

You talked a couple times about the transformative impact that the Tesla and Panasonic project had on the rural economic development efforts in northern Nevada and that success in terms of diversification. Southern Nevada is just a much larger ship to turn when it comes to diversifying our economy. We tried with the Faraday Future project to lure one of the same types of transformative projects to southern Nevada. Unfortunately, that one did not work out—we have to roll the dice sometimes. But I am curious in this discussion about RDAs as to whether it is still the mission of your office and the Governor to work on attracting those types of major transformative projects or whether, at this point, we are working on base infrastructure surrounding economic development. Maybe it is all of it.

Michael Brown:

That is a very good question. At one side we have these base issues: Company X needs a powerline approved by the Bureau of Land Management (BLM). Can we get the Governor on the phone with BLM to get this power line? Can we get Senator Cortez Masto to trouble shoot it? Business has been frozen up, obviously, and scrambling to deal with the challenges of the pandemic, but, since the start of the year, LVGEA, EDAWN and GOED have received

inquiries from very serious corporations that are looking at how they are situated. They have manufacturing abroad they want to bring back to the United States. They might have manufacturing in California that they want to consolidate somewhere. You might have a hypothetical company that is logistically challenged in Columbus, Ohio that realizes Just-In-Time inventory management did not work for them, and they want to switch to e-commerce. The consulting firm, McKinsey & Company, published an article on January 4, 2021 ["The Next Normal Arrives: Trends That Will Define 2021—and Beyond"] that quantified this. It said that we will look at our economy with 2021 being a pivot year, and that we will refer to this as prepandemic and postpandemic economies. What we expect to see is an onshoring of American manufacturing, a sorting out within the private sector of logistics, and other things of that nature. We are having those discussions more than at any point in my short tenure here, and more than in the last two years. The RDAs are effectively at the front line of all of this.

On the recruitment side of business intelligence, this is a difficult period in which to understand what companies are trying to do, but, I will tell you, right now our plate is full with companies that want to talk to us and work through some of these issues so that we can prepare competitive proposals. I say that, but I want to emphasize this is a very competitive process. Utah and Arizona are well positioned in the western United States, and what I am trying to do as a coach is to get Nevada as competitive as possible to compete in that arena. I hope that answers your question. I would be glad to submit this McKinsey & Company article for the record because I thought it really summarized things. There was a lot of hype in the fall, but this is the first time where what I am experiencing aligns with what the advisors are saying. Now is the period of time it has started.

Senator Kieckhefer:

I appreciate that. I think that as we are trying to move forward and diversify, particularly in southern Nevada, it should be an everything on the table option for us. We should be using all of the tools at our disposal to work with those companies that are looking to onshore, or whomever it might be—all the items you described. I appreciate that and anything we can do.

Michael Brown:

This is the moment. This is a small world. There are specialized real estate agents called site selectors who are often retained by these companies. They have already done the sort before they call us with a request for information and ask us to prepare proposals. My staff is working on about four or five different proposals right now along with LVGEA and EDAWN staff. We are close with our RDAs. It is almost real-time, pick up the phone and call and work as one holistic unit.

Assemblywoman Tolles:

I see we have \$153,348 that is going to be used for consulting services and economic analysis in BA 1526 decision unit E-125. I want to get better clarification on what that is going to be used for, and, in particular, against the backdrop that I know. In

the September 25, 2020 meeting of the Interim Finance Committee (IFC), we accrued \$1.1 million of Coronavirus Aid Relief and Economic Security (CARES) Act funding for consulting services, economic analysis, and an economic response plan, which we supported, and then \$1.2 million to develop a Nevada Labor Certification Plan and procure a workforce skills matching platform. I want to get an idea of what these new consulting services are that you are proposing in this budget. How is this different from what we approved during the interim?

Michael Brown:

When I came over here, the "Easter egg," a term I like to use, that I found when I got here was the analytical team, led by Bob Potts, and our relations with the economic consultants in the state. We have been able to apply policy foundation to a lot of what GOED does. Those funds are basically to support the one-off, spot economic analysis that we need to create for special projects or areas where we need deeper knowledge.

Bob Potts:

I will go back to Senator Kieckhefer's earlier question about the RDAs. We have an amazingly close relationship with the RDAs right now. We are having regular calls weekly or every other week right now, really coordinating a resiliency point during this recovery. To the point that he made about it taking a long time for diversification, especially with a large economy like southern Nevada, it does take a long time and change does not happen. I often think about economic development. I just celebrated my ninth year working in this agency, and economic development is synonymous with change. Nobody likes change very much, unless they need it. We are at a place now where change is critically important once again as we deal with the postcyclical nature of southern Nevada's economy. A way that can get done is to have a landing spot for the companies Director Brown discussed that we have in the queue right now. We need to have the right infrastructure. We need to have the right workforce. We create opportunities for dislocated workers, so we work very closely with the training programs, training providers, and educational institutions across the board. With that, I will go back to Assemblywoman Tolles's question and refer it to our workforce development director, Stacey Bostwick. She can give you some statistics as to where things currently stand with the workforce skills matching platform and labor certification study, and where we are as far as pushing forward this qualified workforce that we need. I often say this: is it a great company that creates a great workforce or is it a great workforce that attracts great companies? The answer to both of those questions is "yes." We are intimately involved in a whole host of levels on the workforce side of things, but I will let Stacey give feedback on where we stand with those two platforms that we can use these dollars for.

Stacey Bostwick, Director of Workforce Development, Governor's Office of Economic Development:

I want to share a couple things in relation to our skills match efforts. We shared information about how this has gone out and launched. We had several training programs or sessions with partners who are working with folks on the frontline. We are really excited about those. We have had nearly 2,000 unique visitors in Nevada use this system, and I think

that the metric that is probably the most meaningful for me is that somewhere around 70 to 80 percent, so 1,300 or 1,400, of those individuals are using that platform to job search. That tool is helping individuals identify their skills and identify actual job opportunities that use those skills at this time.

Assemblywoman Tolles:

Thank you for the statistics, but I still did not hear the answer to the question of how we used the roughly \$2.3 million that we authorized through the IFC in September. Thank you for the update, but how will this budget recommendation for this biennium of \$153,348 be used?

Michael Brown:

When that came through it was a joint effort between us and the Office of the State Treasurer in efforts to get ready and stand up programs in support of the state infrastructure bank. What you have here is basically the in-house account for in-house research where we need extra support from John Restrepo [Principal, RCG Economics, Las Vegas], or Jeremy Aguero [Principal, Applied Analysis, Las Vegas], or someone like that to help with ongoing day to day business here.

Senator Seevers Gansert:

I appreciate that you started out with a map and showed our relative diversification [page 6, [Exhibit C](#)]. As Senator Kieckhefer and others have pointed out, southern Nevada is the ship that we need to try to right because we are doing well in a lot of other areas. Just prior to the pandemic, you and I had talked. You were working on a new strategic plan. I think it is important that, even during robust times, we work on a strategic plan to figure out what our advantages are and where we have deficits so that we can create a more diversified workforce and bring other businesses in. My question is how is it going now with an updated strategic plan? Are you working on both identifying workforce needs and infrastructure needs? In our conversation that we had off-line, it sounded like infrastructure is really driving some of the decisions that are being made by these organizations on whether to come to Nevada or not.

Michael Brown:

Yes, we started a conventional economic development planning process before the pandemic. As we got into the pandemic and we looked back at what pandemics do to economies, and looking at the 1918 experience, we realized that the world is going to be very different, and looking backwards was not going to be much of a help. I asked SRI International, who had been retained to help on this, to provide ongoing support for our office and the Office of the Governor in providing economic advice and helping us make applications for federal dollars. Bob Potts assembled a statewide team of state economists that met every Thursday, with support from SRI, as we attempted to get policy options to leadership. They provided help to us on relief and encouraged us on federal funding in that area. Finally, we turned to them in the fall and said we need a resiliency plan. We need something that is going to carry us for about 18 months as we go through this very turbulent water and get us to where we need to be. Then we can restore some kind of more conventional planning. They presented us with a

report that we have filed with this Committee that is the resiliency plan. Some of the ideas that are in there were included in the State of the State Address and constitute what this agency will be focusing on going forward. On the workforce side, the Governor is moving the Governor's Office of Workforce Innovation (OWINN) over to the Department of Employment Training and Rehabilitation (DETR), and has recently appointed the leader [Isla Young] of OWINN. We have a lot of collaboration with that and look forward to engaging on the workforce issues.

Senator Seevers Gansert:

And we have the new infrastructure dollars that are set aside?

Michael Brown:

Yes.

Senator Seevers Gansert:

Please let us know because it does sound like infrastructure is what is holding some companies back from moving here—both the workforce and the infrastructure. Especially when it sounds like there is going to be a significant push down from the federal level to the state, if there is a way that we can identify that and leverage our dollars for federal dollars, we can take every opportunity to reset what we have foundationally in certain areas of the state. Again, Clark County is the one that has been hardest to move. Whatever help we can provide, we are here.

Michael Brown:

It is infrastructure, yes. The Governor has recommended funding to build out the infrastructure bank. Zach Conine [Nevada State Treasurer], my great partner in so many issues, we will be working on that. Internally, I grew frustrated with the number of calls I get about power lines, off ramps, and things like that. I asked Kristopher Sanchez [Deputy Director, GOED] if he could put a little group of southern Nevada leaders together at the deputy level and try to sort out the things that are entangled. Over the next 60 days, he is going to be working on that so that I understand what needs to be fixed. Then, hopefully, if there is more federal relief in this area, we will be well prepared.

Assemblywoman Benitez-Thompson:

I see the reduction in travel, which makes sense right now. I want to put it on the record that, in the past, there has been some tension regarding the amount of international travel that staff would take and showing us how that resulted in meaningful investments back in Nevada. I know travel reductions are proposed, but as we start to travel again, I would hope that those kinds of questions and conversations always continue in this Committee. We had a great document that GOED produced for us a year and a half or two years ago about travel to Ireland, Africa, Poland—all these international trips that staff went on. Then, there was conversation about what those trips actually produced. I hope that this Committee continues

to ask those kinds of questions so we always make sure that a dollar invested can be, as much as possible, a dollar realized for product back in Nevada.

Chair Carlton:

We do want to create more jobs, but I really do not want to see us working towards jobs that end up on our list of employees who receive a huge amount of Medicaid. I know that you will be very cognizant of the fact that it is not just any company. We do want new companies here, but we want companies that will do the best for the people of Nevada and not lay the burden of health care on the state with Medicaid or other safety net providers being there to provide part of the benefit package for those employees. I know you will always keep that in the back of your mind, but I feel it is necessary that we always have that in the record as a part of the conversation. Thank you for all the work your team is doing.

Michael Brown:

I appreciate you saying that. That is something that the Governor and I have had very long discussions about. We are trying to set the bar higher. We are trying to encourage these companies to bring their proposals forward that tell us also about their corporate social responsibility program. Our application now includes questions about corporate social responsibility, hiring diversity, and veterans. When I was in the mining business it was said that you can produce a lot of ounces or you can produce a number of ounces profitably. If we are going to be granting incentives and abatements, we need to make sure that those are quality jobs on the other side. The Governor feels strongly about this, and I have heard the message from the community. We will endeavor to do so.

Chair Carlton:

With that, I believe we can move on to our next budget item to discuss: budget account (BA) 1527, GOED – Nevada Film Office.

**COMMERCE & INDUSTRY
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
GOED - NEVADA FILM OFFICE (101-1527)
BUDGET PAGE GOED-15**

Michael Brown, Executive Director, Governor's Office of Economic Development:

It has been a challenge this year. The Nevada Film Office [page 21, [Exhibit C](#)] is funded through the tourism tax. We had a good year of supporting television programs, Lifetime Christmas movies, and reality shows that have been going on in the background during this difficult year; however, it has been a challenge to keep the office whole. Kristopher Sanchez [Deputy Director, Governor's Office of Economic Development (GOED)], who oversees it, worked with Eric Preiss [Director, Nevada Film Office, GOED], who runs it, and we made a series of general administrative overhead reductions. We closed their physical office to save rental money and consolidated them with the PTAC office [Nevada Procurement Technical Assistance Center]. We have done about every cost saving measure we can. Fortunately,

Congress authorized in the Coronavirus Aid, Relief, and Economic Security (CARES) Act provisions that allow us to use some CARES Act dollars for the promotion of tourism, but it has been a struggle to keep the Nevada Film Office operating. I think that we can make it to the end of this fiscal year, but it has been a struggle. It comes at a time where we believe, getting back to Senator Kieckhefer's inquiry, there is considerable disruption going on in the Hollywood community. We are getting inquiries from individuals who are interested in coming to southern Nevada—a location where a movie star can fly over, do a scene, and then fly back and have dinner with their families in the same night, or they can take the Brightline train, at some point, back and forth.

The struggle we have with films is that despite being a global entertainment capital of the world, we do not have a film studio in southern Nevada. We have some kind of attempt, but we do not have a production studio in southern Nevada. With these issues of infrastructure, what keeps us from diversifying is not having that kind of a private sector facility. It is a major detriment to us. I think film is where we have opportunities, but this is an industry where there is fierce competition from Georgia, Vancouver, Toronto, New Mexico, et cetera. You have to go to the table prepared to play. You cannot be timid about it. It is an area that Eric Preiss and Kristopher Sanchez have spent a lot of time looking at this past year, and it is actually an area that I think offers great potential, yet we have the irony of trying to pay Nevada Film Office employees at this time.

Chair Carlton:

We understand the challenge. I know there were a lot of folks who did want to come here, unfortunately when the Strip was shut down, because they got the opportunity to get the shots that they needed. But after that, there was not a lot of interest.

Senator Denis:

You have a reduced budget this year and your advertising budget is less. You alluded to this already, but are you going to be able to continue doing the work that you are doing, especially with all of the interest that there is now in coming to Nevada to do it? Are we going to have the staff to be able to handle that as people want to come here?

Michael Brown:

It is something that I am going to be spending a good part of this week on because I know that there is capital out there that is interested in coming and being deployed here. I need to see how I can get some folks on the same page so we can have a robust discussion about this. It has been a challenge. Director Brenda Scolari at the Nevada Department of Tourism and Cultural Affairs has been a great help, and we are in regular discussions on what her revenue forecast is to keep the Nevada Film Office running. The Interim Finance Committee (IFC) was generous to help us with some CARES Act dollars. This is a week to week situation.

Senator Denis:

What about other potential revenue sources to support this in the future? You alluded to that too. Are there opportunities to be able to get some additional revenues for the Office?

Michael Brown:

I do not know, at this point, if there are any opportunities. It is an area I need to spend more time on this month, frankly.

Senator Denis:

I know when we first did the tax credits, the big thing was to try and attract the people that actually build facilities to come here so that we could have those ongoing jobs. Hopefully, we can do that. Talk a little bit about the printed directory we have done for years. That brings in revenue because you do advertising. If you are not going to print that and have that advertising revenue, how are you going to replace it? I guess you are doing things online, but what is the plan for the printed directory?

Michael Brown:

Let me turn to Eric Preiss or Kristopher Sanchez to answer that more specifically.

Eric Preiss, Director, Nevada Film Office, Governor's Office of Economic Development:

The printed directory is going to go away, and we will continue with the online digital directory. Since we have had both for ten plus years now, the digital directory has continued to show an increase in activity as more people go on the web to look for resources. By reducing the printed directory, we are going to be saving costs while migrating fully to digital. With the new digital products that we have available, we will be able to use online advertising. Rather than buying the print ad, now companies will be able to advertise online. With those online tools, they will be able track the effectiveness of their advertising, be able to place more advertising throughout the year, and will not be constrained by the limits of a printed book with the deadlines and printing costs. By going fully digital, yes, we will lose some of the impact of the printed directory, but we will gain the advantages of the reduced costs while giving more options to the people who do choose to advertise. We are giving them greater flexibility and more opportunity to attract the online customers. We are seeing a great increase in the number of people who are using our online directory.

Senator Denis:

With the pandemic, certainly more people are watching more content, like Netflix and other things. Did you see an interest in increasing production, and are these companies interested in coming to Nevada?

Eric Preiss:

Since the pandemic, we have seen a significant increase in the number of productions and companies that want to relocate to Nevada. From a production side, companies that specifically came to Nevada as a result of the pandemic include shows like ABC's *Shark Tank* and CBS's *Love Island*. As an example, *Love Island* typically films in Tahiti or Fiji, but they did a full season from the roof of The Cromwell in Las Vegas that brought in about \$15 million in direct expenditures [page 21, [Exhibit C](#)]. Since the pandemic, we have

seen people come to Las Vegas to film, but also as a result of the pandemic, we have seen a greater increase in the number of production companies that want to relocate and land here to open studios. The environment in Los Angeles, California continues to be challenging. They are physically running out of infrastructure space. Southern Nevada offers a great opportunity for expansion. These companies see it as an expansion opportunity, but as Director Brown mentioned, we simply lack the infrastructure for them to do so. By having proper infrastructure, I believe we will attract even more interest and opportunity. The film industry is a local way to diversify our economy that can have a synergistic relationship with the entertainment industries we already have here in southern Nevada. The ability to create content and gain the attention of the consumer allows us to direct that attention where we want it to go, which is our brands of Las Vegas, southern Nevada, Reno, Lake Tahoe, and northern Nevada. The ability to get their attention through content has never been a greater opportunity than it is now. As a result of the pandemic, we see that more people are consuming more content than ever in human history, and we want to try to capitalize on these opportunities.

Senator Denis:

In this tough time, we have to make some reductions, but I hope that those reductions do not keep you from looking further for opportunities to expand the economy and provide jobs through the film industry.

Chair Carlton:

It is nice to see you are going digital with that directory. I believe in the new world, that is the direction we are going. This way it can be updated quickly so that as things change in Nevada, we are able to get the information out to folks. Are there any other questions on this item? [There were none.] With that, we will move onto budget account (BA) 1531, Workforce Innovations for a New Nevada Account.

COMMERCE & INDUSTRY

GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

GOED - WORKFORCE INNOVATIONS FOR A NEW NEVADA ACCT (101-1531)

BUDGET PAGE GOED-30

Michael Brown, Executive Director, Governor's Office of Economic Development:

Budget account (BA) 1531 [page 17, [Exhibit C](#)] is our part of the workforce program. Stacey Bostwick leads the Workforce Innovations for the New Nevada (WINN) account. We are operating, again because of the pandemic, with resources that have come to us from the Department of Employment Training and Rehabilitation (DETR). Stacey is available to answer any questions on this and how we are trying to go forward.

Senator Brooks:

I want to start with an update on some of the outcomes of the existing WINN projects.

Stacey Bostwick, Director of Workforce Development, Governor's Office of Economic Development:

The outcomes that we are required to report are included in the biennial report that the Legislative Counsel Bureau (LCB) has. We are required to report on information about the number of individuals who have received training. Since the inception of WINN, we have supported just shy of 2,000 individuals through the launch of our programs. We are also looking at employment metrics. The challenge is that we capture data when we fund the project. Most of what WINN does is fund infrastructure and launch of programs for sustainability so we have pipelines going forward. I like to give the caveat, what we have in terms of metrics is really the tip of the iceberg, the beginning of the success story. Many times when we capture data point-in-time, it does not capture the full spectrum. Right now, I can tell you we have had nearly 900 individuals who have already attained employment. The average range for that kind of entry into employment, without the subsequent promotions or those kinds of details, is over \$20 per hour. I hope that answers your question. If there is more information you need about the metrics, please do ask.

Senator Brooks:

Why has the agency not been able to fully expend its State General Fund appropriations in this account?

Stacey Bostwick:

With respect to the 2019-2021 biennium, there have been a few factors in play. The WINN account plays a couple of roles. One, of course, is that it is a tool in terms of the economic development conversation. When economic development slows down, we are obviously not using the tool as much as one would like, so there is not a lot of activity to connect those funds to. The new workforce programs are not necessary when there are not new workforce jobs for which a training program does not already exist within the state. The second part I want to mention, and part of that general pivot that we did, is that we had a lot of programs that already existed and provided talent that was important during the pandemic. We pivoted to support that with the Nevada System of Higher Education (NSHE) and were able to tap into almost \$3 million in coronavirus relief funds to help those programs augment and continue to deliver the needed pipeline. That was a priority activity. The last one worth mentioning is that the WINN account has a reversion requirement currently in statute. Instead of being able to carry forward dollars with continuity for projects, we have this stilted stop and start with the biennium. Depending upon conversations and how they develop with the education and industry partner, we have to manage the timeline based on when they apply. This is because they are not going to ask for dollars now, with four months left in the biennium, when they have a need, in terms of what it takes to build a program, that is going to take longer than four months or potentially longer than we have money in the pot. We have projects in the queue that then have to wait until July 1. We could not entertain projects that needed more than two years because we have that reversion requirement.

Senator Brooks:

Have you been able to take any steps to try to alleviate some of those problems you just identified so that you can spend more of that allocated money?

Stacey Bostwick:

The most prominent solution that we are putting forward is Senate Bill 24 (BDR 18-289) that will be coming up for its first hearing this week to revise that language. We have attempted to revise that language, especially in terms of reversion. From a business process and flow, that has been very challenging in my experience with this of a little over two years.

Senator Brooks:

Can you discuss some of the workforce development projects that you anticipate funding in the 2021-2023 biennium?

Stacey Bostwick:

We put together a list of things based on industrial development. With the increased pace of economic development activity that Director Brown referred to, as well as the priority of being able to access retraining for individuals whose jobs are not going to come back in the postpandemic environment, we add all that to the industrial developments that we are already seeing. Every industry has its own timeline in terms of industry development, so these are things that have been on our radar for a while and now there is a lot of momentum behind them. Expected projects on our list include industrial developments in Nye and Esmeralda counties. There are things happening in the mining space in that particular area. There are a lot of industrial developments in Fernley. We work in partnership with many different educational providers, but Western Nevada College, in this circumstance, is expanding their footprint because of the developments there. The ability to support them in doing that is on our radar. We have had conversations with Great Basin College regarding expanding programs in the Pahrump area, particularly in health care. We are always looking at expanding in terms of providing the right skills needed by new or growing companies in technology and advanced manufacturing. Those are on our list as well.

Senator Brooks:

I did not recognize any Clark County projects, but that seems to be a trend these days.

Michael Brown:

I should point out we did a project with the Haase Corporation that is going to be in Henderson. I think one of the complexities we have is that the private sector is on a calendar year, we are on a fiscal year, and our academic partners are on an academic year. It takes a little bit of juggling.

Chair Carlton:

I think I need to clarify something with the Senate bill that is coming forward to deal with reversions. It seems to me, and I may not be remembering correctly, that WINN was supposed to be looking for the workforce, taking recommendations from industries on what

they needed, and getting money to the appropriate training partners. I am a little confused about reversions when we look at some of these numbers. In the 2017-2019 biennium, more than 40 percent of the WINN funding was reverted. The 2019-2021 biennium we will not talk about because we know what half of that was like, but still, approximately \$900,000 was spent out of the \$4 million that was approved. I guess we are going to need to have a deeper conversation. Hopefully, the Senate bill will promulgate that conversation, but the purpose of reversions is that we have money sitting out there that can be used for another purpose. It needs to come back to the state so that it can be reallocated. Having money sitting in one spot for too long not being used does not benefit everyone in the state. It is my impression that this was more of a "get the money to whomever was going to do the training" portion of it. Is there something that I am missing in this reversion discussion?

Stacey Bostwick:

I think you are spot on in terms of what we are looking at. The challenge for the reversion that I will share is that we have not been able to support some of the projects that have come across our desk because of the timeline that is involved. The way that I was trying to describe the WINN account is that we are not there to pay for scholarships for people to go through programs—we have a wealth of funds in the public workforce system to be able to do that. What the WINN account does, especially through this lens of economic development, is to ensure that there are programs to develop these pipelines for industrial development or economic development. The reality is that if we do not have new industry or new occupations, or if there is not a change or shift in the technology or the skills needed for those jobs, then WINN does not get deployed. I do not ever want us not deploying those funds to be looked at as though they are not being used to help or there is not space, but it means that there are other resources that are meant to be doing that work that are doing that work. The work that we have in our laser-focused space of ensuring these programs get developed so people have the skills and access to these jobs, is not necessary at that place. I think that is important to know.

Michael Brown:

This is an area where I would like to have a discussion. We need to get this right. We have an experience curve now, and I would like to have this discussion with the members of the Committee and the staff because we really need to get this right. With the new leadership over at the Governor's Office of Workforce Innovation (OWINN), I want to work with you to fix it.

Assemblywoman Titus:

I think WINN is an important component. We have heard that when we want to diversify our economy, that we need to have a trained workforce. I am supportive of that concept. You listed five basic priorities, including health care, mining, and a skilled workforce, that you have had for a number of years. I am pleased to see that with the potential development projects for the 2021-2023 biennium, you have stayed with those consistently. We know we need more skilled workers in the health care sector. If this pandemic showed nothing else, we know we need to expand our health care workforce. And the mining skill jobs are all

good paying jobs. My question involves your statement that so far you have trained 2,000 people who have gone through this program in the past. Is that cumulative since its inception up to today? Then you mentioned that nearly 900 of them were employed. With this list of the potential projects you gave us, from the advanced mechatronics technician project to the Pahrump training program expansion to the whole list you submitted for \$3.5 million, I am wondering how many bodies will that touch? How many folks will that reach?

Stacey Bostwick:

The short answer is, I do not know. We do not have the paper in front of us to be able to answer that, and I do not want to put an estimate out there that does not accurately reflect it. Project scopes are very different from one to the other. We are working with the College of Southern Nevada to expand advanced manufacturing right now. It is a \$2 million project because it is a massive expansion with a lot of opportunity in southern Nevada. Their goal is to be able to train a minimum of 200 people per year. We are working with Western Nevada College right now on a mobile mechatronics lab that focuses on the rural parts of their community. Their goals are closer to 25 folks per semester. Scale in terms of what the industry needs in that space, and also what the program is, vary significantly, but these are not going to be small investment programs based on the dollars involved.

Assemblywoman Titus:

When they apply for these programs, do you not require knowing what their class will be or what their potential reach is going to be? We would not want to give \$2 million to a program that trains two people. Is that not part of that requirement?

Stacey Bostwick:

Yes, it is. These are not projects that we have full scopes or applications for so that is why I cannot give you a specific number on those. We always try to line those up exactly the way that you mentioned. There is not a sweet spot or rule in play—no statute that says what the "cost per" cannot exceed. But we are looking for what is reasonable and also what that return investment is going to look like.

Assemblywoman Titus:

So, you do follow those numbers because I think it is important that we know if we are spending a million dollars for this program but it only trains ten people, and of those, only five get a job. That is a big expense for training five folks, so I would like to see, as would everyone else I am sure, the data that comes out of that when we do have those programs. Then finally, you mentioned that you had \$3 million in coronavirus relief funds and those had a stop date on them. I assume that you had to use those up by an x date. You might want to share that with us. You also mentioned in your slide [page 17, [Exhibit C](#)] that there is a \$2 million sub grant coming from the Department of Employment, Training and Rehabilitation (DETR) in decision unit enhancement (E) 125. I am wondering if that is part of a coronavirus relief package that has a stop date. These funds seem to be mixing with other federal funds. How much federal funding was already going to be there which was not

associated with the CARES Act or any additional funds that we might get? Can you tease that out for me a bit and explain the sources of federal funds?

Michael Brown:

We did not receive CARES Act workforce dollars here. NSHE received those dollars. We provided subject matter expertise to help them prioritize projects. Those funds were not here. We had funds that had been appropriated which were swept away to meet the budget reductions the Legislature considered in June. To help keep this function going, the Governor's Finance Office (GFO) arranged for us to be able to help tap resources at DETR to engage in this area as long as it met the federal requirements. They were not as flexible as the State General Fund dollars that you might have otherwise had. To show you the complexity of this, after extensive negotiations we have worked out a partnership with a manufacturer, a community college, and GOED to bring the money all together. We took it to the board in June, I believe, and one of our board members rightfully asked the question, "In this time of fiscal austerity, should we be spending these dollars?" The board went back and forth as to whether or not they should be spending these dollars at all, yet there had been months and months of work on this project. But in a time of fiscal austerity, this board member wondered what the priority was. In the end, the board approved it. I think that was our last grant of State General Fund dollars, if I am not mistaken, and then, we have been working with the DETR resources that are there. When we see economic recovery and have more resources, we will be more robust. The area of workforce is an area where, with OWINN and others, and as the Chair said, we need to sort some of this out and get it right moving forward.

Assemblywoman Titus:

What I am hearing is that WINN did not receive any direct CARES Act money, but you may have been assisted with some pass-through money that went through DETR or to NSHE. They were able to give some of those funds to WINN. Is that what I am hearing?

Michael Brown:

There were no CARES Act dollars that came to GOED in this space. There were resources that DETR had through their regular federal programs that we have been able to deploy. We provide subject matter expertise to lots of folks from the workforce area. This is an area where I am learning, and Stacey is teaching me because she really knows this area.

Senator Seevers Gansert:

In looking at some of the potential workforce development projects, you have some behavioral mental health social work certificates. I know all of your programs are complicated because you have to be able to partner with the private sector and then you have higher education potentially, but in this case there seems to be a lot of demand in the school districts. The students are in school part-time, or not in school, and will be returning to school. I think there is going to be a huge supply-side issue on the behavioral mental health side. It looks like a small program. Are you working with the school districts or are you working with higher education? I think there is going to be a lot of demand in that sector,

and there may be opportunities for federal dollars because the majority of the behavioral mental health around schools is potentially related to not being in school due to COVID-19. Are you on the forefront of that? Are you the best agency for that? How do we bolster those because I think there is a significant need in that area?

Stacey Bostwick:

That is a great question because I can construct for you how some of these projects come to us. They can really come at us from a lot of different angles. Obviously, industry could bring it to us, or it could come from a GOED project that has come through our pipeline. In the case of some of our health care projects, many come from folks within the postsecondary space. They tell us they are getting a demand from their partners but cannot meet it and ask us how they can. We have a health care industry specialist within GOED. Some projects have come from those conversations where we do not expect that our funding will be the only resource at the table and the dollar amount is an estimate within all the different pieces of the pie that might come in. In some ways, we are kind of reserving saying we do not think we will be able to piece all of this together, but we know we are going to need support to address capacity or changes in what needs to happen for a particular training area.

Senator Seevers Gansert:

I am just very hopeful that there is work being done. You are probably one piece of the answer. But the demands are growing around this as we have children returning full-time to class, and I think part of it is trying to get students in the queue. You have the demand where we need these folks, but you also must have a supply of people interested in that. I do appreciate that you are working on potential projects and that you are queuing some things up. We will need what you do, which is enhancing skills and knowledge and the retraining in partnership with private sector work. Just make a note that the behavioral health piece is really important for the state right now.

Assemblywoman Benitez-Thompson:

I will echo Chair Carlton that we have an opportunity to talk about this program with the Senate bill that is going to be brought forward. I know in the 2019-2021 biennium, this Committee considered not reinvesting in this program for a number of different reasons. One of them was, once again, us just not really seeing the dollars used in the way that we intended them to be used. Additionally, there was the conversation that other dollars were out there and being used in the system perhaps more effectively or with a wider reach. I imagine we will be right back to that same conversation this time.

Chair Carlton:

Are there any other questions from Committee members on BA 1531? [There were none.] We will move on to our final budget this morning, budget account (BA) 1533, the Nevada Knowledge Account.

**COMMERCE & INDUSTRY
GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
GOED - NEVADA KNOWLEDGE ACCOUNT (101-1533)
BUDGET PAGE GOED-32**

Michael Brown, Executive Director, Governor's Office of Economic Development:

The Knowledge Account was a heritage program [page 18, [Exhibit C](#)]. It began in Assembly Bill 449 of the 76th Session in 2011 and was funded in the 2013-2015 biennium with the idea of commercializing the intellectual property developed at our universities. Chair Carlton asked me to look more closely at this program. We are bringing forward legislation that will morph this into what will be called the Innovation Fund which includes a series of changes. The way I see it is that in the emerging technology world, this era of innovation, and the Silicon Valley world, this fund gives Nevada a seat at the table. It provides us a way to partner on projects and to participate in this new fourth industrial revolution economy. Karsten Heise has managed this account for many years, and our Governor, Steve Sisolak, prioritized appropriations for it in the State of the State Address. We received a letter in October from Kumud Acharya [President of the Desert Research Institute], Brian Sandoval [President of the University of Nevada, Reno], Keith Whitfield [President of the University of Nevada, Las Vegas], and Chancellor of the Nevada System of Higher Education (NSHE), Melody Rose, in support of the Knowledge Fund [[Exhibit D](#)]. Senator Cortez Masto herself reached out and prioritized the continuation of the Knowledge Fund. I hear them, but we are going to bring changes to the program as requested by the Committee. We have Assembly Bill 29 with some proposed changes that we look forward to working on with you this session.

Assembly Bill 29: Revises provisions governing programs for the development and commercialization of research and technology in this State. (BDR 18-256)

Michael Brown:

Karsten Heise is the subject matter expert on this account and is available to answer questions.

Chair Carlton:

I was here in the 2011 session. It was my first year on the Ways and Means Committee, sitting in the front row and listening to the conversation about where we thought the Knowledge Account would go and its possibilities. I believe the thing that stuck with me the most was the research and commercialization aspect and being able to use that to bring money back into the state—to be able to use research to bring dollars back to the State General Fund. The State would make an investment, and then the State, eventually, would be repaid. We know these things do take a while, but it has been a decade now. It is 2021. I would like to have a conversation about where we think that commercialization is going. Then, we need an update on the current projects that you anticipate continuing through the 2021-2023 biennium. If you could address the current projects first, the commercialization issue next, and then I will open it up to other Committee members.

Karsten Heise, Director of Strategic Programs, Governor's Office of Economic Development:

These are excellent questions. As I, too, have been around for a while, we have had these conversations before. For the benefit of members who are new to the Committee, let me go back to the 2011 session when this was first enacted, the first funding in the 2013-2015 biennium and subsequent biennia, and then, the funding reduction in the 2019-2021 biennium. I was not around in 2011 but started in early 2012. I believe that if it was presented in 2011 that this would be a money-making machine for the state, or in general, that would be inaccurate, unless you hit a home run out spin that turns into a Facebook or Google or something equivalent. I will give you some statistics that will put this in perspective, as well as perspective as to where we are running with our metrics. We are actually not too bad. If you go to the *Intellectual Property Handbook*, a standard publication out there, they say that on average you get about 40 to 50 disclosures for every \$100 million invested in adjusted research expenditures, as adjusted for costs. "Disclosures" does not mean that it will turn into a product or into a company. These are simply disclosures. In our statistics, we so far have about 67, per the slide in the presentation [page 18, [Exhibit C](#)]. We are not doing too badly for the \$32.5 million invested, although I have to say a large number of those patents relate to one project that concentrates mainly on gaming innovations, so we cannot compare those patent disclosure filings with hard core health technology or engineering technology, for example. The *Intellectual Property Handbook* also states that out of that number of disclosures you get about 15 licensing or spin-offs per \$100 million spent. Now we are moving towards potential for eventual hard cash return. That is 15 per \$100 million, and we are roughly at 17, the number we have on the slide [page 18], so we are not doing too badly there either for \$32.5 million invested.

Going back to your question regarding the revenue flowing back or the potential for money flowing back into the Knowledge Account, the average income to an institution after eight to ten years is about one to two percent of annual research expenditure. That is the target you would be looking at for a return coming back to us. Let me make clear, as I go back to my earlier comment, that this should not be regarded as a money-making machine, but rather, what I would call intangible returns on investment, or a multiple of the actual investment. When you look at the metrics that we must report on, we have \$32.5 million invested from the State General Fund. Slightly more than \$35 million has come back to the three research institutions through grants [[Exhibit E](#), [Exhibit F](#), and [Exhibit G](#)]. Approximately \$39.8 million has come back to the research institutions in sponsored research contracts.

There is a multiplier effect. For example, I will give you two cases that illustrate the link back to a Knowledge Account project. The first major grant matching win was achieved for the Nevada Institute of Personalized Medicine (NIPM) at the University of Nevada, Las Vegas (UNLV) [[Exhibit E](#)]. We put about \$3.5 million in and got back \$11 million from the National Institute for Health (NIH). We also put slightly short of \$400,000 into a mining robotics project linked to the Nevada Center for Applied Research at the University of

Nevada, Reno (UNR). The \$400,000 turned into more than \$4 million with a grant that project won from the Defense Advanced Research Projects Agency (DARPA) [\[Exhibit F\]](#).

We are doing well. We are hitting home runs, unless you are looking for what is called the linear model: you invest in research capabilities; you create intellectual property; you file that; you find an entrepreneur or entrepreneur-in-residence to create a company that spins out from the university and raises money; it hopefully scales; eventually there is corporate action that generates revenue that flows back. That is the linear model that I will caution against because this is much more complex. There are feedback loops, for example, which we address through our investments in the Nevada Center for Applied Research [\[Exhibit F\]](#). We are helping companies access university resources and helping existing technology companies to scale. That, again, leads to economic development impact. It does not flow back to the Knowledge Account or the state, but it leads to tremendous impact to the economy in jobs and, as Director Brown said, it gives us a seat at the table.

Earlier when Director Brown was talking about workforce development and high-skilled jobs attracting companies to the state, in an innovation system it is always regional. You are not going to attract the high-tech companies, the type of companies you are looking for, without that applied research expertise and without providing a conduit into those research institutions that will enable a company to leverage those resources. Also, when you deal with this high technology end, you may spend money from the Knowledge Account in purchasing equipment to build research capacity at research institutions. This leads to your postdoctoral researchers or students dealing with and learning how to use this equipment. When they graduate, they will be employed locally in Nevada at high-tech companies that you also attracted with the help of the universities. They are used to dealing with that high-tech equipment. It is much more complex than "you invest here, and you get the return back." I am not trying to evade your question, but I am trying to explain it is more complex.

Michael Brown:

Let me just say, this is an area where I walked in and realized this is not going to be the complement to the liquor tax or the cigarette tax—it just is not. We need to look at it as it sits today and what our university system needs as well as what the technology world is today.

I had Karsten work on bringing [A.B. 29](#) forward so we can have that discussion because I do think this is a space that Nevada needs to be in. This is a vehicle that can put us into that space. I look forward to those discussions this session. But I am realistic. I was not around in 2011 when this was pitched, or at least it was not on my agenda, but if it was pitched as something that was going to be comparable to what you saw in those miscellaneous taxes, I am not sure that was realistic.

Chair Carlton:

I want to make sure that I am being perfectly clear as far as the State General Fund goes. As Mr. Heise said, the Knowledge Account would create businesses and another level of

diversification that would then create more General Fund revenues. We understand it is a multistage process. It has been a decade, and I think it is appropriate for us to start asking some of these questions about self-sufficiency and where we think we are going. You can only put so much money towards something and after a while, you really want to see some results. I believe that is why we should have this very hard conversation about where we need to be, so I appreciate that. The one part of the question I do not believe was answered, and if I can just get a brief accounting on this, is the projects that you anticipate continuing through the 2021-2023 biennium. Could I get the list of what we actually have in the queue right now?

Michael Brown:

We will submit that and have this discussion. I think it is very timely. I have this cartoon in my office from a Utah newspaper in 1985. In Utah, there is a monument where the pioneers arrived called the "This Is the Place" monument. In the editorial cartoon, they had right beside it the "I Think I Will Take that Job in California" monument because in the early 1980s when you graduated from college in Utah, you went to California for a job. The economic transformation of Utah began in the 1980s. This is something that takes decades of commitment, and now Utah has one of the most robust economies in the nation. I hear you and your concerns about this program. We have developed legislation and are very prepared to have that discussion and go where the policymakers want the state to be.

Assemblywoman Monroe-Moreno:

I, too, was not here in the 2011 or 2013 sessions. When I looked at the notes discussing return on investment, I saw the \$32 million and thought that return on investment would be money coming back to the state in General Fund revenues, but hearing this discussion, that is not the case. But as I look at the metrics for the money the program has brought in as return on investment, can you tell us if there were any administrative fees that were associated with the grants or the contracts that were received? What were those fees, and how were they reinvested into the program?

Karsten Heise:

From GOED's point of view, there are no fees on our end. It is the normal process. The university applies for a federal grant and then takes that grant in. The university strikes a contract with a private sector company for contract research and then the money flows into the university. There is no layer of cost at GOED at all.

Michael Brown:

There is a large ecosystem of companies and academic folks who are involved in this. We should also hear from them at some point because I think they can fill in a lot of the blanks as to what is going on in this space.

Assemblywoman Monroe-Moreno:

Okay, but there were administrative fees that were associated with the grants. For a number of grants, whoever writes the grant can charge a fee. Those fees stayed with the educational institution and did not go to GOED or to the state. Is that what I am hearing?

Karsten Heise:

There are no fees that GOED charges. We made it very clear and have had that inserted in the contracts with the universities from day one in 2013 and onwards. There can be no administrative fees the university can charge on money or funds that are being extended to the universities from these General Fund revenues.

Assemblywoman Monroe-Moreno:

That is on the General Funds, but they can charge on the grant itself. So my question is, does that go back into the program to help offset what you are asking for in General Fund revenues this time and as it goes forward to make it self-sufficient? Does that make sense?

Karsten Heise:

Absolutely. If a university wins grants, they go directly into the university. It is not that they would go into the Knowledge Account; however, the Knowledge Account can be used for grant matching. We have an allocation within our budget. We have a line item in the Knowledge Account that the university can use it for grant matching. We currently have one active at UNR that is waiting for news, I think it should be in the next couple of weeks, on a United States Economic Development Administration (EDA) grant where we put up \$50,000 for matching. Again, if the university should win, the funds would go directly to the university. To answer Chair Carlton's earlier question, we submitted to the Legislative Counsel Bureau (LCB) a list of projects that we anticipate being funded in the 2021-2023 biennium with two scenarios: A.B. 29 passing and A.B. 29 not passing.

Assemblywoman Monroe-Moreno:

I was looking at some of the backup information that was submitted from the Desert Research Institute [[Exhibit G](#)], UNR [[Exhibit F](#)] and UNLV [[Exhibit E](#)]. On one it says there are 181 companies, agencies, or organizations with memberships and agreements [[Exhibit F](#)]. Are those companies based here? How many jobs did that \$32.5 million bring us, actual jobs on the ground, here in Nevada?

Karsten Heise:

When you go to the table in our presentation [page 18, [Exhibit C](#)], all the numbers here refer to companies that are in Nevada on the ground. The jobs created are on the ground. This is all Nevada specific.

Assemblywoman Monroe-Moreno:

When do you see this fund being self-sufficient? Do you have a projected date when you will not be coming back to the State to ask for State General Fund money? Is it going to be

continuously state funded or will it get to a point where it is self-sufficient from the investment that the State has made?

Karsten Heise:

These programs that state governments or national governments run to foster innovation that leads to support of regional innovation systems or company creation and so forth, they never cease. They are in perpetuity. But the structure of those programs can change over time, which is why we have A.B. 29 for your consideration, to broaden the scope. Should A.B. 29 pass, you will have funds under the Nevada Innovation Fund, which the group from then on will be called. The actual recipients will extend beyond the universities. You will be supporting, for example, private high-tech companies in the very early stage—small businesses that need our research and development support. We could open a program that matches dollars for small business innovation research. The structure of those programs will change as the innovation economy of a state changes over time. In 2011 when the Knowledge Account was created, it was, at that time, exactly what was appropriate for Nevada. Now, many years in, the Knowledge Account needs to be reformed. The structure changes, but you would expect, and we are hoping this is the case, that state and national governments will support their innovation systems over time in perpetuity.

Assemblywoman Monroe-Moreno:

Seeing that I was not here in 2011, I have learned a lot today.

Senator Seevers Gansert:

I have a different perspective on this. I was working as former Governor Brian Sandoval's Chief of Staff in 2011 when we put this together, and it was not funded until the 2013 session. I think that originally there was some look at commercialization. I have worked in higher education, and now, as a Senator, the value I see in the return on investment has really been in supporting the research and development of new and existing companies in Nevada, and also the start-up companies. The university system has played a critical role in diversifying the economy and providing support. I appreciate that Assemblywoman Monroe-Moreno brought up the return on investment because when you look at the metrics for \$32 million in Knowledge Account dollars, we have had \$35 million in grants and donations and another \$39 million of sponsored research contracts that have been obtained [page 18, [Exhibit C](#)]. Those are huge amounts. We have been leveraging the Knowledge Account dollars to get these external primary dollars into our state and those dollars really help expand high level, well-paid jobs. I do not know if this is the right committee or not, but the institutions have all the different projects and it might be worthwhile to have some of them spend two minutes talking about some of the work they have done. There has been so much money that has been leveraged, not in the commercialization space as much as in research and development, that has supported the growth of existing and new businesses in our state. That is where I see the value in this program.

Assemblyman Watts:

At some point it looked like there was going to be an extra \$1.2 million coming back from commercialization revenue, but in fact, that revenue goes back to the institutions. There are a lot of conversations on this item in particular that also deal with some of the changes contemplated under A.B. 29, and I want to try to avoid turning this into a policy hearing about that, but my first question is based on the current structure and the current grants that are listed. How did the \$1.2 million in commercialization revenue flowing back to the institutions influence that? In other words, did it cover some projects that otherwise the state may have been looking at providing additional funding for? How did that alter the matrix of projects that are under consideration?

Karsten Heise:

Let me briefly respond to Senator Seevers Gansert's comment. I have all three universities here on standby, and they are happy to spend two minutes during public comment to explain in more detail. Assemblyman Watts, to your question, I cannot answer this exactly, but I can give you a little bit of background on how we structured the way commercialization revenue is dealt with. We inserted into the contract that for the first three funding cycles the universities may retain commercialization revenue up to a threshold of \$1.5 million. The reason being is that we wanted to give them an incentive. You rightly point out that \$1.2 million is slightly short of that threshold. I have two remarks to that. First, to your question on how it is distributed, the Nevada System of Higher Education (NSHE) has a relatively complicated formula for how to distribute those revenues, but they are generous to the inventor. The inventor would get the bulk of it. The remaining is distributed within the institutions to the research offices. Then, there is a residual. What this comes down to contractually with us is that one-sixth of what has been generated above the threshold would flow back into the Knowledge Account. You are talking about a relatively small amount. Again, that is predominantly because of the NSHE formula where the majority goes to the inventor. NSHE can change that, but from the Knowledge Account's point of view, we cannot do that. I do appreciate not wanting to turn this into a hearing on it, but in A.B. 29 we address commercialization revenue because the question has come up many times in past hearings. In A.B. 29, we broaden the definition. I hope we have captured some of your concerns, but we would be talking about more than the \$1.2 million we have here on paper in broadening the definition. This was a brief answer to your question, hopefully.

Assemblyman Watts:

I want to get clarification because you also spoke about how things go when they go over that threshold. With the \$1.2 million, does that revenue go back to the inventor and is it focused on research, or does it go generically to the institution?

Karsten Heise:

I would defer to the institutions on exactly how this works, but it goes to the inventor. The inventor has the incentive to generate intellectual property that will later be commercialized so that the inventor benefits. There are portions that go to the university's general account, as well as the department and the research offices.

Assemblyman Watts:

I appreciate the clarification on that. Again, I do not want this to turn into a discussion or full blown hearing on [A.B. 29](#), but based on the current structure of the Knowledge Account, some of the past projects, and the results that you provided to us, what are some of the things that you have seen that have worked? What are some of the challenges that have come up and how can we target those investments currently to adapt to our economic development strategy? I know GOED just put out a new report and looked at some key areas. How are we able to target the Knowledge Account to support economic development and diversification within those key target areas?

Karsten Heise:

This question gives me the opportunity to illustrate a bit of what has worked. Echoing Senator Seever's Gansert's comments, what has worked is when we invest State General Fund dollars to create research capacity or apply research and development capacity at the research institutions, and then the research institutions engage with the private sector. There is an example of a flagship project at the UNR Center for Applied Research. Dr. Mridul Gautam, the Vice President for Research and Innovation at UNR, illustrates this in his letter [\[Exhibit H\]](#). We have developed a concept called the Applied Research Center Model where the university takes on the role of an outsourced research and development department. They provide innovation-on-demand services to a private sector company. That means the university opens the campus, and has early stage, high-growth companies on the campus. At UNR, there are 29 companies currently on campus. They get a safe zone where they can grow in scale as well as access university resources. After they reach a certain size, they "graduate" and leave campus to scale on their own in the region while continuing to engage with the university.

You have a similar approach at the Black Fire Innovation center at UNLV where they provide access to this safe zone for companies to be incubated and access the expertise of the university [page 2, [Exhibit E](#)]. That has worked extremely well. In the table, when you see the statistics or jobs created, these are companies that have engaged and are still engaging with the university. That has led, over time, to a mindset change at the universities as well. Faculty have learned how to engage with the private sector. Faculty are also slowly pivoting their focus closer towards market research. We have some success stories of actual spinouts that go back to the original model of the Knowledge Account we had in 2011 and the vision we had, at that time, of looking at the model of impact faculty creating research that then leads to spinouts. The Nevada Institute of Personalized Medicine has spun out three companies. One of them recently raised an investment round. The Desert Research Institute has one recent spin-off that also raised close to \$1 million from private investors. We are getting traction there as well, but the engagement of the university with early stage, high-growth company start-ups is where we can have this multiplier effect going forward. It has worked well.

Michael Brown:

One of the few advantages that has come out of this pandemic is that we have this Zoom technology. If I wanted to bring a subject matter expert to Nevada to speak to the Assembly or the Senate in the last session, they would have needed to make a business trip here of three days if they came from the East Coast. Now, I can get the best and brightest, and bring them right into one of the legislative hearings. This is an exciting area for Nevada, and I need to get the kind of folks that are in this space before you. Because of our geographic proximity, we have executives from Silicon Valley living at Lake Tahoe, just as we have film executives living in Henderson, who are looking at Nevada as a land of opportunity. What I see is that the Knowledge Account is the ticket for Nevada in the door, to sit at the table, and to attract those investments. I am probably not the most qualified to speak to it, and I would like to get the people who are in front of you via this technology.

Assemblywoman Tolles:

Just to summarize, it might be helpful for the benefit of the Committee if you had a list of the successes that you referenced in one place that we could all look at, and also the current projects underway as a result of the Knowledge Account. That would be a great way for us to help quantify the benefits and value of that investment.

Michael Brown:

We have that list, and we have some vignettes. We will provide that for the record.

Chair Carlton:

Thank you. That is the question I asked at the very beginning of this conversation. It was kind of difficult to get an answer, so I look forward to getting that list. Instead, I got a very long explanation about a lot of other things.

Senator Brooks:

I believe in your mission. I think you are doing a great job. I think that diversification is important in what you do every day. I also realize, Director Brown, you came over to this agency right before a pandemic when all the rules went out the window. I will say, it is working, but where is it working? This is not a criticism, but a suggestion. I direct you back to the statement you made when we opened this: do not tell me what you value, but show me your budget, and I will tell you what you value. It is clear that for decades the value has not been southern Nevada, and now we are feeling the results of that. The entire state is feeling the results of that. Moving forward, we have to dedicate resources, and that means budgets, to southern Nevada. That means full-time employees to southern Nevada. That means offices in southern Nevada. That means programs in southern Nevada.

Michael Brown:

I understand, and I have identified this. This is where we are going to be working. It is what I value for this state to get to the level of diversification that brings fiscal stability. It will take a much stronger commitment in southern Nevada.

Chair Carlton:

I do not believe we have any other questions or comments. Senator Brooks wrapped it up very well. That, Committee members, is our last budget for today. We do have public comment. We had a lot of questions, and with a program that has been going on this long, I think it is good that we had this conversation. This will not be the only conversation. This will be ongoing for a while, so we will keep talking about these issues when dollars are very precious. Please bring up the first person for public comment.

Kent Ervin, Legislative Liaison, Nevada Faculty Alliance:

Two quick points. First, knowledge and research are the common good that you cannot always measure with a direct financial return. For example, getting the COVID-19 vaccine after just one year is totally amazing, and that was enabled because of decades of research, mostly at universities, into messenger RNA and other genetic methods. Second, to address a point earlier, facilities and administration funds from external grants at the universities largely go back into research including equipping labs to support new hires. That is for startup costs for new projects.

Bo Bernhard, Interim Vice President of Economic Development, University of Nevada, Las Vegas:

I sure appreciated the entire content today. We are all very much aligned. I am a fifth generation Nevadan and very excited about the quality of this conversation. I am excited, too, to talk about the Knowledge Account. I was there and, alongside Senator SeEVERS Gansert, was very pleased with then Governor Sandoval's leadership in addition to, now Congressman Steven Horsford's leadership on this issue. I do want to talk to these successes because they are significant. They are also, I am afraid, perhaps not being conveyed in quite the way that they could. I will be very direct and quick. The Raiders would not have happened without the Knowledge Account. The Knowledge Account, with a \$250,000 seed grant, seeded an organization at UNLV that created a classroom environment that leaders in Las Vegas came to, and then came up with the idea to approach the Raiders with the proposal. This has been told in a frankly endearing ESPN story that I will forward to members of this Committee, but that is in itself billions of dollars from what used to be a California company and now is very happily a Las Vegas company, paying taxes into our state's coffers. I also would point out that the Harry Reid Research and Technology Park is a \$35 million facility that we did not have before as we sought to build this innovation ecosystem in 2011. That facility, for which Harry Reid set aside the land but that the state paid zero dollars for and corporations like Intel, Adobe, Panasonic, LG, Caesar's and others are proudly now a part of, was paid for entirely outside of the state's funds. We also have significant medical school wins. Again, it is not the case that the medical school would not have happened, but it would not have been the medical school that it is at UNLV without \$16 million in NIH funding that came through the Nevada Institute of Personalized Medicine.

In looking forward, what we are seeking to sponsor, as you heard Governor Steve Sisolak in his State of the State Address speak to, is this very exciting development of room

temperature super conducting. I can tell you that every company in Silicon Valley wishes that they were the ones who discovered this. This happened in a lab on Maryland Parkway, and that is what we will be funding, with hopefully the kindness of this Legislature, in the next round of innovation funding. Once more, just to speak to what was going on during the 2011 conversations, I remember very distinctly Steve Hill, then the head of GOED, saying that this is the kind of thing that can actually even give money back to the state if things go really well. I am struck by how central to the conversation this notion is that this was designed like the cigarette tax or the alcohol tax. That was certainly not the intent. The intent was to build an innovation ecosystem in a state that desperately needed it for diversification. On that front, I would submit, speaking for the \$10 million that has been invested in just the UNLV portion and I know there are victories my colleagues elsewhere can speak to as well, this certainly is a program that has delivered and I look forward to telling that story.

Chair Carlton:

Any other callers for public comment? [There were none.] This meeting is adjourned [at 11:03 a.m.].

RESPECTFULLY SUBMITTED:

Adam Cates
Committee Secretary

APPROVED BY:

Assemblywoman Maggie Carlton, Chair

DATE: _____

Senator Chris Brooks, Chair

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is a copy of a PowerPoint presentation titled "GOED Budget Hearing 2021-2023 Biennial Budget," dated February 15, 2021, submitted by Michael Brown, Director, Nevada Governor's Office of Economic Development.

[Exhibit D](#) is a letter from the Nevada System of Higher Education to Governor Steve Sisolak and GOED Director Michael Brown; dated October 23, 2020; signed by Chancellor Melody Rose, Desert Research Institute President Kumud Acharya, UNR President Brian Sandoval, and UNLV President Keith Whitfield, regarding Budget Account 1533, the Nevada Knowledge Account; submitted by Michael Brown, Director, Nevada Governor's Office of Economic Development.

[Exhibit E](#) is a document titled "UNLV Knowledge Fund Investment," submitted Karsten Heise, Director of Strategic Programs, Nevada Governor's Office of Economic Development, regarding Budget Account 1533, the Nevada Knowledge Account

[Exhibit F](#) is a document titled "University of Nevada, Reno Knowledge Fund Investment," submitted by Karsten Heise, Director of Strategic Programs, Nevada Governor's Office of Economic Development, regarding Budget Account 1533, the Nevada Knowledge Account.

[Exhibit G](#) is a document titled "Desert Research Institute Knowledge Fund Investment," submitted by Karsten Heise, Director of Strategic Programs, Nevada Governor's Office of Economic Development, regarding Budget Account 1533, the Nevada Knowledge Account.

[Exhibit H](#) is a letter from Mridul Gautam, Vice President for Research and Innovation, University of Nevada, Reno, dated February 15, 2021, regarding Budget Account 1533, the Nevada Knowledge Account.