

**Senate Committee on Finance and
Assembly Committee on Ways and Means
CLOSING LIST #2
May 15, 2015**

<u>BUDGET ACCOUNT</u>	<u>EXECUTIVE BUDGET PAGE</u>
	<u>Volume II</u>
<u>Governor's Office of Economic Development</u>	
Nevada Catalyst Fund (101-1529)	ELECTED-27

Nevada Legislative Counsel Bureau
 Budget Closing Action Report
 Senate Committee on Finance and
 Assembly Committee on Ways and Means
 W01 - GOVERNOR RECOMMENDS

Title: GOED - NEVADA CATALYST FUND
 Account: 101 - 1529

Budget Page: ECONOMIC DEVELOPMENT-27,
 Volume II

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	(40,931)	10,040,932	(24631.36)	15,923	(99.84)	14,155,773	88801.42
GENERAL FUND		1,500,000		17,000,000	1033.33		
OTHER FUND	40,931	28,758	(29.74)	34,850	21.18	18,450	(47.06)
Total Revenues		11,569,690		17,050,773	47.37	14,174,223	(16.87)

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0

Total

0 0

Grand Total General Fund Impact of Closing Changes

0 0

Overview

The Nevada Catalyst Account was created by the 2011 Legislature through the passage of Assembly Bill 449 (Section 16). The Catalyst Account is intended to incentivize the expansion or relocation of businesses that will quickly result in the creation of high quality, primary jobs in Nevada. The Catalyst Account offers a tool to Regional Development Authorities (RDAs) to assist their efforts to complete deals with viable companies that will enhance the state's economic sectors and offer stable jobs with good pay and benefits. The procedure for applying to the Catalyst Account consists of two major steps. First, the business that desires the incentive must apply, with assistance from the pertinent designated RDA, to the local government in which the business will be located. Among the factors given consideration are the nature and viability of the business, the wages and benefits for the jobs to be created, and the timeline for completion. The second step is an application from the local government, in collaboration with the pertinent designated RDA, to the Governor's Office of Economic Development (GOED). For the state application to be considered, it must have attached the application to the local government. The GOED expects that any application will align with the pertinent regional economic development plan and the State Plan for Excellence in Economic Development. A project must demonstrate a significant return on the state's investment and strong local support. The review process considers a variety of factors, including job creation, wages and benefits, capital investment, financial strength of the applicant, applicant's business history, analysis of the relevant business sector, and public and private sector financial support.

Major Closing Issues

1. Restoration of Funds Transferred to the General Fund in FY 2015
2. General Fund Appropriation of \$10.0 Million

Discussion of Major Closing Issues

1. Restoration of Funds Transferred to the General Fund in FY 2015 (E-126, Economic Development-28): The Executive Budget recommends a General Fund appropriation of \$7.0 million in FY 2016 to restore funding that is proposed to be transferred from the Catalyst Account to the General Fund in FY 2015 to meet state obligations. As noted above, the Catalyst Account currently contains \$11.0 million in available funding, and the agency projects grant payments from current award obligations totaling \$2.4 million in FY 2105, leaving an anticipated balance of approximately \$9.0 million in the Catalyst Account at the end of FY 2015. It appears this scenario would leave adequate funding available in the Catalyst Account to cover the anticipated \$7.0 million transfer to the General Fund in FY 2015.

Staff notes that Section 6 of Senate Bill (S.B.) 506 of the 2015 Legislative Session, which is currently in the Senate Finance Committee, would effectuate the transfer of the \$7.0 million from the Catalyst Account to the General Fund. The agency testified that essentially all of the funding currently contained in the Catalyst Account has been committed to companies that have entered into agreements for the funds; however, because the actual job creation targets must be documented prior to the company receiving the award, the committed funds remain in the Catalyst Account until all conditions for receiving the incentive payment have been met. Accordingly, in order to ensure there will be no negative impact on the Catalyst Account, the agency indicates the \$7.0 million would need to be restored at the beginning of FY 2016 in order to fund the grants that have already been awarded. The agency testified that if these funds were not restored, it would severely impact the Catalyst Account because it would have no way to fund incentives that have already been promised. The Director has indicated to staff that the \$7.0 million would be required to fund existing awards from the Catalyst Account regardless of the passage of S.B. 507.

Does the Committee wish to approve the Governor's recommendation, with authority to make technical adjustments as necessary regarding passage and approval of S.B. 506?

2. General Fund Appropriation of \$10.0 Million (E-125, Economic Development-28): The Governor recommends a General Fund appropriation of \$10.0 million in FY 2016 for the Catalyst Account. This appropriation is in addition to the \$10.0 million appropriation for the Catalyst Account approved by the 2011 Legislature, and the \$1.5 million appropriation approved by the 2013 Legislature. The Committee should note that as of the date this closing document was written, the Catalyst Account contained available funding of \$11.0 million, with \$528,500 in total expenditures so far in FY 2015. According to updated reports from the GOED, \$10.0 million of existing Catalyst Account monies have been awarded to 14 businesses from November 1, 2013, through March 31, 2015, and 3,814 jobs are anticipated to be created or saved directly because of the grants. Attachments A and B, which are updated versions of the same reports included with the budget highlight document, detail information about current Catalyst Account grant recipients, including the company name, the number of jobs anticipated to be created, and the scheduled payment amounts and fiscal year from which they are anticipated to be paid. As shown on Attachment B, the GOED anticipates payments from current Catalyst Account funds totaling \$2.4 million in FY 2015, \$3.0 million in FY 2016, \$2.5 million in FY 2017, \$1.7 million in FY 2018, \$257,500 in FY 2019, and \$187,500 in FY 2020 (\$10.0 million total).

During the budget hearing, the agency indicated it exceeded the program's original goal of spending no more than \$4,000 per job created or saved, with an actual cost of \$2,636 per job for the initial

\$10.0 million appropriation received in FY 2011. In response to Committee questions during the budget hearing, the agency indicated the job creation goals for the recommended new \$10.0 million appropriation in FY 2016 would be focused on higher paying jobs than the original \$10.0 million appropriation from the 2011 Legislature. As a result, the number of jobs created would likely be reduced, but would be more cutting edge and higher paying jobs. Accordingly, the agency indicates this investment is anticipated to result in between 1,500 and 2,000 jobs with an average wage in excess of \$23 per hour. For comparison, this would equate to a cost per job of between \$5,000 and \$6,667, compared to the \$2,636 per job from the initial \$10.0 million appropriation in FY 2011, and the average wage would increase from \$20.52 per hour from the initial appropriation to over \$23 per hour with the recommended new appropriation for FY 2016.

Senate Bill 507: Staff notes that Senate Bill 507, which was passed out of the Committee on Revenue and Economic Development on April 10, 2015, and is currently in the Senate Finance Committee, would authorize the Executive Director of the GOED and the Board of Economic Development to approve and issue transferrable tax credits to new or expanding businesses in Nevada to promote economic development. This bill would expand the GOED's reporting requirements associated with the Catalyst Account to include information about the issuance of transferrable tax credits, as well as permit a county or incorporated city whose application for a grant or loan from the Catalyst Account was approved before the effective date of the bill to surrender the grant or loan, or any portion thereof, in exchange for the issuance of transferrable tax credits. In discussion with the agency, the Director has indicated to staff that if S.B. 507 is approved, the Catalyst Account would no longer require the Governor's original recommendation for a General Fund appropriation of \$10.0 million in FY 2016 because the bill would provide transferrable tax credits of up to \$500,000 in FY 2016 and \$2.0 million in FY 2017, which would be granted to new businesses in lieu of direct payments through the Catalyst Account (S.B. 507 would also provide a maximum of \$5.0 million in transferrable tax credits in each fiscal year after FY 2017). Accordingly, if S.B. 507 is passed, the \$10.0 million associated with the Governor's recommendation for the Catalyst Account would be removed as an expenditure from this budget and \$500,000 in FY 2016 and \$2.0 million in FY 2017 would be reduced against General Fund revenue in the respective fiscal years.

Does the Committee wish to eliminate the \$10.0 million General Fund appropriation recommended by the Governor? If S.B. 507 is not passed or approved, funding could be restored to the Catalyst Account through the Appropriations Act.

Other Closing Items

There are no other closing items.

ATTACHMENTS (2 PAGES)

GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

Approved Catalyst Fund Grants

As of March 31, 2015

Ref	Board Approval	Company Name	Target Sector	City/County RDA	Jobs	Average Wage	Total Grant	Grant per Job	Term
C1	Dec-2012	Take Two Interactive Software	Info Tech (Software Dev)	LV / LVGEA	150	\$18.00	\$ 600,000	\$ 4,000	5 years
C2	Mar-2013	Cristek Interconnects, Inc.	Aerospace / Defense	Douglas Co. / NNDA	50	\$24.93	\$ 200,000	\$ 4,000	3 years
C3	Mar-2013	Nicholas & Company	Logistics & Ops (Food Distrib)	NLV / LVGEA	125	\$26.25	\$ 625,000	\$ 5,000	5 years
C4	Mar-2013	SolarCity Corporation	Clean Energy	Clark Co. / LVGEA	800	\$21.31	\$ 1,200,000	\$ 1,500	3 years
C5	July-2013	Ardagh Metal Packaging, Inc.	Manufacturing	Storey Co. / EDAWN	140	\$24.18	\$ 630,000	\$ 4,500	4 years
C6	July-2013	New Logic Research	Manufacturing (Health Care)	Douglas Co. / NNDA	30	\$30.01	\$ 75,000	\$ 2,500	3 years
C8	July-2013	Torchmate-Lincoln Cutting	Manufacturing	Reno / EDAWN	40	\$17.73	\$ 125,000	\$ 3,125	2 years
C9	Sept-2013	Barclays, PLC	Info Tech (Financial Svcs)	Henderson / LVGEA	1,005	\$14.25	\$ 1,875,000	\$ 1,866	4 years
C10	Sept-2013	Kareo, Inc.	Info Tech (Med Offc PMS)	TBD / LVGEA	300	\$20.54	\$ 750,000	\$ 2,500	3 years
C11	Nov-2013	Garlock Printing	Manufacturing (Flex Pak Printing)	Reno / EDAWN	175	\$18.04	\$ 577,500	\$ 3,300	4 years
C13	Oct-2014	CatamaranRX	Medical Services (PBM)	Clark County / LVGEA	300	\$23.10	\$ 900,000	\$ 3,000	3 years
C14	Jan-2015	Petco	Logistics & Ops	Reno / EDAWN	44	\$21.00	\$ 100,000	\$ 2,273	2 years
C15	Jan-2015	Clear Capital	Info Tech (Real Estate Svcs)	Reno / EDAWN	400	\$30.00	\$ 1,000,000	\$ 2,500	5 years
C16	Jan-2015	Scientific Games Corporation	Manufacturing	Clark Co. / LVGEA	250	\$22.00	\$ 1,400,000	\$ 5,600	3 years
							3,814	\$ 10,057,500	\$ 2,637
								\$ 1,050,000	
								\$ 11,107,500	
								\$ 11,552,183	
								\$ 444,683	

APPROVED GRANTS
PENDING GRANTS
TOTAL APPROVED/PENDING GRANTS

TOTAL APPROPRIATIONS & INTEREST (FY15)
AVAILABLE APPROPRIATIONS

GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

Approved Catalyst Fund Grant Payments

As of March 31, 2015

Ref	Board Approval	Company Name	FY 2015 Jul14-Jun15	FY 2016 Jul15-Jun16	FY 2017 Jul16-Jun17	FY 2018 Jul17-Jun18	FY 2019 Jul18-Jun19	FY 2020 Jul19-Jun20	TOTAL
C1	Dec-2012	Take Two Interactive Software	\$ 240,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ -	\$ -	\$ 600,000
C2	Mar-2013	Cristek Interconnects, Inc.	\$ 80,000	\$ 60,000	\$ 60,000	\$ -	\$ -	\$ -	\$ 200,000
C3	Mar-2013	Nicholas & Company	\$ 340,000	\$ 75,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ -	\$ 625,000
C4	Mar-2013	SolarCity Corporation	\$ 400,000	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ -	\$ 1,200,000
C5	July-2013	Ardagh Metal Packaging, Inc.	\$ 360,000	\$ 90,000	\$ 90,000	\$ 90,000	\$ -	\$ -	\$ 630,000
C6	July-2013	New Logic Research	\$ 30,000	\$ 25,000	\$ 20,000	\$ -	\$ -	\$ -	\$ 75,000
C8	July-2013	Torchmate-Lincoln Cutting	\$ 75,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 125,000
C9	Sept-2013	Barclays, PLC	\$ 500,000	\$ 475,000	\$ 450,000	\$ 450,000	\$ -	\$ -	\$ 1,875,000
C10	Sept-2013	Kareo, Inc.	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	\$ 750,000
C11	Nov-2013	Garlock Printing	\$ 82,500	\$ 165,000	\$ 165,000	\$ 165,000	\$ -	\$ -	\$ 577,500
C13	Oct-14	CatamaranRX	\$ -	\$ 300,000	\$ 300,000	\$ 300,000	\$ -	\$ -	\$ 900,000
C14	Jan-15	Petco	\$ -	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -	\$ 100,000
C15	Jan-15	Clear Capital	\$ -	\$ 250,000	\$ 187,500	\$ 187,500	\$ 187,500	\$ 187,500	\$ 1,000,000
C16	Jan-15	Scientific Games	\$ -	\$ 700,000	\$ 364,000	\$ 336,000	\$ -	\$ -	\$ 1,400,000
APPROVED GRANTS			\$ 2,357,500	\$ 3,010,000	\$ 2,526,500	\$ 1,718,500	\$ 257,500	\$ 187,500	\$ 10,057,500
PENDING GRANTS									\$ 1,050,000
TOTAL APPROVED/PENDING GRANTS									\$ 11,107,500
TOTAL APPROPRIATIONS & INTEREST (FY15)									\$ 11,552,183
AVAILABLE APPROPRIATIONS									\$ 444,683