MINUTES OF THE SEPTEMBER 14, 2022
SPECIAL MEETING OF THE
INTERIM FINANCE COMMITTEE

Chair Moises Denis called a special meeting of the Interim Finance Committee (IFC) to order at 1:03 p.m. on September 14, 2022, online, and in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer Office Building, 555 East Washington Avenue, Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT:
Senator Moises Denis, Chair
Assemblywoman Maggie Carlton, Vice Chair
Senator Nicole Cannizzaro
Senator Marilyn Dondero Loop
Senator Pete Goicoechea
Senator Scott Hammond
Senator Dallas Harris
Senator Dina Neal
Senator Heidi Seevers Gansert
Senator Don Tatro
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Michelle Gorelow
Assemblyman Gregory Hafen
Assemblywoman Sandra Jauregui
Assemblyman Glen Leavitt
Assemblywoman Brittney Miller
Assemblywoman Daniele Monroe-Moreno
Assemblywoman Robin Titus
Assemblywoman Jill Tolles
Assemblyman Howard Watts
Assemblyman Steve Yeager

COMMITTEE MEMBERS EXCUSED:
Assemblywoman Sarah Peters
Assemblyman Tom Roberts

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:
Brenda Erdoes, Director, Legislative Counsel Bureau
Wayne Thorley, Fiscal Analyst, Senate
Sarah Coffman, Fiscal Analyst, Assembly
Alex Haartz, Chief Principal Deputy Fiscal Analyst
Brody Leiser, Chief Principal Deputy Fiscal Analyst
Cathy Crocket, Principal Deputy Fiscal Analyst
Karen Hoppe, Principal Deputy Fiscal Analyst
Bryan Fernley, Legislative Counsel
Eileen O'Grady, Chief Deputy Legislative Counsel
Jessica Dummer, Deputy Legislative Counsel

Cheryl Harvey, Fiscal Analysis Division Secretary
Melissa Garvin, Fiscal Analysis Division Secretary

EXHIBITS:
Exhibit A: Meeting Packet
Exhibit B: Public Comment - Nevada Credit Union League

A. ROLL CALL.

MELISSA GARVIN (Secretary, Fiscal Analysis Division, Legislative Counsel Bureau [LCB]), called the roll; all members were present except Assemblywoman Peters and Assemblyman Roberts, who were excused. Assemblywoman Benitez-Thompson joined the meeting in progress.

B. PUBLIC COMMENT.

SASHA SUTCLIFFE-STEPHENSON (Board Member, Governor's Office of Economic Development [GOED]; Chair, GOED Advisory Subcommittee on Startups and Venture Capital):
I commend the Committee for its consideration of the State Small Business Credit Initiative (SSBCI) 2.0. It is a program to which I have recently been exposed in my capacity as the Chair of the GOED Advisory Subcommittee on Startups and Venture Capital.

I previously served as the Executive Director of State International Development Organizations, Inc., which represents all state economic development offices in the United States; therefore, I am particularly interested in programs that enable states to leverage federal funds to build upon existing investments, such as Battle Born Growth. Battle Born Growth has supported operations of accelerators such as StartupNV and Gener8tor, the latter of which is a nationally recognized company that has recently begun successful operations in Nevada.

The SSBCI 1.0 has funded 15 companies including Outlaw Soaps. The founder of Outlaw Soaps is a member of the GOED Advisory Subcommittee on Startups and Venture Capital.

Approval of the SSBCI program under consideration today will provide additional critical pre-seed stage funding for startups from Nevada's research universities resulting in growth in exciting new sectors, which is great for the state's economy. Should the Committee authorize GOED to accept the federal funding, I am told it can be leveraged to fund another 176 deals over the course of the program.

KEN EVANS (Board Member, Access Community Capital):
On behalf of the hundreds of small business owners that Access Community Capital works with every month, the company is excited about the potential of the SSBCI program. Many times, capital is often a major issue for businesses in Nevada. Part of the struggle for businesses is determining how to make themselves available to their target audience. Rarely does an opportunity present itself like the SSBCI program.

I am very happy to have this opportunity via the program to address this delivery challenge. GOED has drafted and submitted a plan to the U.S. Department of the Treasury that may transform the pipeline through which capital can flow and reach a diverse group of entrepreneurs, which is greatly appreciated.

Capital delivery systems are remarkably uneven across Nevada and the United States; however, GOED's plan connects community banks, community development institutions and large financial institutions, and other linchpins of the small business lending ecosystem to address this need. The plan from GOED provides flexible capital that can be allocated to programs that directly invest in entrepreneurs and small businesses at different stages, from individual sole proprietors to startups, targeting explosive growth.

The exciting thing about GOED's plan is that it is designed to address three things through the SSBCI allocation. First, it will attract private investment to the state. Targeting a 10:1 ratio, the SSBCI will reach small businesses with fewer than ten employees. It will also reach businesses owned by socially and economically disadvantaged individuals.

When fully launched and activated, GOED's plan will spur cycles of innovation through venture capital program investments. Additionally, it will reach entrepreneurs through outreach activities across geographies and social economic classes. Having worked with Karsten Heise, Director of Strategic Programs, GOED; Michael Brown, Director, GOED; and other GOED staff, Access Community Capital enthusiastically supports the current plan to participate in the SSBCI program.

TROY VOSSELLER (Co-Founder, Gener8tor):
I support Agenda Item C.11 relating to the SSBCI program. My organization, Gener8tor, is both a venture capital firm and startup accelerator. The company currently works under contract with GOED to operate startup accelerator programs in Reno and Las Vegas, which kicked off one week ago.

Gener8tor has already committed $2.5 million in private venture capital dollars. Over the next five years, Gener8tor will work with and invest in at least 50 startup companies in Nevada. Historically, for every dollar invested by Gener8tor, companies in which Gener8tor invests go on to raise at least $44 of private follow-on venture capital, which is a leverage ratio of 1:44. Based on the $2.5 million private commitment from Gener8tor, that translates to $110 million.

JEFF SALING (Co-Founder and Executive Director, StartupNV):
StartupNV is Nevada's statewide nonprofit accelerator program. I am also a partner in three small venture capital funds that are affiliated with StartupNV. These venture capital funds invest private capital in companies that go through the accelerator program. The reason my co-founders and I started StartupNV in 2017 is because Nevada is behind regarding venture capital and the startup ecosystem. We want to create a vibrant, inclusive startup community in Nevada.

Before StartupNV, I spent most of my career in technology startups in Silicon Valley, California, Seattle, Washington, and Austin, Texas. I have seen what it takes and have lived it. The SSBCI program, as it is currently constructed, is going to drastically improve the situation in Nevada because it requires private investors and venture capital funds like StartupNV to invest alongside the SSBCI funds. StartupNV goes into the community to find companies, complete extensive due diligence, and then invest capital. Beyond that, StartupNV coaches companies so they are more likely to be successful.

Since StartupNV invests private capital raised from many private investors, the company is very careful about its investments. The SSBCI and StartupNV money is added together to de-risk the entire investment while growing the venture capital and startup ecosystems. It is a highly productive private/public partnership that will grow the startup community, diversify the economy of Nevada, and because it is an investment and not a grant, it should return capital to the program like it does for investors. Because StartupNV programs are intentionally inclusive, by actively reaching out to and working with traditionally underserved communities, the SSBCI program provides diversity in multiple ways by investing in Nevadans who are creating startup companies, growing jobs, and generating wealth for entrepreneurs, employees, and investors, including the State of Nevada.

DAN MORET (Program Manager, Community Reinvestment Fund [CRF]):
The CRF is a national community development financial institution focused on serving small businesses across the nation. I support Battle Born Growth and the efforts to give small business owners across the state access to capital opportunities they desperately need. The CRF team has had the opportunity to work with similar teams on similar initiatives across the country. The CRF believes Battle Born Growth can be a transformational opportunity for small business owners across Nevada, particularly those who have traditionally struggled to acquire capital.

The CRF believes this is a unique opportunity for the State of Nevada. I am proud to support the program.

KEGAN MCMULLAN (Managing Director, Gener8tor Las Vegas Accelerator Program):
I am enthusiastic and supportive of the SSBCI program in Nevada, not only for what it means for Nevada-based businesses and startup companies, but how the program will truly help the economic diversification of the state and the future of the workforce innovation culture. Currently, Gener8tor is working with five startup companies. Working through more than 1,000 applications has been a very selective process in order to get to the top teams that Gener8tor will be working with for 12 weeks during the cohort program.

I have been in Las Vegas for more than ten years. I worked for the University of Nevada, Las Vegas (UNLV) for several years; I have had startup companies in Las Vegas; and I have had a few passion projects as well. I earned my Master of Business Administration and Juris Doctor degrees from UNLV. I have seen firsthand how these types of initiatives support people in the community to help expand startup companies in Nevada. Over the past two years, I have seen how these types of initiatives have changed the landscape and ecosystem related to workforce, business, and startups in a way that I do not believe has ever been done in the past. I have also witnessed more collaboration between organizations. Refunding the SSBCI program to pour investment capital into businesses throughout Nevada will greatly benefit the state.

RYAN SMITH (Director of Economic and Urban Development, City of Las Vegas):
I am speaking in support of Agenda Item C.11. I would like to thank Karsten Heise and the GOED team. The SSBCI program is very important for startup companies and providing small businesses with access to capital. The City of Las Vegas is in full support of this program. The leverage of investments will substantially diversify Nevada's economy and help the startup ecosystem.

C. APPROVAL OF WORK PROGRAM REVISIONS SUBMITTED IN ACCORDANCE WITH NRS 353.220(5)(b) - REQUIRES EXPEDITIOUS ACTION WITHIN 15 DAYS.

WAYNE THORLEY (Senate Fiscal Analyst, Fiscal Analysis Division, LCB):
Agenda Items C.5, Nevada Department of Education (NDE) and C.6, NDE, are related. The Governor's Office of Finance (GFO) requested revisions to both items after the agenda was posted; therefore, the revisions are not reflected on List C. The original amount of $1.9 million for both items has been revised to $1,731,052.

Agenda Item C.11, GOED, has been pulled for additional discussion.

ASSEMBLYWOMAN CARLTON MOVED TO APPROVE THE REMAINING WORK PROGRAM REVISIONS UNDER AGENDA ITEM C.

SENATOR CANNIZZARO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

1. **Office of the Secretary of State - Secretary of State - <u>FY 2022</u>**
Transfer of $260,185 in General Fund appropriations from FY 2022 to FY 2023 to continue enhancements to the Cenuity system. Requires Interim Finance approval pursuant to Section 40 of Assembly Bill 494 (2021 Legislative Session). **RELATES TO ITEM C.2. Work Program #C61167. RECEIVED 9-2-22.**

   Refer to motion for approval under Agenda Item C.

2. **Office of the Secretary of State - Secretary of State - FY 2023**
Transfer of $260,185 in General Fund appropriations to FY 2023 from FY 2022 to continue enhancements to the Cenuity system. Requires Interim Finance approval pursuant to Section 40 of Assembly Bill 494 (2021 Legislative Session). **RELATES TO ITEM C.1. Work Program #C60559. RECEIVED 8-30-22. REVISED 9-1-22.**

   Refer to motion for approval under Agenda Item C.

3. **Department of Education - Other State Education Programs - <u>FY 2022</u>**
Transfer of $125,953 in General Fund appropriations from FY 2022 to FY 2023 to continue to fund the Jobs for America's Graduates program. Requires

Interim Finance approval pursuant to Section 8 of Senate Bill 458 (2021 Legislative Session). **RELATES TO ITEM C.4. Work Program #C61170. RECEIVED 9-2-22.**

Refer to motion for approval under Agenda Item C.

4. **Department of Education - Other State Education Programs - FY 2023**
Transfer of $125,953 in General Fund appropriations to FY 2023 from FY 2022 to continue to fund the Jobs for America's Graduates program. Requires Interim Finance approval pursuant to Section 8 of Senate Bill 458 (2021 Legislative Session). **RELATES TO ITEM C.3. Work Program #C61122. RECEIVED 9-2-22.**

Refer to motion for approval under Agenda Item C.

5. **Department of Education - Assessments and Accountability - <u>FY 2022</u>**
Transfer of $1,949,712 in General Fund appropriations from FY 2022 to FY 2023 to continue to fund K-12 state assessments. Requires Interim Finance approval pursuant to Section 35 of Assembly Bill 494 (2021 Legislative Session). **RELATES TO ITEM C.6. Work Program #C61174. RECEIVED 9-2-22.**

Refer to motion for approval under Agenda Item C.

6. **Department of Education - Assessments and Accountability - FY 2023**
Transfer of $1,949,712 in General Fund appropriations to FY 2023 from FY 2022 to continue to fund K-12 state assessments. Requires Interim Finance approval pursuant to Section 35 of Assembly Bill 494 (2021 Legislative Session). **RELATES TO ITEM C.5. Work Program #C61115. RECEIVED 9-2-22.**

Refer to motion for approval under Agenda Item C.

7. **Department of Education - Data Systems Management - <u>FY 2022</u>**
Transfer of $40,000 in General Fund appropriations from FY 2022 to FY 2023 to support system costs associated with virtual auditing of hospitals. Requires Interim Finance approval pursuant to Section 42 of Assembly Bill 494 (2021 Legislative Session). **RELATES TO ITEM C.8. Work Program #C61173. RECEIVED 9-2-22.**

Refer to motion for approval under Agenda Item C.

8. **Department of Education - Data Systems Management - FY 2023**
Transfer of $40,000 in General Fund appropriations to FY 2023 from FY 2022 to support system costs associated with virtual auditing of hospitals. Requires Interim Finance approval pursuant to Section 42 of Assembly Bill 494 (2021 Legislative Session). **RELATES TO ITEM C.7. Work Program #C61124. RECEIVED 9-2-22.**

Refer to motion for approval under Agenda Item C.

9. **Department of Education - Educator Effectiveness - FY 2022**
Transfer of $11,740 in General Fund appropriations from FY 2022 to FY 2023 to continue to fund financial literacy curriculum. Requires Interim Finance approval pursuant to Section 43 of Assembly Bill 494 (2021 Legislative Session). **RELATES TO ITEM C.10. Work Program #C61169. RECEIVED 9-2-22.**

Refer to motion for approval under Agenda Item C.

10. **Department of Education - Educator Effectiveness - FY 2023**
Transfer of $11,740 in General Fund appropriations to FY 2023 from FY 2022 to continue to fund financial literacy curriculum. Requires Interim Finance approval pursuant to Section 43 of Assembly Bill 494 (2021 Legislative Session). **RELATES TO ITEM C.9. Work Program #C61119. RECEIVED 9-2-22.**

Refer to motion for approval under Agenda Item C.

11. **Governor's Office of Economic Development - State Small Business Credit Initiative - FY 2023**
Addition of $35,229,235 in federal U.S. Department of the Treasury funds to support the State Small Business Credit Initiative 2.0 program. Requires Interim Finance approval since the amount added to the Battle Born Venture Capital Program category exceeds $75,000. **Work Program #C61241. RECEIVED 9-8-22.**

BOB POTTS (Deputy Director, Governor's Office of Economic Development [GOED]):
I would note that Michael Brown, Director, GOED, is ill and will not be attending the meeting today. Joining me today is Karsten Heise, Director of Strategic Programs, GOED, and Michele Lynn, Director of Administration, GOED.

KARSTEN HEISE (Director of Strategic Programs, GOED):
I oversee the strategic programs and innovation at GOED, which includes the State Small Business Credit Initiative (SSBCI) program. In Las Vegas, Mendy Elliott, Senior Vice President of Regulatory Affairs, Flynn Giudici Government Affairs, is also in attendance. Ms. Elliott is contracted with GOED to support me with the SSBCI application process, and she will be the Program Officer when the new program launches.

GOED is here today to provide additional background on the work program request to accept the first tranche of the SSBCI allocation to Nevada. This is an exciting moment for Nevada's small businesses as it marks the occasion of strengthening and substantially broadening the existing SSBCI program.

GOED has continued to operate the SSBCI program uninterruptedly since its inception in 2011. The SSBCI 2.0 is the continuation of a journey. In 2015, United States legislators had the wisdom and foresight to create a corporation for public benefit, which will now make the operation of the SSBCI 2.0 more effective. I use the terms "wisdom" and "foresight" deliberately because those terms were used by another state when GOED explained Nevada's program structure within the SSBCI application process.

At GOED, this program is regarded as a once-in-a-generation opportunity to stand up innovation and impact innovative and impactful programs to support Nevada's small businesses for decades to come. This is not just an initiative for the duration of the SSBCI program. The way the SSBCI program was established will have a generational impact; far beyond the potential proposed sunset date of 2030. The program will create an environment of equal opportunity. Equal opportunity and equitable access to capital, especially for small businesses from previously underserved communities, is a vital aspect of the SSBCI program.

As background, during the Great Recession, when banks stopped lending to small businesses, President Obama signed into law the Small Business Jobs Act of 2010, which allocated $1.5 billion to states to create their respective SSBCI programs. The intention was to allocate money to states while allowing those states to design their own programs according to their individual needs; Nevada was allocated $13.8 million.

On March 11, 2021, President Biden signed the American Rescue Plan Act (ARPA), which reauthorized and funded states with more business credit initiative. The new version of the SSBCI program provides a combined $10 billion to states, including the District of Columbia, territories, and tribal governments, to empower small businesses to access capital needed to invest in job-creating opportunities needed by the country following the COVID-19 pandemic.

These funds will support American entrepreneurship. That support will also democratize access to startup capital across the country, including in underserved communities.

I would note that the SSBCI program is not a grant. It requires private capital to be deployed alongside those federal funds, which means that a major benefit of the program is the attraction of private capital in the form of loans (on the credit side), or venture capital. The target ratio of 10:1 is the goal over the duration of the program and across all program components. For every $1 in SSBCI federal funds going through the State of Nevada, $10 in private money will come alongside. In this advanced form of public/private partnership, winners and losers are not being determined. The private sector is identifying winners, which will then extend loans in venture capital to those companies. The SSBCI program will support the private sector in this endeavor.

In conclusion, GOED believes it has submitted a compelling programmatic structure, which is awaiting official approval from the U.S. Department of the Treasury. The required review process has been completed and GOED will be able to enter the contracting phase through an allocation agreement. The allocation agreement phase will begin upon approval by the Committee.

SENATOR SEEVERS GANSERT:
I remember when this money originally came into Nevada during the Sandoval Administration in 2011. Years ago, one thing that was certain was that Nevada would not be loaning money or making decisions regarding the loans. The companies had to go through financial institutions or venture capital firms to be able to get the private sector piece. It sounds like that is still the case.

Based on the funds over the years, what percentage has been derived from bank loans versus venture capital?

MR. HEISE:
Originally, $13.8 million was allocated to the SSBCI program. GOED started off with a microloan program of about $500,000. The balance of the funds was used for a collateral support program. If there was a shortfall in collateral, the program would provide up to 35% of that shortfall. In 2012, GOED began a venture capital program, which became effective in 2013. GOED has continued to run those programs since inception, so the figures I provide will not include the sunset date in September 2017. GOED has recycled the funds. The collateral support program deployed a total of nearly $14 million since inception. This is just a portion of the total loan size, which is approximately $52 million. The venture capital program has deployed $6 million to date. The new program will be more diversified in the sense that instead of two programs, the SSBCI program will be expanded to five programs; the programs are more evenly balanced.

Regarding the question about direct or indirect, this is still the case. The private sector needs to come alongside, so when there is a credit transaction under the loan programs, GOED will be working with the financial institutions. The end customer will be the financial institutions instead of the small businesses.

In the venture capital program, GOED has previously conducted investments through the nonprofit organization that I was referencing. GOED will continue to directly invest in companies through that nonprofit organization.

SENATOR SEEVERS GANSERT:
Will these new funds be recycled as well?

MR. HEISE:
Yes, GOED is looking at a run date of approximately 2030 and to have the program designed in such a way that those funds can be recycled thereafter. The funds will already be recycled beforehand, so the funding is technically being redeployed. GOED's intent is that after the sunset of the SSBCI program, GOED will continue to run the program in perpetuity. As mentioned earlier, GOED is looking at a generational impact of 20 to 30 years.

SENATOR SEEVERS GANSERT:
I think this is a great program and it is exciting that more capital will be available to use on behalf of startup companies.

SENATOR NEAL:
What I understand about venture capital is that typically a venture capitalist has a portfolio they want to build, or they may take a risk on a startup company if they think there will be a return on investment, meaning that the startup company could bring the venture capitalist 20% to 30%, not just marginal growth.

What is the structure of the program on the government side to help startup companies become eligible for capital if they do not fit into the portfolio of the venture capitalists? Will there be a catch-all category that allows a company that is more about design, not technology or health care, to be able to launch. There are other categories that may not traditionally be of interest to venture capitalists, but state government may be interested in those types of companies because the startup is a Nevada-based company.

MENDY ELLIOTT (Senior Vice President of Regulatory Affairs, Flynn Giudici Government Affairs):
The structure created for the SSBCI program is linear. For very small companies that are getting started but are not quite ready for the venture capital side, GOED has partnered with community development financial institutions (CDFI) for loans less than $250,000. The CDFIs are designed to take more risk than a bank. The goal is for the CDFIs to take a risk with those small businesses and get them ready for venture if so desired. If the small business decides it would rather work with a bank and not bring in a partner from a venture capital standpoint, that business can work with a bank on either collateral support or a loan participation program. GOED has tried to build a program that is linear for the life of the business. As noted by Mr. Heise, there are now five programs. The small business you described is exactly why multiple pathways were built into the program.

SENATOR NEAL:
I understand the collateral support program has been around for a while. Startup companies have limited collateral and limited information in terms of their financial statement. Additionally, startup companies typically have only an initial cash investment or an asset such as a home. What is the collateral framework in the new program?

MS. ELLIOTT:
The collateral support program works with financial institutions. Nevada has traditionally had very few CDFIs in the state. Part of the reason GOED developed the partnership with the CDFIs was because those institutions have the ability and were designed to take risks. The CDFIs can apply for grants and obtain lines of credit through the Small Business Administration. The CDFIs will also be utilizing the SSBCI funds so that they can take a risk on small businesses that are just starting out.

The Legislature approved funding from the Office of the Attorney General to help Access Community Capital get stood up as a CDFI in Nevada. Those dollars will help GOED leverage the SSBCI dollars so that microbusinesses needing less than $250,000 will have the ability to access the SSBCI and CDFI dollars. There are multiple avenues of funding for the CDFIs that are not available to regular banks. GOED is excited about the fact that Nevada is standing up CDFIs so that microbusinesses have the ability to access capital funds.

SENATOR TATRO:
What is the maximum number of employees, maximum loan amount, and the default ratio in the small business category?

MS. ELLIOTT:
On the lending side, the maximum number of employees is 500 and the maximum loan amount is capped at $5 million per the U.S. Department of the Treasury. In the original SSBCI 1.0, more than $60 million was deployed and approximately $7,000 was lost in the term from 2011 to date.

SENATOR GOICOECHEA:
During the first three years, it looks like 80% must be distributed and expended. Does “expended” mean obligated or spent?

MR. HEISE:
“Expended” means obligated.

SENATOR GOICOECHEA:
I was concerned that the funds could be withdrawn part way through if the criteria had not been met. I understand now that the funds just need to be obligated before moving into the next cycle.

ASSEMBLYWOMAN TITUS:
I would like clarification about the timeline. I understand the timeline is based on the information available, which is approximately one-third of the potential money. Do the funds have to be obligated within ten years? When will the remainder of the funds be available?

MR. HEISE:
The work program includes a potential total, which is approximately $105 million. In addition, there is an incentive for disadvantaged small businesses. If the goals are met, the funds could go as high as approximately $113 million. The incentives kick in after the second and third tranche. To determine those amounts, $105 million would be divided into three, which would reveal the amount of the first tranche. The first tranche runs for three years. GOED needs to reach a minimum of 80% to begin drawing down the second tranche. This time there is a clawback from the federal government so there is an incentive to deploy the funds quickly. Last time there was a theoretical clawback, but states did not lose the money, they just took longer to expend it. Due to the amount of money this time, states need to deploy the funds before three years’ time to receive the second tranche.

ASSEMBLYWOMAN TITUS:
Is the money available to small businesses for infrastructure?

MS. ELLIOTT:
From a lending perspective, yes. The SSBCI program can be partnered with a Small Business Administration (SBA) 504 program during the construction phase. That helps smaller financial institutions compete and helps with capital requirements. GOED has been able to provide SBA 504 support in Elko, Las Vegas, North Las Vegas, etc. The goal is to help with more owner-occupied properties through expenditure of the funds.

ASSEMBLYWOMAN TITUS:
Will there be any mandates for project labor agreements related to infrastructure?

MS. ELLIOTT:
The program is designed as a support mechanism for the financial institutions in Nevada. At this time, there is no requirement from the U.S. Department of the Treasury for project labor agreements or any other type of agreement. The arrangement between the lender and borrower is with the financial institutions, with GOED simply providing a support mechanism to financial institutions so that borrowers will have access to the funds.

MR. HEISE:
I would like to add that although there have been instances of collateral support for SBA 504 loans, the objective of the program is to provide funding to small businesses for operation expenditures, equipment, expansion, etc. That may include buildings, but it is not the primary objective of the SSBCI program.

ASSEMBLYWOMAN TITUS:
I am very supportive of public/private partnerships, which is something Nevada can use more of.

CHAIR DENIS:
Please discuss outreach efforts.

MR. HEISE:
The outreach effort is twofold. As previously mentioned, GOED is working with lenders, so the strategy consists of outreach to lenders such as the CDFIs, credit unions, and banks. Outreach includes information sessions, conferences, webinars, and direct visits, which have proven to be very effective. The other part of the outreach efforts involves making small businesses aware of the program, which occurs indirectly through the lenders and directly through support organizations like the Small Business Development Center.

There is a technical assistance component of the SSBCI program that I have not mentioned because it is carved out separately and is not under consideration today. GOED is currently going through the application process, which is due in October 2022. During that process, GOED will be working with the Small Business

Development Center. The technical assistance component feeds into and has to directly connect with the SSBCI program proper.

GOED also works with support organizations such as chambers of commerce, especially minority chambers of commerce. There is a large portion of socially and economically disadvantaged small businesses that need support, which is done through the chambers of commerce. GOED works in collaboration with the regional development authorities, cities, universities, and general support organizations for entrepreneurial groups. There is no clear answer, but outreach efforts are highly targeted, incredibly broad, and consistent over the three-year period.

SENATOR GOICOECHEA:
Is the money meant to help small businesses get off the ground so they can qualify for a private sector loan on their own?

MS. ELLIOTT:
I will explain the structure of a loan that would support a piece of equipment. With the SSBCI collateral support loan participation program, the borrower would seek a loan from a bank. A normal loan may finance 70% to 80% of the value of a piece of equipment; however, because additional collateral is being provided to the financial institution toward the loan, the bank will finance 100% of the value of that piece of equipment. Thus, the borrower does not have to provide out-of-pocket funds. The goal is to help financial institutions approve loan requests, but more importantly, help the borrower get the tools they need to be successful. The process depends on the loan structure as each loan is unique; however, there has been much success in providing 100% financing on equipment and improving accounts receivable lines of credit so borrowers have more capital, can hire more people, and get the job done, especially in the construction industry. The SSBCI provides additional collateral to financial institutions so they can provide more lending capabilities to those borrowers. The funds are deployed on a case-by-case basis.

SENATOR GOICOECHEA:
Who will be responsible in the case of a default?

MS. ELLIOTT:
The SSBCI dollars that are going into any type of credit facility are the first in and the last out. The program has a di minimis number of defaults. If there is a default, the banks must first work through their entire default process before they can request the final dollars. The loss on the part of the SSBCI is shrunk to only a percentage of the residual loss. That is why the program has worked so well for the state in the past and now it will work well for the nonprofit organization due to its structure.

SENATOR NEAL:
What if the company is a design startup company? Would that company be eligible for the program?

MS. ELLIOTT:
That is one of the reasons the CDFI component was created. The CDFIs are intended for loans that are $250,000 or less. It requires a lot of effort to work with a borrower for a small amount of money. By design and definition, the CDFIs have the capability to take a risk on small loans and work with those types of borrowers. Loans between $250,000 and $5 million will work with the larger financial institutions. Someone with a design business would probably start with a CDFI first and then depending on how robust the business becomes, the business could either go to the venture capital side or a financial institution. The goal was to create a linear lending capability for the State of Nevada. The program is valuable, but if it needs to be changed, it can be modified in the future. It is a ten-year program and things may look different between now and then.

ASSEMBLYWOMAN CARLTON MOVED TO APPROVE AGENDA ITEM C.11.

SENATOR CANNIZZARO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

12. **Department of Corrections - Ely State Prison - <u>FY 2022</u>**
Addition of $19,317 in Jail Meals fees and $29,698 in Utility Capital Credit fees to account for additional revenue received above the legislatively approved authority. Requires Interim Finance approval since the amount added to the Reserve for Reversion to General Fund category exceeds 10% of the legislatively approved amount for that category. **Work Program #C61056. RECEIVED 8-30-22.**

Refer to motion for approval under Agenda Item C.

13. **Department of Corrections - Casa Grande Transitional Housing - <u>FY 2022</u>**
Addition of $44,065 in Room, Board, Transportation Charge fees to account for additional revenue received above the legislatively approved authority. Requires Interim Finance approval since the amount added to the Reserve for Reversion to General Fund category exceeds 10% of the legislatively approved amount for that category. **Work Program #C60955. RECEIVED 8-30-22.**

Refer to motion for approval under Agenda Item C.

14. **Department of Corrections - Stewart Conservation Camp - <u>FY 2022</u>**
Addition of $4,003 in Room, Board, Transportation Charge fees to account for additional revenue received above the legislatively approved authority. Requires Interim Finance approval since the amount added to the Reserve for Reversion to General Fund category exceeds 10% of the legislatively approved amount for that category. **Work Program #C60910. RECEIVED 8-30-22.**

Refer to motion for approval under Agenda Item C.

15. **Department of Motor Vehicles - Motor Carrier Division - FY 2022**
Addition of $108,000 in Motor Vehicle Government Services Tax Commissions to align budget authority with actual revenues collected for the fiscal year. Requires Interim Finance approval since the amount added to the Reserve for Reversion category exceeds $75,000. **Work Program #C61189. RECEIVED 9-7-22.**

Refer to motion for approval under Agenda Item C.

16. **Department of Veterans Services - Northern Nevada Veterans Home Account - FY 2022**
Addition of $974,390 in Federal Reimbursement revenue to cover contractual obligations for the management and operation of the Northern Nevada State Veterans Home. Requires Interim Finance approval since the amount added to the Operating category exceeds $75,000. **Work Program #C59667. RECEIVED 8-30-22.**

Refer to motion for approval under Agenda Item C.

D. STATEMENT OF CONTINGENCY ACCOUNT BALANCE.

WAYNE THORLEY (Senate Fiscal Analyst, Fiscal Analysis Division, LCB):
The Statement of Contingency Account Balance is located on page 119 in the meeting packet (Exhibit A). The state is still in the shoulder period between fiscal year (FY) 2022 and FY 2023, so the statement includes amounts for both fiscal years. The summary on page 119 shows the balance prior to any actions of the Committee today. The balance is approximately $21.8 million, which is comprised of $9.6 million in the unrestricted General Fund portion, $1.6 million in the unrestricted Highway Fund portion, and $10.6 million in the restricted General Fund and Highway Fund portions.

There is one request for an allocation from the IFC Contingency Account for $225,591 that would come out of the unrestricted General Fund portion. If approved, the balance would be approximately $21.6 million.

There was no further discussion on this item.

E. REQUEST FOR ALLOCATION FROM THE IFC CONTINGENCY ACCOUNT (GENERAL FUND) PURSUANT TO NRS 353.268 (Note: IFC may approve a different amount for an allocation than the amount requested) - DEPARTMENT OF INDIGENT DEFENSE SERVICES - Reconsideration of request for an allocation of $225,591 to reimburse Elko and Storey Counties for costs in excess of the estimated maximum contribution amount for indigent defense services that was not approved by the Interim Finance Committee at its August 17, 2022, meeting.

CHAIR DENIS:
Agenda Item E is a request from the IFC Contingency Account from the Department of Indigent Defense Services. The Committee requested additional information about this matter during the August 17, 2022, IFC meeting.

MARCIE RYBA (Executive Director, Department of Indigent Defense Services [DIDS]):
Assembly Bill 81 (2019 Legislative Session) required all counties to create plans for the provision of indigent defense services to comply with minimum standards. The 2019 Legislature knew that bringing those counties into compliance would likely cost many of the counties, especially the rural counties, more money than they were already spending on indigent defense services. The 2019 Legislature granted authority to the Board on Indigent Defense Services to create a formula for the maximum amount that a county can pay for indigent defense services.

The DIDS request today is for reimbursement for FY 2022 for funds that were expended by Elko and Storey Counties to specifically comply with these regulations and minimum standards as both counties were over their maximum contribution amount. For Elko County, the increased expenses were related to steps taken by the county to increase the pay for public defenders to provide parody to the district attorneys and for hiring three additional attorneys in the public defenders' offices to handle the increased workload. Storey County hired an appointed counsel administrator, so DIDS created that separation from the judiciary.

SENATOR CANNIZZARO:
Ten counties (Churchill, Douglas, Esmeralda, Eureka, Lander, Lincoln, Lyon, Mineral, Nye, and White Pine Counties) are included in the *Davis v. Nevada* (*Davis* counties) stipulated consent judgement for which the state is obligated to spend money. Thus, funds were set aside in the restricted Contingency Account for DIDS. Anything over and above that comes out of the unrestricted Contingency Account. Agencies need to provide thorough backup documentation to request funds from the unrestricted Contingency Account. The Contingency Account is intended for unexpected costs and gives the flexibility to operate. I think that is where it gets complicated as it relates to the non-*Davis* counties, because funds were specifically set aside in hopes of covering the full amount for the *Davis* counties. Elko and Storey County fall under non-*Davis* counties so it is important to have good backup documentation for these requests.

As a side note for the 2023 Legislative Session, realistically these costs should be built into the budget so that the state is contributing a budgetary amount instead of the agency coming before the IFC to request more funding. The state needs to be careful, or a situation could result where the IFC is doing something it is not designed to do.

Although the Committee is clear on where the *Davis* counties stand and when the IFC needs to assist financially, it is more complicated for the non-*Davis* counties.

During the August 17, 2022, IFC meeting, the Committee requested additional information from Elko and Storey Counties from DIDS. I understand some information was provided by Elko County. Originally there was a significant amount of money categorized as being used for supplies or other expenses without detailed information. There were also some large, itemized expenses for social workers, travel, and training. However, in the revised backup documentation, the supplies and other expenses categories are empty and there is now an allocation for expenses related to investigators, interpreters, and evaluations. It is concerning that the request has changed from the original.

How does the department audit or otherwise ensure accurate and consistent reporting for eligible county reimbursement requests for costs in excess of the calculated maximum contribution amount? How does the department track those costs? Also, why do the numbers differ from the original request?

MS. RYBA:
DIDS is striving to work with the counties to obtain more accurate data. One issue the department is experiencing is that DIDS is a very small department. DIDS was created in 2019 and the size of the department has remained the same, so the department does not have a defined fiscal division. The department relies on the good faith of the counties in submitting true and correct records.

I reach out directly to Elko County. The county leadership at its controller's office changed in December 2021. The new individual did not have access to the previous paperwork; therefore, she went through the expenses line-by-line and provided DIDS with new and updated information. The reason the totals are different is because with the prior IFC request, the reporting deadline ended on June 15, 2022. After that date, attorneys technically have up to 60 days under statute to submit their bills; therefore, additional bills were received after that closing date. Those bills are included in the most current amount before the Committee, which is why it increased from $217,000 to $238,000.

DIDS created the form that the counties use to report their indigent defense expenses. In creating the form, the department attempted to catch all expenses related to indigent defense and make the form as clear as possible. However, after speaking with the counties, it was determined that the form required modification. DIDS modified the form for FY 2023. The entire cost of state public defender expenses will be lumped together rather than asking the counties to break down costs such as supplies, which should provide better data. DIDS provides training to each of the counties.

DIDS is a new department and indigent defense expenses reporting is a new requirement. The department hopes to get buy in from the rural counties, especially considering DIDS does not have enough in its budget to reimburse these costs. Part of the pushback that DIDS received was related to the fact that this was likely going to be an unfunded mandate.

I reached out to Elko County, which provided as much information as possible. With the short deadlines, the books were due to be closed and the county was unable to provide more information than what was provided to staff.

SENATOR CANNIZZARO:
I think everyone agrees the state should help provide for indigent defense services, especially in rural areas where it can be more difficult to obtain the necessary experts such as attorneys, social workers, and interpreters. Hopefully there is some incentive

from the counties to at least provide the IFC with the necessary documentation and information moving forward.

There is a very clear line about the state's financial obligation for *Davis* counties, which is why money was set aside in the restricted Contingency Account. Anything exceeding the amount funded in the bill would have to be covered using unrestricted Contingency Account funds. However, funds were not set aside for non-*Davis* counties; therefore, it is very important for those counties to provide good documentation. I would be happy to assist the department in determining best practices, because I think from an IFC and budgeting standpoint, expenses for things such as interpreters and supplies are listed as line items. It is easier for the IFC and the Legislature to justify spending money when more detail is provided. I want to reiterate that this should be a budget item for DIDS so that this is money the department is facilitating through its budget processes to reimburse the counties rather than coming before the IFC for approval.

I understand your point about the deadlines; however, I think that may need to be addressed as well because the Committee needs to have accurate information in order to allocate funds from the Contingency Account. Perhaps the deadlines need to be reconsidered if that is an issue.

The revised reports from Elko County include an additional $19,504. It is my understanding that the department is required to go through the Board of Examiners (BOE) prior to coming before the IFC, which was not done in this instance.

MS. RYBA:
You are correct, the $19,504 was not part of the request the BOE received. Again, part of the issue was the change in leadership in Elko County where the first two months were completed by one individual and the last two months were completed by new leadership. DIDS has talked with Elko County and is also working on modifying the expense form. The department has strongly encouraged rural counties to create a separate line-item budget. As you are aware, many of these expenses were previously paid out of the courts' budgets. Trying to unravel that and pull it into a separate budget is a process that is included in the department's education campaign with the counties. The main goal is to help the rural counties understand exactly how to be accurately reimbursed for the provision of indigent defense services. The department wants to make sure that all indigent defense expenses are being captured.

You are correct, the last report came in after the deadline, but the individual that I was talking to was unable to take those expenses out because of her own internal accounting deadlines.

SENATOR GOICOECHEA:
I would move to approve. The Committee asked for better information, which it received. I realize there's a $19,504 discrepancy, but clearly it appears to be owed to Elko County.

CHAIR DENIS:
I would like Senator Cannizzaro to provide comments on a prospective motion since she has primarily driven the questions.

SENATOR CANNIZZARO:
Part of the issue with this particular request is the need for better information in order to approve the allocation. I think the non-*Davis* counties have a different situation based on how the 2021 Legislature allocated funds. I would move to approve the initial request for the allocation of the $225,591 from the IFC Contingency Account to reimburse both Elko and Storey Counties for costs in excess of the maximum contribution amount for the provision of indigent defense services. I would also request that all future reports submitted by the counties justifying those expenditures in excess of the maximum contribution amount include not only those summarized categories currently included in the reports, but also line item details of the expenditures showing a breakdown of things such as billable hours for contract attorneys, investigators, interpreters, and other experts; staff hours charged; discretionary expenses such as travel, training and supplies; and other miscellaneous expenditures. I think that having that additional information makes it easier for the Committee moving forward into the next biennium. I think it will be necessary to discuss this further during the 2023 Legislative Session.

ASSEMBLYWOMAN CARLTON:
I believe the Committee needs to reconsider its previous action.

> ASSEMBLYWOMAN CARLTON MOVED TO RECONSIDER THE PREVIOUS ACTION OF THE INTERIM FINANCE COMMITTEE.
>
> SENATOR CANNIZZARO SECONDED THE MOTION.
>
> THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.
>
> SENATOR CANNIZZARO MOVED TO APPROVE AGENDA ITEM E IN THE AMOUNT OF $225,591 AND REQUIRE THE COUNTIES TO CATEGORIZE EXPENSES FOR THE PROVISION OF INDIGENT DEFENSE SERVICES IN FUTURE QUARTERLY EXPENSE REPORTS.
>
> ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.

ASSEMBLYWOMAN CARLTON:
I would second the motion with the caveat that the counties provide line-item quarterly reports for expenses related to the provision of indigent defense services.

SENATOR GOICOECHEA:
Clearly the Committee has the ability to amend the amount that was approved by the Board of Examiners. The Committee requested and received additional information when the item was denied at the August IFC meeting. I do not understand why Elko County

would be penalized by $19,504. I understand the counties need to provide more detailed accounting records, but one county is being singled out, which is a county I represent.

SENATOR CANNIZZARO:
I think the $19,504 needs to be approved by the Board of Examiners before it is approved by the Committee.

ASSEMBLYWOMAN CARLTON:
To clarify, the Committee received additional documentation from Elko County, but Storey County did not provide additional documentation.

THE MOTION PASSED. (Senator Goicoechea opposed the motion.)

F. DEPARTMENT OF BUSINESS AND INDUSTRY - Housing Division - INFORMATIONAL ONLY - Status report on the Home Means Nevada Initiative for affordable housing as requested during the April 7, 2022, meeting of the Interim Finance Committee.

TERRY REYNOLDS (Director, Department of Business and Industry [B&I]):
The B&I Housing Division is almost at the mid-point in the final application review process. The division has had to review thousands of documents, and I have personally spent time reviewing preliminary and final applications. The Housing Division is also working with local governments and various housing authority groups to ensure the award amounts can be dovetailed with their awards to layer funding for projects.

Clark County recently awarded ARPA funding for county projects. The Housing Division is reviewing those awards to see where the division can assist.

Application review should be finalized by the first week in October 2022 in order to recommend final awards for the projects.

There was no further discussion on this item.

G. DEPARTMENT OF MOTOR VEHICLES - INFORMATIONAL ONLY - Status report on the issuance of technology fee refunds as required by the stipulation agreement dated November 1, 2021, for the period ending August 31, 2022.

ASSEMBLYWOMAN TITUS:
With all the effort that has gone into the technology fee refunds and knowing the lack of people who have gone into a Department of Motor Vehicles (DMV) office to receive their refund, I decided to go into the DMV office in Carson City to obtain my refund to observe the process. The Carson City DMV office requires appointments for almost all services, although appointments are not accepted for the refund process, and it was very unclear what line to stand in to get the refund. People with appointments were being taken first so it took about 45 minutes before someone assisted me.

I am concerned about outreach efforts to make people aware of the refund as well as the process and the amount of time it takes to obtain the refund once at a DMV office, especially when considering high gas prices. Does the department have plans to improve the process? Please provide an update.

SEAN SEVER (Deputy Administrator, DMV):
The DMV launched a very extensive advertising campaign pertaining to the technology fee refunds. There was a lot of news media coverage as well as coverage on social media. I think the main point is that customers are not interested in getting their technology fee refund. The department has made announcements in the lobbies of DMV offices encouraging people to obtain their refund while waiting for assistance on other services. There is usually minimal response to those announcements. However, the department can reassess to see if additional efforts can be made, including signage and how people are greeted when they arrive at a DMV office. I will contact Assemblywoman Titus offline to discuss further.

ASSEMBLYWOMAN TITUS:
Some signage would be very helpful, even a simple whiteboard. I understand that people cannot be forced to obtain their refund. Many people do not want to drive to a DMV office just to receive a small refund of $1 or so. I believe there is a time limit on the refunds before the money reverts to the State Highway Fund.

MR. SEVER:
All technology fee funds remaining after June 30, 2023, will revert to the State Highway Fund.

ASSEMBLYWOMAN TITUS:
Thank you to the DMV and their staff for all their time put in to get technology fee refunds to Nevadans.

ASSEMBLYWOMAN TOLLES:
I feel inspired to get my refund when I go into the DMV to get my Real ID. Does DMV staff ask people whether they want their refund while at a DMV office for other services?

MR. SEVER:
The original intention was to have people obtain their technology fee refund while at the DMV for other services. The goal was to avoid an initial influx of people seeking refunds. The DMV has encouraged people to check on their refund while taking care of other services.

I think what Assemblywoman Titus experienced at the DMV is that in the mornings it is very congested in the lobbies of DMV offices while staff try to determine who is there for an appointment and who is there to obtain their technology fee refund. After everyone is in the correct line, the process is much smoother.

CHAIR DENIS:
I have been to a DMV office a few times recently and the staff member assisting me did not specifically ask if I would like my technology fee refund. Is that something that staff could routinely ask customers?

MR. SEVER:
Some of the DMV offices are doing that; however, the department can ensure that all DMV staff ask customers if they would like their refund.

ASSEMBLYWOMAN MONROE-MORENO:
I would like to thank the DMV, including the staff at the North Las Vegas office. I had an appointment recently to get my Real ID. Everything was handled in a timely manner and before I left, the staff asked if I wanted to make any changes to my voter registration and whether I would like to receive my technology fee refund. I refused the refund because I did not think it was necessary.

CHAIR DENIS:
I would mention that there are probably less complaints now. Even though people complain about having to schedule an appointment now for DMV services, I think more people were complaining when they had to wait a long time before eventually being turned away.

There was no further discussion on this item.

H. PUBLIC COMMENT

There was no public comment.

I. ADJOURNMENT.

Chair Denis adjourned the meeting at 2:48 p.m.

Senator Marilyn Dondero Loop, Chair
Interim Finance Committee

Brenda Erdoes, Director, Legislative Counsel Bureau,
and Secretary, Interim Finance Committee