MINUTES OF THE FEBRUARY 28, 2024,
MEETING OF THE
JOINT INTERIM STANDING COMMITTEE ON REVENUE

Chair Shea Backus called a meeting of the Joint Interim Standing Committee on Revenue to order at 9:05 a.m. on February 28, 2024, in Room 4401 of the Grant Sawyer Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada.

COMMITTEE MEMBERS PRESENT:
Assemblywoman Shea Backus, Chair
Senator Dina Neal, Vice Chair
Senator Fabian Doñate
Senator Heidi Seevers Gansert
Assemblywoman Venicia Considine
Assemblyman Gregory T. Hafen, II
Assemblyman David Orentlicher
Assemblyman Toby Yurek

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:
Michael Nakamoto, Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division
Christian Thauer, Deputy Fiscal Analyst, Fiscal Analysis Division
Joe Steigmeyer, Senior Deputy Legislative Counsel, Legal Division
Bryan Fernley, Chief Deputy Legislative Counsel, Legal Division
Tom Weber, Committee Secretary, Fiscal Analysis Division
Maria Montes, Committee Secretary, Fiscal Analysis Division

EXHIBITS:

Exhibit A: Meeting Packet
Exhibit B: Public Comment—Austin Osborne, Storey County Commissioners' Office
Exhibit C: Agenda Item V—Las Vegas Global Economic Alliance Revised Presentation

I. **ROLL CALL.**

MARIA MONTES (Committee Secretary, Fiscal Analysis Division, Legislative Counsel Bureau [LCB]) called the roll. All the members were present.

II. OPENING REMARKS.

CHAIR BACKUS made housekeeping remarks.

III. PUBLIC COMMENT.

AUSTIN OSBORNE (County Manager, Storey County Commissioners' Office) provided public comment for the record (Exhibit B):

Senate Bill (S.B.) 1 of the 28th (2014) Special Session accelerated Nevada's position in becoming a world leader in advanced manufacturing, technology development, and economic sustainability. Storey County is home to three projects that are incentivized by S.B. 1 and has experienced benefits as well as challenges with the projects. Two companies receiving S.B. 1 abatements have brought to the Reno-Sparks area and to the State of Nevada billions of dollars' worth of economic activity, over $100 million in tax revenue, and economic diversification, urban renewal, and sustainable careers that will last for generations. Storey County anticipates about $15 million return-on-investment in 2025 following 10 years of 100% property tax abatements. These revenues may enable the county to upgrade its 19th century infrastructure, repair dilapidated facilities, and pay off debt.

However, S.B. 1 programs also bring challenges to counties, fire districts, and other host jurisdictions, such as:

- For 10 years, host jurisdictions must provide potentially underfunded services.
- Decisions to approve abatements do not include the host jurisdictions.
- Host jurisdictions may only participate during public comment of meetings considering abatements.
- Host jurisdictions have little to no authority to decline a project approved by the state regardless of the situation that it finds itself in.

Senate Bill 1 should be evaluated to: enable host jurisdictions to be treated as stakeholders in the decision-making process, allow host jurisdictions to require contracts defraying costs of public services, and authorize host jurisdictions to have the final decision authority in accepting or denying a project.

Storey County respectfully requests an opportunity to share with this Committee its experiences, good and bad, over the past decade with the S.B. 1 programs.

IV. OVERVIEW AND DISCUSSION OF STATEWIDE ECONOMIC DEVELOPMENT PROGRAMS AND INCENTIVES ADMINISTERED BY THE GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT.

TOM BURNS (Executive Director, Governor's Office of Economic Development [GOED]):

A history regarding what has been going on in the last year relating to economic development begins on page 5 of the meeting packet (Exhibit A). GOED was founded by the 76th (2011) Legislature in response to the devastating outcomes of the Great Recession of 2007, with the outcomes then being reinforced again by the COVID-19 pandemic crisis. Nevada is concentrating on long-term and consistent efforts to diversify the hospitality industry that has served the state so well; however, the industry is susceptible to economic downturns.

The mission of GOED (page 8, Exhibit A) is to provide a diverse, innovative, sustainable, and resilient economy. GOED's new mission was launched this month along with its new branding program and user-friendly website. These steps are a significant milestone in

GOED's journey, showcasing its critical involvement in developing Nevada as a champion for good jobs today and better jobs tomorrow through the engine of economic development. The brand and website reflect the portrait of Nevada's thriving business and economy. There are also strategic tools designed to support companies in their relocation process.

BOB POTTS (Deputy Director, GOED):

This presentation is set up so that GOED can explain where Nevada has been economically, where it is going, and how GOED plans to get there. This will be a team effort and having the support of the Committee is important to GOED.

The top section of page 10, (Exhibit A) refers to what happened during the downturn brought by the COVID-19 pandemic. In April 2020, Nevada lost over 330,000 jobs and the statewide unemployment rate was 28.5%; however, these numbers were not the same across all the state's industries, as different regions of Nevada experienced different impacts because of the downturn and efforts to keep people safe. The highest unemployment rate on record across the United States was in Las Vegas at 34.0%. In Reno, the unemployment rate went up to 20.3%. It took 11 months for the Las Vegas metropolitan statistical area (MSA) and 4 months for the Reno MSA to get to single-digit unemployment rates, and it took 43 months for the Las Vegas MSA to reach full employment. From an economist's perspective, the Las Vegas MSA has not gotten back to full employment, as it must have an unemployment rate at or below 5.0% to be classified as such. The Reno MSA went down to a 3.9% unemployment rate in less than a year. The measures on the bottom section of page 10 are the undeniable success outcomes of a strategic economic development and diversification strategy.

Looking at the procyclical nature of Nevada's economy (page 11, Exhibit A), Nevada has higher highs and lower lows than the national average regarding its business cycle. As shown on page 11, Nevada lost 186,000 jobs during the Great Recession, reaching a trough of 1,112,400 jobs in September 2010. It took 10 years for Nevada to gain the 332,000 jobs it had during its pre-pandemic peak, but in a matter of six weeks, the state lost all these jobs due to the COVID-19 pandemic. It was not until June 2022 that Nevada got back to its pre-pandemic peak number of jobs; currently, the state is about 139,000 jobs above that peak. While the chart on page 11 captures aggregate jobs, the structural differences between industries matter. Industries recovered jobs and grew differently, which was largely driven by the changes and downturns that occurred because of the pandemic.

The slide on page 12 (Exhibit A) is an index of national and state jobs. Again, this shows how Nevada has higher highs and lower lows than the national average. For example, look at the fewer number of jobs Nevada had during the Great Recession compared to the U.S. Now, Nevada is at a high spot, and it has been for some time, but cycles happen. GOED considers how Nevada would fare going through another inevitable economic downturn and wants to create a sustainable and resilient economy to address that.

While it is great to be able to measure Nevada against itself over time and see the changes and successes it has had, it is also important to compare Nevada to its peer regions. The map on page 13 (Exhibit A) displays the Hachman Index scores for each state, which measures the degree of a state's economic diversification. If the Hachman Index equals 100%, it means all slices of a state's industry pie are the same size. Compared to the same target industries for states that Nevada competes with, Arizona is at 96.4%, Colorado is at 93.8%, and Utah is at 95.6%. Nevada, on the other hand, is at 74.5%, which means it is lopsided. When an industry is very procyclical, it is good when things are good, but it is tough when things are tough.

The information on page 14 (Exhibit A) is from a Southern Nevada regional industrial study done by Brookings Mountain West and the Center for Business and Economic Research of the University of Nevada, Las Vegas (UNLV); it is a publication GOED plans to release soon. On the Hachman Index, the Las Vegas MSA is at 69% compared to adjacent MSAs from Denver, Colorado; Phoenix, Arizona; and Salt Lake City, Utah, which are in the 90th percentile. In terms of job growth, change in gross domestic product, and young firm growth, the Las Vegas MSA ranks 23rd out of 56 MSAs with populations of at least one million residents from 2011 to 2021. Salt Lake City ranks 5th, Denver ranks 6th, and Phoenix ranks 13th. Regarding the prosperity index, which is the change in productivity, wages, and standard of living, the Las Vegas MSA ranks 50th. Again, this is why it is important to compare Nevada against peer regions to see how competitive it truly is.

The chart on page 15 (Exhibit A) is an index of the industry diversity in Nevada counties. As mentioned previously, this explains how the Reno MSA bounced back faster during the COVID-19 downturn because of its industry mix. As shown, Washoe County has an industry diversity index of 89.4%. Even though over 70% of the economy is in Southern Nevada and one would expect it to have more diversity, the industry diversity index for Clark County is 64.2%. All the rest of the Nevada counties are lower than that, especially the rural counties who have a large mining influence; the rural counties have "all their eggs in one basket."

The chart on page 16 (Exhibit A) is the location quotient over time, and it shows the relative concentration of workers in an industry compared to the national average. If a sector is above the horizontal line, there are more workers in that industry than the national average. If a sector is below the horizontal line, there are less workers in that industry than the national average. Any sector to the left of the vertical line means that industry is growing slower than the nation. Any sector to the right of the vertical line means that industry is growing faster than the nation.

Hospitality, tourism, sports, and creative industries are mature industries. While Nevada is two times larger than the national average for workers in those industries, it is falling behind due to different offshore gaming locations in places such as Singapore and Macau, China. Nevada has one star industry which is mining, which is almost three times larger than the national average. Mining is a great industry that is amazing for Nevada; however, it is only 15,000 jobs. GOED has been focusing on the emerging industries, such as advanced manufacturing, information and technology, logistics and operations, and natural resources and technology. Education and health care are also included because they are community development target sectors and are needed for economic development target sectors.

If GOED were to do a chart like this for Southern Nevada, it would look similar because Southern Nevada encompasses 70% of Nevada's economy. If GOED were to do a chart like this for Northern Nevada, the star industries would be advanced manufacturing, logistics and operations, and natural resources and technology.

It is important to talk about the structural change that happened because of the pandemic, which created natural diversification in a way that economic development would not have done on its own. On the chart on page 17 (Exhibit A), the red bars reflect the number of jobs that were lost between February 2020 and May 2020. The blue bars reflect the number of jobs that have been regained since May 2020—if a blue bar is longer than a red bar, there is a green label on the left axis of the chart.

As shown, there are only three sectors that still have less jobs than they did before the pandemic. For example, accommodation and food services are down 300 jobs. Looking at just the accommodation portion, it is down 20,000 jobs. Those are jobs that were lost because the accommodation and food industries reinvented themselves by using automation or self-service. However, the number of jobs has grown in other industries such as construction, manufacturing, professional and business services, and transportation, warehousing, and utilities. A lot of that has to do with how consumers spend their dollars, such as towards online shopping. Nevada is located next to the fifth largest economy in the world (California), and it has the opportunity to intercept those dollars.

MR. BURNS:

About a year ago, GOED produced a new state plan (page 15, Exhibit A) to identify the opportunities for Nevada that primarily centered around five sections: (1) population and talent, (2) diversification, (3) innovation, (4) infrastructure and quality of life, and (5) Nevada's economic geography. GOED aims to showcase high-paying jobs and growing industries, such as advanced manufacturing, information technology, natural resources, tourism and creative industries, and transportation and logistics. SRI International performed a strength, weakness, opportunities, and threats (SWOT) analysis to identify the opportunities in emerging industries and diversification within mature industries, create a strategy action plan to help GOED move forward, and establish a leadership plan for inclusion and growth.

The outcome of the SWOT analysis focused on realizing Nevada's electric, innovative, and connected future, and its plan to move forward over the last year (page 20, Exhibit A). Now, GOED has dedicated positions within its office working on building an infrastructure necessary for a connected Nevada, such as supporting development of multimodal inland ports, identifying investment in freight rail, supporting planned airport-related infrastructure developments, and supporting the expansion of broadband and 5G infrastructure. In the electric space, GOED works closely with the Governor's Office of Energy, and the two agencies will soon be housed within the same building. GOED staff is appointed to the Regional Transmission Coordination Task Force and the Nevada Clean Energy Fund Board. Electric vehicles and innovation are the highlights of last year.

Last year demonstrated the imperative role that the state-funded Knowledge Fund (page 21, Exhibit A) played in assisting research institutions in securing major federal funding and designations. GOED is excited to have received two grants from the National Science Foundation (NSF) as well as a Regional Technology and Innovation Hubs (Tech Hubs) Designation from the U.S. Economic Development Administration (EDA).

The Tech Hubs Designation (page 22, Exhibit A) was awarded to the University of Nevada, Reno (UNR). It was selected as 1 of only 31 out of 400 designations. The tech hub will cover 16 Nevada counties and will follow the Innovation Based Economic Development approach that is supported by the Knowledge Fund. The second application for a Tech Hubs Designation will be submitted for $75 million over the next five years. Karsten Heise, Senior Director of Strategic Programs and Innovation at GOED, has been a great advocate for Nevada and has been working diligently on that application.

GOED has had success in the NSF Engines awards (page 23, Exhibit A). The NSF has two types of awards: the development award (Type 1) and the NSF Regional Innovation Engines award (Type 2). The Type 1 award was awarded to UNR in May 2023, which lays the groundwork for its proposal to launch a full-scale engine. In January 2024, UNLV and the Desert Research Institute, in partnership with Arizona and Utah, were awarded $15 million for the next two years for the first ever NSF Regional Innovation Engines award, which has the potential to receive up to $160 million over the next decade. The Knowledge Fund has been critical in receiving both awards, especially in securing funding for the Type 2 applications.

In 2023, UNLV secured two Build to Scale grants from the EDA (page 24, Exhibit A). The Knowledge Fund was able to match $500,000 in funding for the grants. Build to Scale grants are designed to increase regional capacity to strengthen ecosystems that equitably and inclusively support diverse technology innovators, entrepreneurs, and startups. The Economic Development Authority of Western Nevada (EDAWN), GOED, UNLV, and UNR are part of the public/private economic development partnership, which annually provides instruction and mentorship to 55 high tech innovation startups and investments to 25 new startups. GOED's State Small Business Credit Initiative (SSBCI) State Sponsored Venture Capital Program will co-invest in some of those deals.

The SSBCI (page 25, Exhibit A) is not a grant. It provides and facilitates equitable access to credit for small businesses. GOED worked with Senator Neal to provide outreach to small businesses in North Las Vegas and with Assemblywoman Angie Taylor on a similar program. States have flexibility in designing most programs but transactions for small businesses must include private sector financing, co-lending, and investment of at least 1:1 at all times and a 10:1 leverage goal for the entire state program and its duration.

The slide on page 26 (Exhibit A) displays how Nevada has moved forward since World War II and the various stages of the GOED programs on the maturity scale today.

GOED has several economic development tools it uses on an ongoing basis. The tax incentives listed under the Business Development Tools category (page 28, Exhibit A) are the tools most often utilized by GOED when collaborating with the eight regional development authorities (RDAs) across the state. Though those tools are the ones most often used, they are not the only tools utilized. There are several programs that bring federal funds into Nevada which GOED uses to help the RDAs operate innovation and small businesses in the state's rural communities.

Nevada tax incentives (page 30, Exhibit A) are part of the *Nevada Revised Statutes* (NRS) and are partial abatements. Taxes are still paid during the process and tax incentives are required to sunset after a specific period. Once the tax incentives are done, the company will pay the same taxes as all other Nevada businesses. Tax incentives are only for companies that meet eligibility standards under NRS. Companies are audited by the Department of Taxation on a two- and five-year basis. Should the company be deemed to be non-compliant, the abated taxes are recaptured by the department. As of 2022, Nevada has a 97% recapture rate—there was one Boulder City company that declared bankruptcy a few years ago, or else the recapture rate would be at 100%. Companies are vetted for positive impact return on investment, meaning those companies do not have an impact on the economy and bring in jobs and ancillary effects. Companies apply through the RDAs prior to presenting to GOED for approval.

Tax incentives are not a complete break from taxes (page 31, Exhibit A) and are not checks written directly to companies. GOED does not negotiate abatements, as tax incentives are described within the NRS, and it does not provide abatements in perpetuity.

Since GOED's standard abatement process accounts for 91.4% of the abatements used in Nevada, I would like to provide a brief overview (page 32, Exhibit A). There are three taxes included in GOED's standard abatement incentive package: (1) the State 2.0% Sales and Use Tax, which can go as low as 2% for two years; (2) the Modified Business Tax (MBT), which is half of the 1.17% rate on quarterly wages exceeding $50,000 for the duration of four years; and (3) the Personal Property Tax, which is not to exceed 50% of abatement for the period of ten years.

To be eligible for abatements in Nevada (page 33, Exhibit A), companies must be paying full-time wages. The weighted average wage must meet the statewide average hourly wage provided by the Department of Employment, Training and Rehabilitation (DETR). GOED wants to encourage businesses to locate into counties experiencing extreme economic duress, which is defined as a 7% unemployment rate. When that happens, GOED offers a full abatement package at 85% to 99% of the state hourly wage so that it also enhances the reduced abatement as well. County unemployment rates are calculated on a 12-month moving average to account for normal seasonal swings.

Companies must also meet either the applicable employment or capital investment requirements. Those requirements differ based on rural or urban areas and on whether the company is new or expanding. Companies must offer health benefits that cover 65% or more of the premium costs and the plan must be compliant with the Affordable Care Act (ACA). Moreover, companies should generate more than 50% of revenue from the project outside of the state because GOED wants them to bring dollars into the state. Looking back 13 years ago, towards the end of the Great Recession, Nevada looked to other states to fund jobs in the state. The idea is that if companies export the money, it will flow into Nevada, be spent locally, and engage Nevada's economy. Lastly, companies are required to be in business in Nevada for at least five years.

As I mentioned, there are two different employment and capital investment requirements based on rural or urban areas and on whether the company is new or expanding (page 34, Exhibit A). Clark and Washoe Counties are urban areas, and all other counties fall under the rural category. A new company in a rural area must provide at least ten employees and have an investment of no less than $1 million. Urban areas must provide at least 50 employees and have an investment of at least $5 million.

While 91.4% of the abatements GOED has provided are standard abatements, there are some additional abatement programs (page 35, Exhibit A). As shown, there has been some opportunity and activity in the data centers. There are 8 data centers—4 in Clark County and 4 in Storey County—that provide about 284 jobs and 573 construction jobs with an hourly wage of $29, which is the current state average.

There are three transferable tax credit options (page 37, Exhibit A). GOED can offer certificates of eligibility for qualifying film productions, general economic development, qualifying projects with a capital investment of at least $1 billion (commonly known as the Faraday Future program), and the $3.5 billion investment whose lifecycle ended on June 30, 2022, which was taken by Tesla, Inc.

I am going to briefly provide an overview of the specific investments the state has made, particularly regarding Tesla. The total abatements for 2022 for the Tesla Gigafactory were $50.2 million (page 39, Exhibit A). The tax credits for the entire life of the program were $195 million. Through that program, Nevada has received a net revenue of $1.9 billion and a capital investment of over $6.5 billion. There are 9,200 jobs at Tesla with an average hourly wage of $42.35. Construction jobs have generated $1.5 billion in salaries and wages for the construction period of the gigafactory. As it relates to robotics, Tesla has made an investment in K-12 science, technology, engineering, arts, mathematics, and robotics education; reached 130,000 students; and trained more than 1,300 teachers in Nevada. Tesla has partnered with 50 nonprofits and community organizations throughout the state, advancing its education and workforce development initiatives.

The abatement program that was signed on January 12, 2024, for the Tesla Semi truck and battery factory will commence once the Department of Taxation has put it in its new system. The first annual report, which is a third-party audit, will provide outcomes for Fiscal Year (FY) 2024. To provide some project highlights (page 40, Exhibit A):

- It is a $3.6 billion high-volume electric semitruck and battery manufacturing facility.
- It is a 100-gigawatt hour 4680 battery cell manufacturing plant that will service over 1.5 million vehicles per year.
- The facility is 4 million square feet and 3 stories high.

- There are 3,000 jobs being added at a wage of $33.50.
- With construction being over $40 billion, 89% of the economic activity in Storey and Washoe Counties will be supporting a population of over 12,000 people in that process.

Redwood Materials is a company formed in Carson City (page 43, Exhibit A). It is a recycling and technology manufacturing processing company with a capital investment of over $1 billion. Redwood Materials has partnered with Western Nevada College in piloting a program for battery disassembly. It is one of the great treasures of the state in its ability to educate and train our populace to improve its economic outcome.

Page 41 (Exhibit A) displays the impact of GOED's tax incentive programs on local economies.

Looking at Storey County (page 42, Exhibit A), GOED's tax incentive programs were responsible for 0.4% of statewide gross domestic product (GDP) in 2012; by 2021, it had grown to 1.4%. While nationwide GDP grew at a rate of 23.5%, Storey County's GDP grew 294% in that same period. In 2003, manufacturing represented 10.2% of Storey County's GDP and by 2020, it was almost 66%. In other terms, manufacturing went from being one-tenth of GDP to two-thirds of GDP. While Storey County's overall GDP grew by 294%, manufacturing in the country grew by a total of 2,400%.

Based on page 45 (Exhibit A), the overall net advantage for the taxpayer has improved the economy each year. The slide on page 46 (Exhibit A) shows the economic impact on Nevada and how tax incentives have contributed to the overall General Fund.

The slide on page 47 (Exhibit A) displays the number of jobs, the average hourly wage, and investments from FY 2012 through FY 2024 year to date (YTD). Of note, there is a significant rise in the average hourly wage for abated companies at $36.12.

Of the 73 companies approved for abatements in FY 2022 through FY 2024 YTD (page 48, Exhibit A), 43 are in Clark County, 13 are in Storey County, 6 are in Washoe County, and 11 are in other rural counties. To reiterate, the average wage in Nevada has grown significantly and the total number of employees affected by incentivized companies is significant.

GOED would like to thank the Committee for its support over the last few years. I will highlight some successes (page 51, Exhibit A). The Workforce Innovation for a New Nevada (WINN) fund provides critical strategic investments with $5.8 million helping to operate ten programs. GOED has significant relationships with Nevada community colleges, which is a great success for the whole of the state, allowing the ability to train and provide people with the resources, tools, and talents necessary to move to a better spot in life.

In Winnemucca, a new accredited curriculum on instrumentation technology is scheduled to launch at the Great Basin College (GBC) with a qualified instructor. The program will have the capacity for 16 students. On April 9, 2024, the Panasonic Advance Manufacturing Training Center of the Truckee Meadows Community College (TMCC) will have its grand opening and ribbon cutting in Northern Nevada. In the last three months, the TMCC Dean and the Vice President of Academic Affairs have met with Nevada gold mines to discuss training for incumbent workers and a work-based learning pipeline in employment. The Dean is also writing an expansion for the diesel program into an EDA Tech Hubs fund project. The workforce development has included the training program in the list of curriculum assets as part of the asset mapping program through the NSF engine Type 1 grant for which the TMCC Dean is a copilot. The most recent retention numbers available show that the fall-to-spring retention of students in the transportation department is at 79% compared to 75% in other programs collegewide. The fall-to-fall retention is at 76% versus 61% collegewide.

The Nevada Main Street program provides funding for rural and small towns throughout the state to provide them with the ability to spruce up their downtown and make it an area where people can congregate and support local businesses. Nevada Main Street has conducted 2 strategic planning opportunities in 5 different towns and 19 different participating communities. Starting in April 2024, Frederick Steinmann at UNR will start regular quarterly check-ins with all participants to keep track of their progress and ability to get competitive grants.

Assembly Bill (A.B.) 77 of the 82nd (2023) Legislative Session created the Office of Entrepreneurship. There are no countries with higher levels of entrepreneurship and lower levels of growth. More businesses correlate to higher incomes and lower income equality. Every 1% increase in entrepreneurial activity in a state correlates to a 2% decline in poverty. That information comes from Right to Start. The Office of Entrepreneurship was created with a vision that every Nevadan has a fundamental right to start and grow their own business. Its mission is to expand entrepreneurial opportunity and economic growth in Nevada through streamlining processes and reducing or eliminating barriers to starting and growing new businesses. In 2024, the office will review prohibited processes and permitting, capture statewide aspirations, assess available tracking data, and conduct case studies locally.

There is also statewide funding through the Emerging Small Business program (page 52, Exhibit A), which is administered through the Nevada APEX Accelerator at GOED. The Nevada APEX Accelerator helps local and small businesses start to do business with local, state, and federal funding. It has been an outstanding help in directing federal funds through the State of Nevada. The Nevada APEX Accelerator provides statewide procurement and technical assistance to establish non-profit businesses, especially small businesses, in their pursuit of local, state, and federal government contracting jobs.

There has been some money available through the Office of the Attorney General (page 53, Exhibit A). GOED has provided:

- $6 million through the settlement funds for the Access Community Capital program to support its application for Community Development Financial Institution designation via Access' Nevada Women and Minority Business Expansion Fund.

- $4 million to UNLV ($2.6 million) and UNR ($1.4 million) for the Talent Retention Program to place women and minority engineering and science students into Nevada's technology companies.
- $1.5 million to the "Reaching the Unreachable" program that goes out to rural Nevada and other economically disadvantaged locations to provide training.

Regarding legislation discussions (page 56, Exhibit A), GOED has deadlines to meet with the Office of the Governor. GOED seeks to discuss legislation relating to incentivizing medical facilities to come to Nevada and the concept of import substitution. For example, most of the dynamite that is used in Nevada mines is produced in Utah. If the company moved to Nevada, that would be money that would stay in state and provide jobs to Nevadans. If Nevada can attract businesses as they come in, the state could reconcile those abatement and tax incentive processes. GOED has been working hard with EDAWN, the Las Vegas Global Economic Alliance (LVGEA), and the Northern Nevada Development Authority (NNDA). GOED will keep the Committee apprised as it moves forward with these discussions.

ASSEMBLYMAN HAFEN:

GOED oversees many important programs. I want to note that the GBC in Pahrump has applied for the WINN fund, and I have submitted a letter of support. I am also excited about some of the new manufacturing that GOED has brought into Nye County. There should be an increase in jobs and pay scale out there because of it. Lastly, I look forward to the work of the Nevada Main Street program in Nye County.

The slide on page 33 (Exhibit A) states that to be eligible for abatements in Nevada, companies must offer a health insurance plan and cover 65% or more of the premium costs. Is that just for the employee's portion or is that for employee and spouse or employee and family?

MR. BURNS:

That is for the employee-only portion and falls in line with other ACA requirements.

ASSEMBLYMAN HAFEN:

Page 33 (Exhibit A) also states that to be eligible for abatements in Nevada, companies must maintain the business in Nevada for five years. I know there are a lot of businesses that create hundreds or thousands of short-term construction jobs, but their overall long-term jobs are only a handful. Does the construction project have to go on for five years to qualify?

MR. BURNS:

No, that applies to the operation of the business itself. The demarcation date is from the time the business starts producing revenue or products.

SENATOR SEEVERS GANSERT:

It seems like the universities are exceeding expectations through the Knowledge Fund. Innovation is growing and job growth is supported. Could you speak more on that?

MR. BURNS:

The Knowledge Fund was able to support the NSF engines as well as the Tech Hubs, which will significantly impact Nevada economically. For example, looking at the investment Utah made 22 years ago as it relates to the Salt Lake City economy and the University of Utah, it led to an explosion of its economy and has attracted many businesses. GOED will be coming forward to ask the Legislature for additional funding for the Knowledge Fund. This is a unique window towards Nevada's economic future. A lot of money that has been distributed through stimulus packages provided by the Biden-Harris Administration with the CHIPS and Science Act of 2022 has led to great activity in business and has allowed businesses to relocate closer to resources; there has also been a boom regarding alternative energy. My concern is that this is a fleeting opportunity. Once businesses have settled elsewhere, there will not be sufficient time to start this process up again in Nevada. Investing in the Knowledge Fund is critical.

Nevada's investment in partnerships with community colleges is one of the best stories GOED can tell. GOED has had great leaders in the workforce development space. Twelve years ago, there were few people that had advanced manufacturing skills. When Tesla's Semi truck manufacturing facility is completed, there will be 14,000 jobs in advanced manufacturing at a $42 per hour wage. The partnership with community colleges allows people, who perhaps only have a high school education and earn a $20 per hour wage, to further their education and opportunities. That is life-changing for some and is why I am so bullish about GOED's partnerships with the community colleges.

SENATOR SEEVERS GANSERT:

It is great that the state is enriching its higher education system at the same time it is doing workforce training and creating more innovation.

ASSEMBLYMAN ORENTLICHER:

On page 16 (Exhibit A), GOED highlighted the emerging industries such as health care and education as important industries that Nevada should grow. I am glad that you mentioned that one of GOED's interests going forward is medical facilities. In the past few years, it seems incentive programs at the Legislature have been weighted toward the hospitality, tourism, sports, and creative industries. Should Nevada be doing more with medical residencies to address the physician shortage and with medical facilities so that it does more to grow its health sector?

MR. BURNS:

One of the critical needs within Nevada is more medical residencies. Touro University Nevada now provides a medical degree, as does UNLV, yet Nevada does not have a greater number of residencies available. In a way, Nevada is training doctors only for them to leave the state and possibly not come back. GOED will be working with the Department of Health and Human Services as well as the Nevada System of Higher Education (NSHE) to work on that issue.

It does not seem appropriate to take the taxes that a general practice hospital is paying and incentivize a competitor to come into the marketplace and compete with it. However, Nevada does want certain specialty hospitals. For example, the Cleveland Clinic Lou Ruvo Center for Brain Health in Las Vegas has been a great success. There is desire to acquire or inspire other practices like that to come to Nevada. From a community confidence standpoint, this would provide Nevadans pride. Also, this would be money that does not have to be exported for services Nevadans need.

MR. POTTS:

The chart on page 16 (Exhibit A) displays what is going on in Nevada's economy and the changes that have happened over time. One must think about economic development in terms of the flow of money. Health care and education are considered secondary industries because they mostly depend on the dollars that are in the region. Hospitals, doctors' offices, and dental offices depend on the residents that live in the region. GOED is trying to work with industries like Tesla or Redwood Materials where much of the goods and services that are produced are sold to customers outside of the region and the money flows back into the region. These industries create an export base. That is how Nevada can grow its economic capacity.

As shown in GOED's state strategic plan, GOED is focused on logistics and operations, connectivity, advanced manufacturing, and the mining industry. Studying the last ten years, 49% of the companies that Nevada assisted, whether abated or not, were manufacturers. Mines, like casinos, cannot be abated per the NRS. It is strategically important for Nevada to use abatement tools to be competitive with the states previously mentioned.

The bubbles on the emerging quadrant of the chart are the industries Nevada needs to continue to support. Growing those industries will create a diverse portfolio and bring money into the state from outside the region. The wages associated with those industries will grow Nevada's economic capacity.

ASSEMBLYMAN ORENTLICHER:

I appreciate the idea of growing industries that bring in money from out of the state. However, my understanding is that part of the reason Nevada is struggling to attract people to move here is because it does not have a strong K-12 education system. That discourages doctors and other professionals who might contemplate moving to Nevada. Is Nevada not paying enough attention to basic needs like education and health?

MR. POTTS:

When GOED was created during the 76th (2011) Legislature, it created industry specialists for different target sectors. Currently, GOED has two industry specialists and one of them specializes in the health care industry. GOED has made a very concerted effort to try to build out Nevada's health care industry and its ties to higher education, both secondary and postsecondary. You are right in that Nevada cannot work on economic development without considering community development. In many regards, Nevada's communities are trying to catch up with the economies. Although everybody wins, it does not necessarily happen at the same pace. GOED is involved and engaged to help with health care and education sectors, which is why the sectors are included in the chart.

ASSEMBLYMAN YUREK:

In looking at other factors that may potentially have an impact on Nevada's attempts to diversify the economy, the slide on page 17 (Exhibit A) depicts one of the three sectors GOED mentioned that still has not recuperated the number of jobs it lost during pandemic, which is local government. I know public safety remains a big part of local governments' budgets. Public safety is also a major consideration for businesses contemplating relocating to Nevada. How many of the 900 jobs that were lost during the pandemic are public safety positions? Does this have an impact regarding a business considering relocating to Nevada?

MR. BURNS:

As a whole, public safety does not come up a lot in discussions with businesses considering relocating to Nevada; however, I do think it is something people consider. The Las Vegas area attracts a lot of attention. When something happens here, it makes the news. Looking at the connection it has with the U.S. Department of Homeland Security and all the successful events, the Las Vegas Metropolitan Police Department has a pretty good reputation. While there are the occasional troublemakers, generally there have not been many problems.

MR. POTTS:

I do not have the quantitative information readily available, but GOED can certainly get that to you. Another thing to note is that local and state governments recover at different paces. It is similar when it comes to infrastructure support for communities. For example, commercial development lags residential development by about 18 months. If a housing development is built, it takes about 18 months before gas stations and grocery stores show up. It is the same situation with the public sector. One must go through a lot of processes and bureaucracies. Currently, about 20% of the positions at Nevada's Department of Administration are open. It is a challenge for state employees because if you have five people in a unit and one of them leaves, the other four acquire another 25% of workload if they are to maintain the same level of service. Thankfully, the department and the Legislature have taken steps to address that.

ASSEMBLYWOMAN CONSIDINE:

Concerning abatement eligibility, the slide on page 33 (Exhibit A) states a company must maintain its business in Nevada for five years. Does that include maintaining a minimal employment level, or does the company simply have to maintain the business?

MR. BURNS:

The number of jobs is audited on Year 2 and Year 5 of the process. At those points, GOED determines if the company is compliant with the abatements they have been given, and the abatements will be balanced so that the amount of employment and the amount of taxes the company is paying are congruent with what the company's participation is. For example, if a company were to plan to have 100 employees but for whatever reason were to only have 60 employees instead, their abatements would reflect that employment level. The company's MBT would be balanced as well.

ASSEMBLYWOMAN CONSIDINE:

Regarding the employment requirements for rural and urban areas (page 34, Exhibit A), what do the parentheticals next to each quantity mean? For rural areas, the slide shows ten employees but then in parenthesis it states, "less than six are ineligible." For urban areas, the slide shows 50 employees but then in parenthesis it states, "less than 10 are ineligible."

MR. BURNS:

In times of high unemployment rates, GOED will alter the abatement requirements to attract companies hoping that they will grow. The unemployment rate would be more than 7% on a rolling 12-month average.

SENATOR NEAL:

Looking at NRS 231.1596, there is supposed to be a certain number of commercial applications that are developed and some outreach and engagement from the university to entrepreneurs to commercialize. How much activity has happened? Can the revenue that has come from those commercialization projects be identified? That statute has been in place for a long time.

MR. POTTS:

That information is available; however, I do not have it readily available. I will get together with Mr. Heise and get that information for you.

SENATOR NEAL:

The slide on page 15 (Exhibit A) provides a chart about the industry diversity index. I have been particularly interested in how Nevada's rural counties are affected by the industry categories. In your opinion, do you believe the industry categories that have been selected for the state have a direct impact on the rural communities that may or may not benefit from those industries? If so, is that impact negative or positive?

MR. BURNS:

The identified industries are to take advantage of the state's assets as best possible. There is a significant upcoming project in Lincoln County that will provide over 300 jobs, which is substantial for a county that currently has a population of about 4,500 people. It is also a significant project from the standpoint of innovation and alternative energy. It is a great asset to Nevada. The project entails harvesting pinyon-juniper woodlands to turn into hydrogen. Pinyon-juniper woodlands are trees that are almost like weeds. Currently, Nevada must pay the Department of Wildlife and the State Department of Conservation and Natural Resources, Division of Forestry to have pinyon-juniper thinned on a regular basis. With the project, somebody else will be doing that work which will provide jobs. Also, it should be mentioned that new businesses do not have to fall into those categories to be abated. If there is a company that falls outside of those industries but meets other criteria, they can still be abated.

SENATOR NEAL:

Rural communities cannot necessarily handle abatements and tax removals because their tax bases are so small. How can Nevada advance the rural communities in a different way with a different set of tools to promote their growth, elevate existing long-standing businesses and grow them in a different way, and advance young entrepreneurs to grow into the communities they are already in. Additionally, how can Nevada figure out how to create a new economic foundation with the younger generation in Mineral and Pershing Counties?

At the end of the day, Nevada is growing in the south, Washoe County, and Storey County, but the other lower-end communities are suffering economically and losing people. There needs to be a deeper discussion about how to include those rural communities. How can these tools be tweaked to fit smaller communities? The current tools are fit for urban communities. They are not fit for the smaller, and more creative and innovative needs of a rural community.

MR. BURNS:

I have made it out to most all the RDAs and had those conversations.

MR. POTTS:

The chart speaks to the degree of diversity in each county, not the prosperity or number of jobs. Mining has been so strong in a lot of the rural communities, keeping their economies propped up. What has made a difference for these rural communities is what is going on in the critical mineral space. That cannot be understated. Whether it is Rhyolite Ridge or Lithium Americas, the critical mining space has created exponential opportunities for many rural communities.

GOED's state plan, abatements, and target sectors are going to hit most of the urban counties, but the RDAs are not held to that. EDAWN, LVGEA, and NNDA have their target sectors that are based on the unique characteristics of their communities. For most rural communities, it is not just economic development, but it is also community development. The rural communities deal with issues with housing, recreational pools, and infrastructure. That is where projects like the Nevada Main Street program and the Community Development Block Grant (CDBG) Program have such an important role. There is a huge effort and rollout from GOED to support these communities. The Nevada Main Street program started with around 3 projects 5 years ago and now there are about 25 projects in different stages of completion. The challenges of rural communities are not unique to Nevada. Every state in the United States deals with that challenge. While Nevada still needs to work on that issue, it has some strong assets in place to help support the rural communities.

SENATOR NEAL:

How will Nevada advance rural communities through a creative lens of economic development? I feel like those communities are being lost in the conversation. When the discussion of abatements is brought up at the Legislature, the rural communities are the first to oppose but no conversations are had. How can the Legislature help economically change the position of rural communities through new tools, lenses, and ideas? Although there are programs like Nevada Main Street and the CDBG Program, there needs to be more tools. Before the 83^{rd} (2025) Legislature, I would like to reach an understanding as to what new tools can be implemented in the rural communities. This is similar to the conversation regarding how to grow and advance minority communities.

I would also like to discuss whether the industry sectors align with graduates leaving NSHE institutions. When I saw the list of graduates in each degree program, I noticed a lot of those degree programs fall out of Nevada's sector focus. Nevada's students need to be able to find a job within the state. There needs to be alignment with the degrees being offered and the industries that the state is courting.

MR. BURNS:

This conversation is ever-changing. As the state evolves and its populace changes, it is important to recognize what Nevada's assets are. The opportunities being presented in the lithium space are similar to what Nevada experienced during the Comstock Lode in the 1860s. There are parallels in the discovery of a natural resource. GOED is working hard to take advantage of that resource and build around it. During the Comstock Lode, the silver was mined in Nevada, but the money was used to build San Francisco. I do not want that to happen again. I want the jobs and wealth to stay in Nevada to help it grow. I think this is a very healthy conversation.

CHAIR BACKUS:

Some of the slides mention a "net new tax revenue." For example, the slide on page 39 (Exhibit A) states that the Tesla Gigafactory's net new tax revenue is $1.9 billion. Is that just limited to the company and does not include all the indirect tax revenue that Nevada may ascertain from bringing in the new jobs and buying more materials?

MR. BURNS:

Correct. The net new tax revenue is attributable to the Tesla Gigafactory and does not include property or sales taxes paid by employees.

CHAIR BACKUS:

The slide on page 51 (Exhibit A) mentions the Office of Entrepreneurship. Has GOED had any success stories regarding that yet or is the office still too new?

MR. BURNS:

The office is still very new. GOED received the funding for that office in July 2023. Kyeema Peart filled the role of Director for the office in early October 2023 and she received her support staff for the office last month. Ms. Peart has done a great job of touring the state, meeting with stakeholders, and finding out what the needs are moving forward.

CHAIR BACKUS:

Regarding the slide on page 33 (Exhibit A), the 35th (2023) Special Session passed S.B. 1, which required new or expanding businesses to provide certain paid family and medical leave to employees in order to qualify for abatements. Is this something companies that have 50 or more employees already provide?

MR. BURNS:

Nevada has experienced some headwinds related to that portion of legislation. I may redefine larger companies as those with 500 employees or more. Nevada has experienced some cases where it lost headquarters because the company had employees in multiple states and was not willing to provide a benefit to one set of employees in one state versus other states. While the company kept its operation here, it elected to move its headquarters elsewhere.

CHAIR BACKUS:

Are there other factors or incentives that headquarters look for that may be offered in other states?

MR. BURNS:

Nevada has an additional requirement layered on top of the fact that its financial incentives are sometimes not as competitive as some of its peer states, which can become troublesome.

CHAIR BACKUS:

Nevada also does not have income taxes or the kinds of things that other states are able to utilize to their advantage.

MR. BURNS:

I think Nevada's RDAs as well as Melanie Sheldon, Senior Director of Business Development at GOED, and her team do an exemplary job of highlighting Nevada's business climate. In some cases, Nevada's peer states are very aggressive about what they are willing to provide.

CHAIR BACKUS:

The slide on page 53 (Exhibit A) discusses Office of the Attorney General settlement funds. I realize Nevada wants to grow its own talent. I really like the Talent Retention Program to place women and minority engineering and science students with Nevada's technology companies and startups to retain Nevada's homegrown talent. Has this investment been around long enough to see whether those students who graduated have stayed in the state?

MR. BURNS:

There is no data at this point, but GOED will certainly track that. Additionally, GOED worked in conjunction with the gaming industry to retain women and people of color in positions of leadership and to provide training. GOED worked with DETR to provide funding for that program, championed by former Las Vegas Mayor Jan Jones Blackhurst. I think that will be successful as well.

SENATOR DOÑATE:

Every year, the Department of Health and Human Services' Office of Analytics releases a report of Nevada Medicaid recipients employed by employers with 50 or more employees. Two of the companies that Nevada has approved abatements for are on the list of the top 20 employers by number of employees and dependents on Medicaid. Amazon is number 1 and Tesla is number 11. It is coming off like the state is bankrolling these companies and not just giving them tax abatements but also paying for the benefits of their employees through Medicaid or the Supplemental Nutrition Assistance Program. Are there any clawback provisions or is GOED having any discussion with these employers about the promises they made to their full-time employees?

I am thankful that these companies have chosen Nevada and I think the state should do everything possible to make sure more companies come here; however, if the premise is that the state is approving tax abatements and the companies are providing good paying jobs, then that premise should be met. Is GOED able to explain why certain employees from large companies are still enrolled in Nevada Medicaid? Does the NRS need to be restructured to ensure that full-time employees of companies receiving abatements are not enrolled in Medicaid?

The public comment letter submitted by the Storey County Commissioners' Office (Exhibit B) states there was some difficulty and push back in terms of making sure that local jurisdictions were included in the conversation so that they can prepare for the increase of spending that they would have to provide in government services. Does there need to be further robust conversations as to how to restructure the approval process and incorporate local jurisdictions as part of that decision making process rather than subsequently directing them to public comment?

MR. BURNS:

To provide some background information, I used to be a partner at Cragin and Pike for 25 years and provided health insurance. I still have my insurance license. The ACA requires that the employer cover 50% of the health insurance premium costs. In NRS, employers are required to cover 65% or more of the premium costs, which is appropriate if the business is receiving incentives from the state. While the provisions of the ACA still exist, there are no penalties, so it essentially has no teeth. Many employees do not end up getting health insurance because they must pay the other 35% of the premium costs. I know when I was younger, I would rather have beer money than pay for health insurance. While the employer is required to offer the health insurance and to document that they offered it, it is not required for the employee to take it. Those employees then still fall under the Medicaid provisions.

Regarding your second question, there does need to be a conversation about local jurisdictions. Last year, GOED worked closely with the RDAs and municipalities in discussing the ability to open the communication lines. Historically, the nondisclosures that were signed sometimes restricted who was allowed in those conversations. I am not discounting the trials that Storey County endured, but I do not think anybody could have anticipated the amount of growth that happened at the Tahoe-Reno Industrial Center and its total impact. It was not done in malice, but it was tremendous growth. Certainly, the conversation of including local jurisdictions needs to be had going forward.

SENATOR DOÑATE:

There is a national trend of companies offering their employees 100% health care coverage. With the rising cost of inflation, Nevada employees are finding themselves in a position where they are under a certain threshold of income and qualify for Medicaid. The employer is not paying them a fair wage. The employees would rather enroll in Medicaid than pay whatever premium is being offered through the employer. During the abatement approval process, is there any requirement for the companies to provide 100% of the health care coverage for their employees? What can be done so that employees are not put in a position to choose between paying for their health insurance premium or using that money to support their families. This is not a situation where employees are not choosing the health insurance offered by the company because they would rather have a small amount of disposable income. The employees are not choosing the health insurance offered by the company because the premium cost is too expensive, and they have insufficient means. To what extent is Nevada requiring companies to cover their employees' health insurance? Health care coverage is the basic principle of being an employee. Are those conversations had with the companies during the abatement approval process?

MR. BURNS:

Again, NRS only requires employers to cover 65% or more of the premium costs. In my experience in the insurance industry, I did not experience a lot of employers paying 100% of their employees' health insurance premiums.

ASSEMBLYMAN HAFEN:

I would like to follow up with Senator Neal offline on some of her ideas.

There is a biofuel project in Lincoln County utilizing the pinyon pine and western juniper. I am curious to know whether tamarisk or salt cedar could be utilized in a similar process. The invasive weed is a problem seen throughout Pahrump and along the Colorado River. If the invasive weed could also be utilized like pinyon pine and western juniper, it could serve for both growing the biofuel industry and reducing and conserving Nevada's water resources.

MR. POTTS:

Yes, it can be done. Anything that is carbon can be converted into advanced materials. GOED has had discussions with landfills. Lincoln County has been working with the country of Denmark. Denmark's landfills are only 3% of waste treatment for all waste; everything else gets converted. GOED can connect you to some people who can discuss that further with you.

There was no further discussion on this agenda item.

V. OVERVIEW AND DISCUSSION OF THE PROMOTION OF ECONOMIC DEVELOPMENT IN NEVADA BY REGIONAL DEVELOPMENT AUTHORITIES.

TAYLOR ADAMS (President and Chief Executive Officer [CEO], EDAWN):

Because many of the slides that GOED presented today pertain to Northern Nevada and to provide information efficiently, I will offer remarks and reference some of the GOED slides in lieu of a separate presentation.

In reference to the slide on page 21 (Exhibit A), EDAWN is grateful to the Governor, GOED, UNR, and the Interim Finance Committee for their support of the EDA Tech Hub. This program is a critical driver of the future of our economy, and it would not be in play without your support. EDAWN is honored to be part of the NSF Engines initiatives and has three employees serving in various capacities on the delivery of the project. Finally, EDAWN's entrepreneurial development team is actively engaged in the execution of one of the Build to Scale grants. EDAWN is encouraged by the activity it is creating in Northern Nevada.

Regarding the incentives and abatements discussed on pages 39, 40, and 43 (Exhibit A), EDAWN thanks the Committee for supporting industrial growth in Northern Nevada. The Committee's leadership on the delivery of these projects has changed the employment landscape in Nevada. Not that long ago, many young people felt they had to leave Northern Nevada to have the career they sought. Now, thanks to the Committee's support, this is no longer the case. Nevada now has a diverse and robust economy that offers real opportunity as well as economic mobility.

While there is no denying that the investments in Nevada, as shown on page 48 (Exhibit A), are among the largest made to date, it should be noted that Storey and Washoe Counties account for only 26% of the companies that received support FY 2022 through FY 2024 YTD. EDAWN made many more industrial announcements during that time. EDAWN alone assisted 34 companies that added 6,086 jobs to Nevada's economy and $4.8 billion in new capital expenditure. EDAWN's Entrepreneurial Development team reported more than 25 new startups that brought Western Nevada another 135 jobs. The average wage reported for attraction, business expansion, and entrepreneurial development jobs was $40.30 per hour. It should also be noted that NNDA has additional announcements that can be added to those totals.

Tesla and Redwood Materials represent the capital investment in most of those jobs. What is significant about the remainder of companies that did not receive abatements is that many came here because of those two major announcements. Regarding market value, those companies either were suppliers that needed to be close to the larger investment or viewed the community differently because of the location of Tesla and/or Redwood Materials. In short, the major investments were a catalyst that induced additional investment to go well beyond the projected return on investments associated with the initial abatement.

Looking forward through the end of FY 2024 and into FY 2025, there is an opportunity to examine Nevada's competitive position in the market compared to states with similar tax structures. GOED mentioned Nevada's direct peer regions, but Florida, Tennessee, and Texas also do not have a state income tax. EDAWN is incredibly grateful for the present programs; however, Nevada does not offer the incentives and abatements that are generally consistent with national market leaders in the same space. That is not to suggest that Nevada's incentives and abatements should change. With current market dynamics related to interest rates, construction costs, and real property costs, companies are far more sensitive and aware of state and local investment levels when making decisions. With time, Nevada will be able to respond to challenges that may arise in the current environment, but its outcomes will likely be affected in the short term.

I think everyone in economic development considers it an honor to be able to work in this state. I am new here, but I am in awe of the benefits that Nevada offers to businesses. I am encouraged by the quality of the businesses participating in statewide economic development efforts. I am so impressed by the work of Mr. Burns, Mr. Potts, Tina Quigley from LVGEA, and Jeff Sutich from NNDA.

CHAIR BACKUS:

The 82nd (2023) Legislature passed some bills to help the RDAs. Is there anything that the Legislature should consider for policy to assess EDAWN?

MR. ADAMS:

When discussing abatements, it is the large megaprojects that often get the bulk of the attention because most are once-in-a-generation investments. It is important for this Committee to know that, in any given year, there may be five of those projects that either originate in the U.S. or come to the U.S. by way of foreign direct investment. There are dozens more smaller projects that also offer real opportunity for economic growth and diversity within Nevada's communities. I welcome the opportunity to be more aggressive in that space with tools that would give Nevada greater ability to strategically incentivize startup activity. I do not want to speak for other parts of the state, but I think you will find that is true across the economic development community. Startups are the "stickiest" businesses. They are of Nevadans, by Nevadans, and, as they grow, will stay with Nevada.

The other consideration is employers that, in a best-case scenario, have fewer than 200 employees. Those are investments that are generally going to be between $15 million and $50 million. Those companies have a better chance of locating corporate headquarters and making Nevada their home.

SENATOR NEAL:

If you could define a tool for Western Nevada for businesses that have 200 employees or less, what would it be?

MR. ADAMS:

Looking at examples across the country, there is a real part of the market relating to the cost of capital and the cost of construction. Any robust set of tools that would close gaps specifically for those potential employers would allow Nevada to be more competitive with other parts of the country. However, if that were to be a full program, the money would have to come from somewhere.

SENATOR NEAL:

Does EDAWN use funds from the CDBG Program? Which tools does EDAWN rely on for Western Nevada? Does EDAWN use any portion of the Knowledge Fund through any other institutions in Western Nevada?

MR. ADAMS:

Yes, EDAWN is a consortium member in the Tech Hub application. Additionally, there are three full-time employees, including me, who are actively involved in the shaping of the NSF Engines. EDAWN is absolutely using the Knowledge Fund but, in the interest of time, I will not go into detail as to how it is working within the fund to build out a broader venture investment system in Norther Nevada. It is a tremendous resource and EDAWN is grateful to have it.

The CDBG Program is utilized by some of the public agencies in Northern Nevada; however, that is not something that EDAWN has accessed yet. I will blame that on the fact that I am still new to this job and have not gotten to that portion of the work plan yet, but there is certainly value to it.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division):

Before the next presentation, it should be noted that LVGEA's original presentation was included in the meeting packet (page 59, Exhibit A); however, the alliance submitted a revised presentation after the meeting packet went to print. Committee members and the public should reference the separate handout (Exhibit C).

TINA QUIGLEY (President and CEO, LVGEA):

Before I get started with the presentation, I would like to publicly commend EDAWN for having selected Mr. Adams as its leader. Mr. Adams comes to Nevada with a resume of experience in economic development across a plethora of states. He is a mentor and advisor to me, and I am learning so much from him. I am glad to have him in Nevada.

The Committee asked the alliance to report on its region served, activity during 2021 through 2023, 2024 metrics, and challenges and opportunities. This presentation (Exhibit C) has been tailored to specifically address those topics.

As you look at page 2 (Exhibit C) you will inevitably recognize some of the faces. The alliance is an Internal Revenue Code 501(c)(6) nonprofit organization made up of regional business leaders and elected officials. It is rooted in 75 years of existence. The LVGEA is one of eight RDAs in Nevada. Regarding attracting and growing businesses, the primary tool the alliance uses is Nevada's tax abatement program, commonly referred to as "a temporary discount on taxes."

I assure you that the members of the Board of Directors for LVGEA, known as LVGEA 50, are very engaged and are some of the most influential voices in Nevada. The board has 60 members. For the first time ever, there is a waiting list to join the board, which signals that Nevada has a business community that is very excited and wants to engage in how their voice is received throughout the state. The board members are opinionated, but that is appreciated. The alliance would much rather have an engaged board who cares than one with members that just show up to meetings whenever they can or have to. The board gives the LVGEA direction, and the LVGEA works to execute that direction. Currently, the direction given to the LVGEA is that it should target the industries and businesses that Nevada is attracting. For that, the tax abatement program is a very important tool.

The community that LVGEA serves has a population of 2.3 million (page 3, Exhibit C). That is on par with other regions such as Austin, Texas; Cincinnati, Ohio; Kansas City, Missouri; Pittsburgh, Pennsylvania; and Sacramento, California. The community has a labor force of 1.12 million people, of which one-third are in hospitality and gaming. That is why one of the alliance's primary missions is to not just grow economic development, but also diversify the economy.

The LVGEA partners with all different regions and agencies in Southern Nevada, as shown on page 4 (Exhibit C), such as the City of Boulder City, City of Henderson, City of Las Vegas, City of Mesquite, City of North Las Vegas, and the Office of Community and Economic Development of Clark County. The alliance works with these entities to make sure that its efforts and time are aligned towards targeting, attracting, and growing Nevada's businesses. To do so, LVGEA hosts monthly meetings with the economic development directors and staff from each one of the entities. Additionally, it convenes and coordinates public and private partner councils so that the private sector is included in the discussion of target industries and goals.

The primary purpose of tax incentives is to keep Nevada competitive (page 5, Exhibit C). Tax incentives also allow Nevada to be intentional in economic development pursuits. Currently, Nevada's tax abatement program precludes anything that is related to hospitality or gaming, which is important because it focuses on diversifying the economy.

To be eligible, companies must:

- Import money, with at least 51% of their revenue coming from outside of the region.
- Have 50 or more employees.
- Pay at least the average wage in Nevada.
- Have certain capital expenditure requirements.
- Cover at least 65% of the insurance premium for their employees.

Tax incentives help create community prosperity through tax generation and quality careers. Because of the companies that Nevada attracted last year, the state has over 700 jobs that were brought in because of the tax incentive program. The average wage was $36 an hour, which is well above the state's average wage. Nevada's incentive package is working to create prosperity.

A little over a year ago, LVGEA contracted with a research firm to conduct a regional study to outline Nevada's competitiveness in the incentive space. While it is not an exact comparison, it is clear that Nevada is woefully behind some of its peer states. Nevada is behind Arizona, California, Tennessee, Texas, Utah, and several other states that do not have income taxes, which Mr. Adams mentioned during his presentation. The LVGEA shared a report with the Committee a year ago in preparation for session. Please let me know if you would like another copy of that report; it is also on record with GOED.

Moving forward, it will be important to pay attention to how competitive Nevada is compared to other states. In Southern Nevada, large parcels of land for projects, such as clean energy or manufacturing projects, are dwindling significantly. There are about 6,000 acres of developable land that is available for those types of uses. There was a time when Nevada had the lowest operational rates in the region. That is not the case anymore. However, the federal interest rates are currently high. The LVGEA is hoping to see the rates decrease because they have inhibited a lot of companies' decisions to grow or relocate.

The cost of construction has escalated to the point where Nevada no longer has the lowest cost of construction. Las Vegas is now ahead of Phoenix as it relates to high construction costs. While Las Vegas has in-migration populations, so do Nevada's other primary competitor markets. The competitors have a larger pool for non-hospitality careers. It is going to take more than a no-income tax tactic to attract desirable companies. As previously mentioned, Florida, Tennessee, Texas, and Washington do not have income taxes and are preparing tax incentive packages and programs that outcompete Nevada.

For example, in December of 2023, LVGEA was in talks to finalize the relocation of a very large tech company. To start, the company would have created over 150 high-wage jobs. Employees would earn $100,000 a year. Eventually, the company planned to grow to 500 employees. The company was attracted to Southern Nevada because of its proximity to the Southern California Basin. Right before the holidays, the conversations with the company sort of paused. The alliance was not alarmed as it is typical for things to slow down around the holidays; however, after the holidays the company informed the LVGEA that Texas had contacted them and offered to not only go above and beyond the abatement program but also to provide 20 acres of land. If Texas wants a company, Texas is going to get the company, especially if it is only competing with Nevada.

I would also like to share the impacts related to the new requirement of the Family and Medical Leave Act (FMLA). The new provision for businesses going through the tax incentive application approval process is beyond not only federal standards but also California standards which makes it tough to encourage California companies to leave. The LVGEA is starting to see the impacts of that. The deadline to turn in an application and avoid the new requirement was October 2023. There were several companies who submitted applications prior to the deadline but now the application requests are starting to dwindle.

Historically, companies that applied to move to Nevada or have moved to Nevada were oriented towards logistics, operations, or transportation. Those companies met the requirements of having 50 or more employees, certain capital expenditures, 51% of revenue coming from out of state, and the average wage. Page 6 (Exhibit C) displays the companies that had GOED applications in 2023. Of them, six were manufacturing companies, Arvato was the only logistics company, Elite Sales Solution was a fintech company, Indigo was a biotech company, and Skillz was a headquarters relocation. The aggregate average hourly wage of these companies was $36.56, which is equivalent to $76,000 a year. Skillz was paying $54.83 per hour or $114,000 a year, on average. Skillz is starting with 176 jobs and will be building out to 280 jobs in the next 5 years. There is an opportunity to start to move away from lower-wage companies and move towards higher-wage companies that are interested in leaving their current location or that see Nevada's workforce as one that is trainable.

Pages 7 through 9 (Exhibit C) show the activity during 2021 through 2023. Over the past 3 years, LVGEA has assisted 62 new and expanding companies. The total annual payroll for the past three years was $338 million. The first year of new taxes is $46 million. In 2021, there were 39 new and expanding companies in Southern Nevada. In 2022, there were 11. Some of that has to do with a backlog of companies due to the COVID-19 pandemic. Regardless, in 2023 there were only 12 new and expanding companies in Southern Nevada, so there is not that much difference between 2022 and 2023.

In 2021, there were 3,259 new career opportunities created. In 2022, there were 1,357 new career opportunities, which is less than half of the opportunities in 2021. In 2023, there was a further decrease to 727 new career opportunities.

In 2021, there was $1.2 billion in new capital investment in the region. In 2022, that dropped significantly to $514 million. In 2023, there were some interest rate issues and there was $82 million in new capital investment, so there is a trend.

I would like to talk about the average hourly wage over the last three years because it is a topic that is important to LVGEA and one that Nevada needs to capitalize on increasingly. In 2021, all the new career opportunities that came into Nevada paid an average hourly wage of $27.96, which is about $40,000 a year. In 2022, even though the number of new companies and career opportunities dropped, the average wage went up to $32.13. In 2023, the average hourly wage increased to $36.56. There is a trend that is happening. There are less companies and less capital expenditure, but there are higher wages. Wages that are significantly higher than the state's average wage of $29 per hour.

The LVGEA board has made it clear that Nevada is at a point where "fish are no longer jumping in the boat." That is to say that the transportation and logistics companies that would move into Nevada for the sake of its geographic location and to get out of California are no longer doing so. It is time for Nevada to become very strategic and targeted and to go "spearfishing" for the companies and industries that are wanted to help develop the community. The alliance has been working with state economists, including Applied Analysis, RCG Economics, and UNLV. Additionally, LVGEA has been working with municipalities and its board to do research to target what makes most sense for Las Vegas.

The targeted industries (page 10, Exhibit C) have been narrowed down to:

- Advanced manufacturing, particularly as it relates to clean energy technologies like electric vehicle battery manufacturing.
- Financial technology, which covers the industries of payments, cybersecurity, and blockchain.
- Health technology companies, which include biotech, life sciences, research and development pharmaceutical, and clinical trials.
- Sports technology and creative industries, which include digital media production, and those that are ancillary and can build on Nevada's organic growth related to sports.

The LVGEA's 2024 action plan and metrics on page 11 (Exhibit C) may look conservative, but as the trends show, the goals are going to be challenging to meet. For that reason, LVGEA is going to be aggressively outward bound. In 2023, LVGEA attracted and expanded 12 companies. For 2024, LVGEA wants to keep its goal for attracting and expanding companies to 12, which will be aggressive. It may sound like it will be the same amount of work, but it is going to be aggressive. The stretch goal is 18 companies.

How does LVGEA plan to do so? What do you do when the fish are not jumping in the boat? You go spearfishing. The LVGEA is in the process of shifting from having been a mostly inbound sales organization to becoming an outward-bound organization. As shown on the calendar on page 12 (Exhibit C), the LVGEA team will be out almost every month going to conferences or conventions. The alliance will meet with specific companies to invite them to come to Southern Nevada so that they can see what it is like to do business beyond the Las Vegas Strip.

Page 13 (Exhibit C) showcases LVGEA's program LOCATE Las Vegas. Thanks to LVGEA's private and public sector partners and municipalities who raised funds, the alliance was able to host 16 CEOs for 3 days prior to the Super Bowl. The CEOs had itineraries curated to their specific industries so that they could get to know the Las Vegas community beyond the Las Vegas Strip. A lot of people are astounded to learn not only that there is life outside of the Las Vegas Strip, but that Las Vegas is a tight-knit community. Compared to other regions, Las Vegas has great partnerships with other business communities and municipalities. The LVGEA met every day at different locations such as the Black Fire Innovation at UNLV, Kirk Kerkorian School of Medicine at UNLV, Las Vegas Aces Headquarters, and the Smith Center for the Performing Arts. The LVGEA also invited other CEOs who currently live in Las Vegas so that they could develop relationships. The great experiment of this program was successful. I was hoping that 3 or 4 of these companies would decide to either locate or expand into Las Vegas but I would be surprised if in 12 months there are not at least 6 to 9 of those companies here. That is how successful I think the program is. Now, if Nevada also had abatements and incentive packages that were comparable to some of its peers, that would be a win.

ASSEMBLYMAN YUREK:

I like that the LVGEA has set some good goals and stretches for 2024 in its action plan on page 11 (Exhibit C). It looks like the alliance has increased everything just a little bit higher. However, the two-year average wage for 2022–2023 was about $71,000, yet the LVGEA's two-year average wage goal for 2024 is $67,228. That seems a bit conservative. Can you explain why?

MS. QUIGLEY:

There was a lot of internal conversation about that. First, I must note that those metrics are for the jobs that are eligible for GOED applications. Of the 16 companies from the LOCATE Las Vegas program, not all are necessarily going to be eligible for GOED applications because, although they will meet the wage requirement, they will probably not meet the number of employees requirement. Economists agree that LVGEA should spearfish the higher-skill, higher-wage jobs; however, those are probably going to end up in other states; particularly in Arizona or Texas. The LVGEA convened, collaborated, and negotiated what the goal should be and ultimately this is what it came up with. However, I agree with you that the goal should be higher.

CHAIR BACKUS:

With respect to higher-skill companies that might not fit Nevada's economic development model for incentives and may instead take their business to another state, do policies need to be reviewed to keep those companies here? Nevada has fine programs in UNLV, UNR, and its community colleges. On top of losing those companies to other states, I do not want to lose graduating students to out-of-state jobs as well. Does the Committee need to look at policy that captures smaller companies as well?

MS. QUIGLEY:

Absolutely. That is something that is discussed at LVGEA. The conversation is, if the LVGEA were to have a wish list of things to update related to Nevada's tax incentive program, what would that wish list look like? Nevada is at a point where there are a lot of opportunities for it to attract some of the smaller companies that are more suited as a good fit for Las Vegas.

SENATOR NEAL:

While you were "spearfishing" for certain companies, did those companies align with the student degrees that are coming out of NSHE or UNLV?

AMBER STIDHAM (Senior Vice President, Chief Strategy Officer, LVGEA):

Essentially, the answer is yes. The LVGEA does work primarily with the state's higher education partners in the region and with the regional workforce agency to discuss what the focus is moving forward and how to support that focus. A challenge that LVGEA is working to address is bridging the gap. While there are a lot of great things happening in higher education and training, Nevada needs to also match the types of jobs that are being created. The education might be the same or sometimes a little bit different than the career opportunities that are currently being offered in the community. The alliance's responsibility is to bring business to Las Vegas, but it does believe education should be part of the conversation. About a week ago, the LVGEA established a talent pipeline council with local university presidents and the Clark County School District in their career and technical education areas to discuss what the future of economic development looks like and any gaps in two-year or four-year degree certification and training programs.

MS. QUIGLEY:

There are four university presidents who are very interested in wanting to align with whatever the target is for Las Vegas. The LVGEA must be very specific in sharing with them what the goals are.

SENATOR NEAL:

For the CEOs that were invited for the Super Bowl event, did you ensure the focus was around NSHE graduates?

MS. QUIGLEY:

Yes. The LVGEA had one full day dedicated towards workforce opportunities, time to spend with university presidents, and Workforce Connections.

SENATOR NEAL:

In talking about a diverse industry, how many of the industries that have come into the region are not spinoffs or directly related to some supply chain of gaming?

MS. STIDHAM:

The companies on page 6 (Exhibit C) are the projects from 2023 that came to Las Vegas through the GOED application process through the LVGEA. Most of these organizations are not spinoffs of gaming at all. Most are advanced manufacturing, financial technologies, distribution and logistics, and some additional financial support services. However, in the history of the LVGEA, there are businesses that come to the region that support the travel and tourism hospitality arena that find it beneficial to be physically located in this market. There are some organizations that work in the convention and conference space for setting up materials and display booths and staffing in those types of arenas, but they also do plenty of work internationally or nationally for other markets. That creates a flow of money in which most of the services or products are sold outside of the market thereby generating new revenue that Nevada can spend.

SENATOR NEAL:

If you had to define and create a tool to move forward, what would that tool do? Keeping in mind cities that are sometimes not necessarily in alignment with the goals, how would you make that tool more conducive to have a more aligned development strategy to what the LVGEA is considering?

MS. QUIGLEY:

When it comes to the target industries, there is universal agreement, alignment, and support with the state and with GOED. Whether you are targeting the biotech industry, the clean energy industry, the health care industry, or the health tech industry, I recommend specifically incentivizing the targeted industry. I also recommend looking at Nevada's peer states who are also trying to incentivize those industries and see what can be done to get close to what they are offering. Lastly, I recommend considering a closing deal, which is some type of additional incentive that is allowed for negotiating purposes. That could help Nevada when it is competing against other states.

SENATOR NEAL:

Would Nevada raise or lower the investment threshold that is currently in statute?

MS. QUIGLEY:

I recommend reducing the capital expenditure requirement, because some of the companies will not have significant capital expenditure.

SENATOR NEAL:

Do you have a suggested window?

MS. QUIGLEY:

No. I am not qualified to answer that.

CHAIR BACKUS:

In talking about the activity in 2021, you mentioned a backlog of companies due to the COVID-19 pandemic. Was there any activity in 2020?

MS. QUIGLEY:

Yes. There were eight new and expanding companies in Southern Nevada in 2020.

CHAIR BACKUS:

The Committee has had presentations on earnings and wages looking at inflation. The average hourly wage increased from 2021 to 2023. Has the LVGEA reviewed the impact of inflation and demand for higher wages?

MS. STIDHAM:

No, but that is something that the LVGEA should consider.

CHAIR BACKUS:

I was just curious because, as a business owner, I know hiring has been a struggle over the last few years. Business owners have had to adjust and increase wages to recruit new employees. However, the 2023 LVGEA company assists on page 6 (Exhibit C) tend to yield higher wages. I was just trying to correlate the two.

JEFF SUTICH (Executive Director, NNDA):

An overview of the NNDA begins on page 73 (Exhibit A). The NNDA is one of eight RDAs in Nevada. It works closely with counterpart organizations such as EDAWN and LVGEA, as well as rural organizations like Northeastern Nevada Regional Development Authority. The NNDA was established in 1981.

The NNDA is the designated RDA for the Sierra Region (page 75, Exhibit A), which includes Carson City, Douglas County, Lyon County, Mineral County, and Storey County. The Sierra Region is a land mass area of roughly 7,000 square miles.

The Sierra Region has a population of 182,000 people (page 76, Exhibit A), which is projected to increase 9.5% by 2028. Within the region, the average earnings per job is almost $79,000. There are 5,200 businesses in the region with an unemployment rate of 5%.

The NNDA was asked to highlight some main regional issues as well as opportunities. After doing a survey and communicating with county and city partners, NNDA identified four main regional issues (page 77, Exhibit A). The first main issue pertains to population and its effect on water treatment, education, health care and emergency services, and homelessness. The second issue is land use management, including federal land ownership, available residential housing, available industrial and commercial space, and flood management. Another issue is transportation, infrastructure, and technology, such as planning for roads and road management, utility infrastructure deficiency, and investment in broadband to help connect and provide connectivity to rural communities. The last issue is environmental conservation.

Some of the reported regional opportunities (page 78, Exhibit A) are a result of lands bills and redevelopment. There are over 12,000 acres of land currently being evaluated by Congress for industrial, commercial, and residential development. There are large sites zoned for industrial and commercial development throughout the region, but the constraint is getting infrastructure to those sites; those efforts are currently underway. Another opportunity is through the revitalization of distressed or underdeveloped areas. There are a lot of federal dollars available to support infrastructure projects. For example, there is $5.8 billion available for the Investing in America agenda to support infrastructure upgrades for drinking water, wastewater, and stormwater. Additionally, NV Energy is working on some large transmission-level voltage infrastructure projects to connect the state and bring capacity throughout the state through the initiative called Greenlink. Further, there are some initiatives for broadband infrastructure upgrades to help provide connectivity to rural regions. The last regional opportunity is through housing development. Counties are doing housing development assessments and zoning changes to help encourage housing development and there are efforts to issue more building permits.

As an RDA, the NNDA's goal is to grow and strengthen the region's economic development (page 79, Exhibit A). This is done on two levels, through business development and community development.

Through business development (page 80, Exhibit A), operational activities include the NNDA assisting with the site selection process by helping companies land in areas and expand. The NNDA is a business-to-business resource to be the “one-stop shop” and assist with any needs of the business. The NNDA also assists with workforce development and training by working with partners within workforce development to support those efforts. As for regulatory activities, the NNDA is the mediator between the private sector and the public sector to help solve issues and promote additional growth. The NNDA also helps companies navigate federal, state, and local government regulatory requirements to speed up the process. For financial activities, NNDA guides companies through the state business incentives process, helps find federal grants and loans for assistance, and supports international trade and exporting assistance to help companies diversify their revenue streams into other markets.

For community development, there are three main programs: (1) NNDA Certified Sites Program, (2) the U.S. Environmental Protection Agency Brownfields Program, and (3) the U.S. Department of Agriculture (USDA) Rural Partners Network.

The NNDA was also asked to provide a high-level business activity report (page 82, Exhibit A). Over the last couple of years, the NNDA has assisted 102 companies. Of those, ten companies received abatements. Of those ten companies, nine received standard tax abatements and one received a data center tax abatement.

Page 83 (Exhibit A) provides more information about the community development programs. The NNDA Certified Sites Program is managed by the NNDA Construction and Design Committee. The committee does a due diligence process of a site that qualifies for the Certified Sites Program so that all data is readily available to help speed up the process for encouraging businesses to settle in the region. The NNDA has received four EPA Brownfields Program grants since 2014, which has provided a direct investment of $2.3 million into the region. The grant allows for an environmental review of sites to see if they need any cleanup of hazardous waste. If there is hazardous waste, the grant allows for a plan to get those sites cleaned up so that additional development opportunities can occur. The third community development program is a newer one. It is with the USDA’s Rural Partners Network, which is an all-government program that helps rural communities find resources and funding to create jobs, build infrastructure, and support long-term economic stability.

The other program is through the UNR Tech Hubs grant (page 84, Exhibit A). The application for Phase 2 is due on February 29, 2024. The NNDA has worked diligently with UNR to help support this project. If Phase 2 is awarded, it would be $75 million over five years through the U.S. Department of Commerce. The NNDA is leading in the supply chain enhancement area, which is one of the six project areas. This portion will focus on onshoring and bringing companies into the state to help fill in the pipelines that are targeted throughout the program.

I would like to showcase some success stories in the business development pipeline over the last couple of years (page 85, Exhibit A):

- Western Ceramics Company, LLC, is a subsidiary of Lilac Solutions, Inc., and it manufactures ceramic beads that go into wet lithium deposits. Western Ceramics have an environmentally friendly way of extracting lithium from those deposits without evaporating the water, which is the traditional method. Its average wage is $40 an hour and the company is engaged in supporting local areas and nonprofit organizations, such as the Boys and Girls Club and Friends In Service Helping.

- AVK Elastomer Technology, Inc., is a company that landed in Minden, located in Douglas County, and is from Denmark. The company manufactures and sells products outside of the state as well as to a sister company that also landed in Minden from Denmark about ten years ago called American AVK. American AVK is another success story regarding expansion as it is building a foundry to support efforts so that it no longer imports products from China.
- Symbia Fulfillment Services of Nevada, LLC, is a family-owned third-party logistics company, which expanded into Storey County. It is very active in environmental and sustainable initiatives, planting over 1,500 trees and doing a significant amount of recycling of cardboard, metal, office waste, plastic film, and wood.
- Agru America, Inc., is a company in Fernley, located in Lyon County. It expanded its manufacturing operation and is one of the world's leading manufacturers of cover systems in landfill applications, protective liners and fittings, and piping systems. The company is very environmentally conscious and ensures that any production waste is recycled or reused.

As for community development (page 86, Exhibit A), there is a total of 157 projects that are supported through the Brownfields Program grant. One of those is an 8-acre site that was redeveloped into a 160-unit multifamily affordable housing complex in Carson City. Another project was an environmental study for Redwood Materials, a battery recycling company, on 14.5 acres also in Carson City. Redwood Materials has since done an expansion into Storey County. Then, in Mineral County there was a cleanup plan created. Once that area is cleaned up, it will provide a location for approximately eight acres of commercial development for the Babbitt Commercial Subdivision. There are also a total of ten certified sites. The largest site is a 4,300-acre industrial development in Fernley located in Lyon County for Victory Logistics District.

Regarding tax abatements, the incentives and programs that NNDA utilizes the most are standard tax abatements and data center tax abatements (page 87, Exhibit A). Lately, there have been a lot of inquiries about the $1 billion investment packet. For workforce and training, NNDA gets the most inquiries from the Silver State Works program through DETR. The NNDA works collaboratively with EmployNV, Nevadaworks, and Western Nevada College. For commercial/industrial real estate, the NNDA Certified Sites Program and the Brownfields Program grant are used for Phase 1 and Phase 2 analysis. For energy and utilities, the most inquiries NNDA receives are regarding NV Energy's power efficiency services which is handled by NV Energy's Business Energy Services program. Lastly, for regulatory environment, the most inquiries NNDA received are regarding the speed of resolving permitting issues, resolving transportation and permitting issues between states, and state business licenses.

Concerning suggested changes for provisions of statute to support economic development, the first change has to do with A.B. 400 of the 80th (2019) Legislature (page 88, Exhibit A). Currently, a company in Nevada can expand one time. The NNDA would like to have an analysis done to see what it would look like if companies were allowed to expand more than one time. Initially, I was thinking about allowing companies to expand in perpetuity, but other conversations have transpired, and I am not sure if that would make sense. The analysis would reveal what makes the most sense for the state as well as for its rural regions. Especially in the rural regions, the NNDA wants to help encourage companies to stay and expand and reduce the risk of another state trying to convince those companies to leave and move elsewhere.

The next suggested change is regarding the criteria to qualify for standard tax abatements (page 89, Exhibit A). One of the requirements is for companies to generate more than 50% of revenue from outside the state. The NNDA would like to have an analysis done to determine whether that percentage should be lowered. Within rural Nevada, the diversification is small because a lot of these communities are reliant on a few select industries. Some are robust and profitable industries, such as mining. The idea is to lower the requirement and help encourage value-added industries to come to rural regions and create the expansion for those diversified value-added subsectors. That could grow and bring in additional subindustries. By lowering the revenue requirement, it would allow for those opportunities. An example can be seen by a company whose majority of revenue is derived from selling to a mine or to a manufacturer. Perhaps 60% or 70% of the company's revenue comes from the entity that is already in Nevada. That company would not qualify for those standard tax abatements. Therefore, discussion and analysis are needed.

Another suggested change pertains to Section 39 of S.B. 1 of the 35th (2023) Special Session (page 90, Exhibit A), which requires companies that receive standard tax abatements who have 50 or more employees to follow the FMLA of 1993. The NNDA would like to have a detailed discussion and analysis done to clarify what the goals are of the FMLA, what the benefits are to the state, what the ramifications are to the standard tax abatement program, and how it will affect growth for companies in rural Nevada.

The final suggested change is regarding the capital investment of at least $1 billion or $3.5 billion (page 91, Exhibit A). Currently, as these larger tax abatements come to fruition, the governing body of the county, the board of trustees of the school district, and the governing body of the city or town are notified at least 30 days before any public meeting. The NNDA suggests developing a non-disclosure agreement (NDA) process in which the local government and the state can sign an NDA and the local government can join the conversation from the beginning so it can understand the fiscal ramifications of the abatements on its communities and be able to communicate what fits best.

SENATOR SEEVERS GANSERT:

I appreciate that you provided the recommended changes in writing. I understand that the smaller communities have different needs. Earlier in the meeting, Ms. Quigley suggested having a closing deal. Nevada had that before, and it worked to ensure the state landed some of the good deals. I believe that money was eventually used up but perhaps the Legislature could seek resources to reestablish that.

SENATOR NEAL:

Regarding the main regional issues on page 77 (Exhibit A), planning for roads and roads management is listed under transportation, infrastructure, and technology. The Infrastructure Investment and Jobs Act (IIJA) provided significant money to the Nevada Department of Transportation (NDOT). Included in that was money for roads, which has been used for the special Tropicana experience that no one likes. Those funds may apply to NNDA's issue. Does NNDA need to get in contact with someone at NDOT?

MR. SUTICH:

Yes, I would like an introduction to better understand how much funding is available, what the funds can be used for, whether communities can apply for those funds directly, and what the process looks like. There is definitely a need.

SENATOR NEAL:

Investment in information technology and connectivity was also listed under transportation, infrastructure, and technology on page 77 (Exhibit A). Of the IIJA, $416 million was given to the Office of the Governor's Office of Science, Innovation, and Technology. I would reach out to the office because that is a significant amount of money. The NNDA should try to remedy some of these issues with those funds. That $416 million was specifically for broadband investment.

Regarding A.B. 400 on page 88 (Exhibit A), the Legislature limited the expansion packages because the packages were being abused. There were companies that barely fell under the umbrella and there was expansion after expansion. The Legislature was not seeing what the impact was to revenue that was being abated, yet there were three companies falling under that umbrella. In the application for rural communities, it might be a tool used in a different way. What if there was a wholesale change that would give NNDA what it needed for a rural community that has less than 100,000 people or 20,000 people in a town? That would be a very different conversation about what expansion looks like and what the investment threshold looks like. If the NNDA could describe an alternative to A.B. 400 that would give it the expansion tool needed for smaller businesses, what would that alternative look like?

MR. SUTICH:

That is a good question and an interesting point. That is something I would like to learn more about and understand the data. The NNDA is very data driven, so I would like to review the analysis, examine what happened before to make sure those mistakes are not made again, and explore whether it makes sense for the state to support expansions. Each community is a little bit different, meaning each of the needs are a little bit different. It would make sense for the NNDA to sit down with rural development authority counterparts as well as different city and county managers to discuss the needs within each area. Perhaps an incentive program could be implemented at a microlevel to figure out the needs for each community and what those numbers look like.

TATJANA VUKOVIC (Deputy Director, NNDA):

An analysis needs to be done to set certain criteria. The NNDA would also like to work with the economist at GOED to examine the specific type of industries and businesses that are coming into Nevada. Certain types of businesses might bring a higher number of jobs, but lower wages, and others bring a lower number of jobs but higher wages. What would the capital investment be? Advanced manufacturing and the information technology industry are going to bring higher paying jobs; however, some industries like transportation and logistics might bring more jobs but the wages might be lower. Therefore, an analysis needs to be done within rural communities to determine what type of businesses, industries, and occupations should be encouraged to grow there.

SENATOR NEAL:

On page 91 (Exhibit A), you mentioned NRS 360.890, which pertains to a historical conversation about having a seat at the table before the deal is finalized. I agree with that. Since you mentioned lower investment thresholds, do you have any ideas on how to create more options and reduce the $1 billion? I know there was a lot of conversation by the 82nd (2023) Legislature about this. For future reference, is there anything that NNDA would adjust that would benefit the rural areas? I do not think these thresholds make sense for the rural communities because of the population and workforce issues. The fact that there is an aging population and some of Nevada's essential workers are between 18 to 24 years old should be considered. What are the criteria for a company that is going to come and stay long term and going to have a long-term investment, expand, and give more supply chain opportunity to younger entrepreneurs that might grow out of the ecosystem?

MR. SUTICH:

That is something I would like to see an analysis done to really dive into what the benefits would be. When this legislation was created, Nevada had just gone through the Great Recession, and it needed jobs, help, and support, and the legislation provided that. Things, dynamics, and economies change. I am open to helping examine this legislation to see whether it needs to be revised and, if so, how to change it to support rural areas. It would be interesting to look for what a community needs specifically, whether it be medical resources or child care. What would create unique opportunities to help expand those industries? Perhaps something could be put in place to help those community needs for a timeframe of five or ten years, then it could be reexamined to see whether it worked. How can we change that legislation so that it is better?

Regarding current programs that are in place to help alter the situation, there is a small project created by Sheldon Mudd, Executive Director of the Northeastern Nevada Regional Development Authority called Launch Rural Nevada. It is an event in which students and adults pitch their business idea, get coaching on that idea, go through the business plan competition, and get money awarded to them to help start the business. The NNDA is working with Mr. Mudd to try to bring that to the western side of the state. It is a neat initiative that, if it had more funding and support, could take off and support the grassroots movement.

Additionally, the Tech Hubs project that NNDA is working on with UNR, if awarded, will create huge opportunities for rural Nevada and throughout the state. That will help give rural RDAs the resources to market and showcase their regions and provide the opportunity to recruit companies. It will also provide the funds to perform an analysis to find the gaps within each region.

SENATOR NEAL:

There are a couple of programs that already exist that just need to be tweaked towards rural communities. If NNDA were to change the statutes to also support the rural areas, what would that look like? If NNDA were to scale the programs that GOED presented for rural issues, what would that look like? I am asking this because even though I would like to raise revenue, Nevada is in a framework that will not allow for that for a couple of years. I want to experiment on how to grow Nevada within that framework with a targeted and structured economic development strategy that can be reevaluated five years from now. I think it is possible to see an expanded rural community with entrepreneurs, family businesses, and startups who were able to expand their supply chain and become a 30-year or generational business.

Sometimes rural communities are viewed as if they have aging infrastructures but there is a prime opportunity to try to keep some of those people there. Some of these places are losing people because they are aging out but there are young people who might want to stay if they were given the creative tools and the opportunity to advance. There are programmatic structures that can support programs like Mr. Mudd's to share resources across the state towards those kinds of initiatives. It may be a large task, but it is doable because the set of information can be reworked.

MR. SUTICH:

I appreciate and agree with your comments, Senator Neal. The NNDA will work on answering those questions and let you know what ideas or solutions it comes up with.

ASSEMBLYMAN YUREK:

It is interesting to see what is going on in Northern Nevada and how some of it coincides with what is occurring in Southern Nevada as well. Earlier, the LVGEA mentioned that there were some unintended consequences because of S.B. 1 and there was a decline in the number of applications for some of the standard tax abatement programs. Have you observed anything like that?

MR. SUTICH:

That new law went into effect in October 2023 and, since then, I cannot say that there have been any companies directly say they will not be coming into Nevada because of it. However, the NNDA has not had any companies come to Northern Nevada since October.

Last year, NNDA had three companies come through the standard tax abatement process and one of them was a data center. There was a pipeline of companies coming and a lot of interest, but this has stopped. The NNDA is still talking to companies about expansions and looking at the different areas, but I think there is risk.

That is why I would like a more in-depth analysis of what the ramifications of S.B. 1 are. If there is a company that wants to expand and it expands into that 50-employee range, that company then will have to abide by this new law in perpetuity. The benefit of that expansion and getting the tax abatement will eventually fall off and it will cost the company money. The goal and the benefit of that law need to be examined to make sure Nevada is meeting that goal as well as ensuring economic growth still occurs.

There was no further discussion on this agenda item.

VI. REPORT AND DISCUSSION OF FY 2024 YEAR-TO-DATE ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM MAY 1, 2023, FORECAST, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2023 SESSION AND THE 34TH AND 35TH SPECIAL SESSIONS.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division):

I am going to review the YTD actual collections for the State General Fund compared to the Economic Forum's forecast and provide a high-level summary of each of the tables, but I will mainly focus on the information on Table 2.

Table 1 on page 93 (Exhibit A) shows the State General Fund actual collections for FY 2023 as well as the forecast for FY 2024. That is based on the May 1, 2023, forecast that was approved by the Economic Forum for FY 2024 for actions that occurred during the 82nd (2023) Legislative Session. The green column displays each revenue source as a percentage of the total General Fund for FY 2023 and FY 2024.

Table 2 on page 94 (Exhibit A) compares the YTD actuals for FY 2023 and FY 2024 as well as the FY 2024 YTD forecast that has been calculated for each of the major revenue sources as well as the non-major revenue sources and all other General Fund revenue sources. The total General Fund revenues after Commerce Tax credits is at the bottom of page 94.

Table 3 on page 95 (Exhibit A) is basically the difference between the YTD actuals and the forecast to show how much revenue needs to be collected for the remainder of the fiscal year to meet that forecast compared to the amount of revenue that was collected for the same period in FY 2023.

Table 4 on page 96 (Exhibit A) is like Table 1 but is after the allocation of tax credits to specific revenues. The revenues that are specifically relevant in this table are the three highlighted in blue towards the top of the page: the Percentage Fees Tax, the Insurance Premium Tax (IPT), and the Total MBT. The tax credits that affect the State General Fund revenues affect those tax revenues specifically, so those are accounted for separately.

Table 5 on page 97 (Exhibit A) is like Table 2 but is after tax credits were allocated to specific revenues. The information is similar to Table 2, but this table shows the impact of the tax credits.

Table 6 on pages 98 and 99 (Exhibit A) is an itemization of each of the individual tax credits. The table shows the revenue sources as well as the tax credit programs, each itemized out. Those are the Film Transferable Tax Credits, the Economic Development Transferable Tax Credits, the Catalyst Account Transferable Tax Credits, the Education Choice Scholarship Tax Credits, the College Savings Plan Tax Credits, and the Affordable Housing Transferable Tax Credits. The table shows how much of each of those individual tax credit programs were used against each of the revenue sources for FY 2023 as well as FY 2024 YTD. On page 98 are the General Business/Nonfinancial MBT, the MBT-Financial, and MBT-Mining components as well as the totals. As relevant information to these tables, the percentage fees as well as the IPT are on page 99.

Pages 100, 101, and 102 (Exhibit A) are notes about some of the legislative actions from the 82nd (2023) Legislative Session that affected the State General Fund. Page 103 (Exhibit A) provides an overview of the tax credit programs.

Table 7 is on page 105 (Exhibit A) and compares the YTD revenues for the entire State General Fund, including the State 2% Sales and Use Tax which is over $1.8 billion, to some of the minor revenue sources that may bring in approximately $100. All YTD collections are itemized.

Please note that the tables are YTD through January 31 of FY 2023 and FY 2024. A lot of the information being presented today will change soon. The information that the Fiscal Analysis Division receives from the Department of Taxation and the Nevada Gaming Control Board is not available yet. The information from the State Controller's system is pulled on the first day of the month. The Department of Taxation and the Nevada Gaming Control Board are preparing their press releases and should be releasing that information tomorrow. The Fiscal Analysis Division will take that information and update these tables accordingly. Until then, these tables are through the end of January so that the Committee can at least see what one month has done for the General Fund.

Going back to Table 2 on page 94 (Exhibit A), I wanted to note a couple of typos relating to some of the periods that are reported. For each of the major General Fund revenues, there is a timeframe in parentheses showing the number of months or quarters that are reflected in terms of what has been collected through the end of this period. For the Sales and Use Tax, it should say five months rather than four months. The Department of Taxation reported November collections for the Sales and Use Tax at the end of January 2024. Formula 1 occurred in November 2023 so that is included in that information. Looking at the dollar difference: actual less forecast, currently the actual collections year-to-date are approximately $19.2 million below the forecast. That number is slightly less negative than it was last month. It was -$19.6 million last month. The difference is about $346,000. The month of November 2023 held the forecast, but the Sales and Use Tax is still about 2.5% below forecast.

The other typo is regarding the Percentage Fees Tax. The table says six months, but the reporting is through seven months. Based on the way that the Nevada Gaming Control Board reports information, December is considered the seventh month of the fiscal year. The $45.9 million above the forecast is about $20 million higher than what was reported to the Committee last month. December 2023 was one of the strongest months on record for gaming win in the state, if not the strongest month. I believe the board said that it was the 34th straight month of $1 billion of gaming win in Nevada, which is decidedly unprecedented, and it was not accounted for in the Economic Forum forecasts.

Observing the Live Entertainment Tax (LET), the gaming portion is approximately $5.7 million above the forecast. That number has decreased a little bit by about $300,000. The nongaming portion is approximately $22.8 million above the forecast and is slightly larger than what was reported in January by about $700,000. The total of the major General Fund revenues is $58.8 million above the forecast and is a positive movement of approximately $22 million over last month. That is primarily derived from the increase in the percentage fees.

The select non-major General Fund revenues is approximately $7.6 million below the forecast. That is lower than it was in January by about $1.8 million. The all other General Fund revenues is approximately $46.3 million above the forecast and is about $400,000 less than it was in January.

The total General Fund revenues is currently about $95.6 million above the forecast and is about $19.7 million higher than it was in January. As a reminder, the numbers are still listed as $0 for the IPT and the MBT because there were reporting issues for both of those taxes in the first quarter of FY 2023 that would have distorted the results for the comparison between FY 2023 and FY 2024. There was revenue that was collected by the Department of Taxation, but it was not actually recorded as revenue in that first quarter because it did not have associated tax returns and there were other technical issues. The revenue was reported in the second quarter of FY 2023 so it would be a fairer comparison to take the first two quarters of FY 2024 against the first two quarters of FY 2023. The Department of Taxation will report the first quarter for both the MBT and the IPT tomorrow as part of the December report. When that information is available, there will be a clearer picture of the revenue. The Fiscal Analysis Division is also waiting for information regarding tax credits to better figure out the calculations.

ASSEMBLYWOMAN CONSIDINE:

Do the forecasts include the data from Formula 1?

MR. NAKAMOTO:

That depends on the revenue source. There was explicit discussion during the meetings of the Economic Forum relating to Formula 1 and its possible effect on the LET. The forecasters did take that into account as they presented their forecasts to the Economic Forum. As one of the forecasters that presented its forecasts to the Economic Forum, the Fiscal Analysis Division did implicitly take the Formula 1 event into account for things such as increased tourism counts when it presented its forecast.

ASSEMBLYWOMAN CONSIDINE:

I believe the Super Bowl was not exempt from the LET. Was that and the percentage of people in Las Vegas considered in the forecast for the Liquor Tax, the LET-Gaming, and others?

MR. NAKAMOTO:

Correct, the Super Bowl was not exempt from the LET. The LET was collected on the tickets that were sold for that event. In the deliberations by the Economic Forum on the LET-Nongaming forecast, there were explicit conversations about the effect of the Super Bowl on that revenue source. With respect to other ancillary taxes such as the Gaming Percentage Fee Tax, the Sales and Use Tax, and the Liquor Tax, the Fiscal Analysis Division was mindful of the number of tourists that would be coming in and other factors. Additionally, the division was mindful of the fact that the Super Bowl was on the same weekend as the Lunar New Year, which is a strong driver of tourism for Las Vegas. The division also had to consider whether factors such as room rates and flight prices would be something that inhibited people who might have come to Las Vegas for the Lunar New Year from coming because it might be too expensive for them. The Department of Taxation will report the February numbers at the end of April. Further into the spring, there will be a clearer picture on how the Super Bowl and Formula 1 affected the state.

There was no further discussion on this item.

VII. PUBLIC COMMENT.

There was no public comment.

VIII. ADJOURNMENT.

Chair Backus adjourned the meeting at 12:36 p.m.

Respectfully submitted,

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Maria Montes, Committee Secretary

APPROVED:

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Assemblywoman Shea Backus, Chair

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Date

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