

THE SECOND DAY

CARSON CITY (Thursday), September 11, 2014

Assembly called to order at 11:09 a.m.

Madam Speaker presiding.

Roll called.

All present except Assemblymen Duncan and Hogan, who were excused, and one vacancy.

Prayer by Assemblyman Andy Eisen.

May it be Your will, O God, to bestow upon us blessing and kindness. We pray, especially on this difficult anniversary of a national tragedy, that all peoples of the world can find a path to peace.

May God guide this Assembly to come together in a spirit of cooperation and respect. May God grant us wisdom to legislate for the best interests of the citizens of Nevada.

Finally, may God protect us from all trouble and travail, and when our task here is done, may God guide us home safely to our families and friends.

AMEN.

Pledge of allegiance to the Flag.

The Assembly observed a moment of silence in remembrance of 9/11 and concern for Assemblyman Duncan and his family.

Assemblyman Horne moved that further reading of the Journal be dispensed with and the Speaker and Chief Clerk be authorized to make necessary corrections and additions.

Motion carried.

MOTIONS, RESOLUTIONS AND NOTICES

Assemblyman Horne moved that the persons as set forth on the Nevada Legislature's Press Accreditation List of September 11, 2014, be accepted as accredited press representatives, assigned space at the press table in the Assembly Chamber, and allowed use of appropriate broadcasting facilities: CAPITAL PUBLIC RADIO: Kyril D. Plaskon; FREELANCE JOURNALIST: Gary Walker; JOE SACCO PRODUCTIONS: Joe Sacco; KLAS-TV: Bill Roe, Lauren Rozyla; KOLO-TV: Jennifer Carruthers; KRNV-TV: Matt DeBray, Jeff Deitch, Jaime Hayden, Terri Hendry; KTNV TV: Luis O. Jutino; RENO GAZETTE JOURNAL: Tim Dunn, Bill O'Driscoll; UNR-FM: Anh Nguyen, Will Stone.

Motion carried.

Assemblyman Horne moved that Assembly Bill No. 3 be taken from its place on General File and placed on the top of the General File.

Motion carried.

GENERAL FILE AND THIRD READING

Assembly Bill No. 3.

Bill read third time.

Remarks by Assemblywoman Carlton.

ASSEMBLYWOMAN CARLTON:

Assembly Bill 3, the body will recollect from yesterday, is a change through the Department of Taxation on the liability for the general tax on insurance premiums. It was put into statute in 1971. We received a lot of numbers on the dollars that had been exempted since 1998. It only applies to 1 percent of the businesses that are eligible in this state, and the Department of Taxation did an excellent job of breaking down the numbers for us yesterday. I would be happy to answer questions, but since it is so fresh in our memories, I do not feel we need to go too deep into it.

Roll call on Assembly Bill No. 3:

YEAS—39.

NAYS—None.

EXCUSED—Duncan, Hogan—2.

VACANT—1.

Assembly Bill No. 3 having received a two-thirds constitutional majority, Madam Speaker declared it passed.

Bill ordered transmitted to the Senate.

Assembly Bill No. 1.

Bill read third time.

Remarks by Assemblymen Bobzien and Hansen.

ASSEMBLYMAN BOBZIEN:

Assembly Bill 1 deals with the Economic Development Electric Rate Rider Program that is already in existence. This bill requires the Office of Economic Development to determine that approval is in the best interest of the state before granting an application approval under the program. The bill also extends the required term of contracts under this program from five years to ten years and extends the term of the discounts applicable under the program from four years to eight years. The bill also extends the provisions relating to the program so that instead of terminating on June 30, 2018, the provisions continue until the termination of the last contract entered into.

ASSEMBLYMAN HANSEN:

I urge passage of this bill. I think this is really an historic precedent at this point, even though this is the first one that we are going to address today.

I think we should take a minute and thank all the people that went before us to help lay the groundwork that encouraged a giant company like this to come here because of our very positive regulatory climate and the fact that we are a get-it-done state, as the owner of Tesla specifically mentioned. I thought that was a nice compliment to the legislative bodies and the regulatory bodies of this state. I especially wanted to take a minute to thank the Economic Development folks, the Governor's Office, the leadership of this house, and even the Senate for having the fortitude to see this thing through.

This is a monumental change for the state of Nevada. This is arguably the biggest thing that has happened in Nevada since at least Hoover Dam, and we are part of that process. I think we should take just a minute to reflect a little bit on being part of something so monumental and historic for the state and thank all the people who have been providing the leadership. I would urge this body to pass this along with the rest of the packages as they come forth today.

ASSEMBLYMAN BOBZIEN:

Because my good friend from Sparks always inspires me to also make floor speeches, I also want to extend thanks to you, Madam Speaker, for your foresight in bringing this program and fighting for the specific Electric Rate Rider Program for many sessions and finally getting it done. This in place was a major part of attracting the big project.

Roll call on Assembly Bill No. 1:

YEAS—39.

NAYS—None.

EXCUSED—Duncan, Hogan—2.

VACANT—1.

Assembly Bill No. 1 having received a constitutional majority, Madam Speaker declared it passed.

Bill ordered transmitted to the Senate.

Assemblyman Horne moved that the Assembly recess until call of the Chair.

Motion carried.

Assembly in recess at 11:24 a.m.

ASSEMBLY IN SESSION

At 6:20 p.m.

Madam Speaker presiding.

Quorum present.

GENERAL FILE AND THIRD READING

Assembly Bill No. 2.

Bill read third time.

The following amendment was proposed by the Speaker of the Assembly:

Amendment No. 2.

AN ACT relating to commerce; exempting certain manufacturers of electric passenger cars from the requirements relating to franchises for the sale of motor vehicles and repairs or maintenance on motor vehicles owned by private persons; requiring the exempted manufacturers to be licensed and regulated as new vehicle dealers; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law generally requires a manufacturer of new vehicles that wishes to sell its vehicles in this State to establish a franchise with a new vehicle dealer for the sale of those vehicles. (NRS 482.078, 482.36385) Existing law also restricts a manufacturer's ownership or operation of a facility for the repair or maintenance of vehicles. (NRS 482.36387) **Section 1** of this bill exempts a manufacturer of new vehicles from these franchise and repair provisions if the manufacturer: (1) only manufactures passenger cars that are powered solely by one or more electric motors; (2) only sells at retail new or new and used passenger cars that it manufactures; and (3) ~~does not enter into a franchise for the sale of its passenger cars.~~ was selling such passenger

cars at retail in this State on or before January 1, 2016. For the purposes of these provisions, the term “passenger car” is defined by existing law to mean a motor vehicle designed for carrying 10 persons or less, except a motorcycle or motor-driven cycle. (NRS 482.087)

Existing law provides for the licensure and regulation of “new vehicle dealers,” defined as a person who is licensed “as a new vehicle dealer who has a franchise from a manufacturer of vehicles to sell new vehicles and who acquires new or new and used vehicles for resale.” (NRS 482.078) **Section 2** of this bill adds manufacturers who are exempt pursuant to **section 1** from the franchise and repairs or maintenance provisions to the definition of “new vehicle dealer” so that such manufacturers are regulated and licensed in the same manner as other new vehicle dealers. **Sections 3-7** of this bill make conforming changes.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 482 of NRS is hereby amended by adding thereto a new section to read as follows:

A manufacturer is not subject to the provisions of NRS 482.36311 to 482.36425, inclusive, if the manufacturer:

1. *Only manufactures passenger cars powered solely by one or more electric motors;*
2. *Only sells at retail new or new and used ~~vehicles~~ passenger cars that it manufactures; and*
3. *~~Does not enter into a franchise for the sale of any passenger cars manufactured by the manufacturer.~~ Was selling such passenger cars at retail in this State on or before January 1, 2016.*

Sec. 2. NRS 482.078 is hereby amended to read as follows:

482.078 “New vehicle dealer” means any ~~vehicle~~ :

1. **Vehicle** dealer licensed under the provisions of this chapter as a new vehicle dealer who has a franchise from a manufacturer of vehicles to sell new vehicles and who acquires new or new and used vehicles for resale ~~;~~ ;
- or*

2. *Manufacturer described in section 1 of this act that is licensed under the provisions of this chapter as a new vehicle dealer.*

Sec. 3. NRS 482.322 is hereby amended to read as follows:

482.322 1. Except as otherwise provided in subsection 2 and NRS 482.3225, a person shall not engage in the activities of a new vehicle dealer, used vehicle dealer, manufacturer, distributor or rebuilder in this State until the person has been issued:

- (a) A new vehicle dealer’s, used vehicle dealer’s, manufacturer’s, distributor’s, rebuilder’s or lessor’s license certificate or similar license or permit by every city within whose corporate limits the person maintains an established place of business and by every county in which the person

maintains an established place of business outside the corporate limits of a city; and

(b) A license by the Department. The Department shall not issue a license to the person until he or she has been issued all certificates, licenses and permits required by paragraph (a).

2. ~~[A]~~ *Except for a manufacturer described in subsection 2 of NRS 482.078*, a person licensed as a dealer pursuant to this chapter shall not engage in the activities of a new vehicle dealer until he or she has provided the Department with satisfactory proof that the person is authorized by a manufacturer to display and offer for sale vehicles produced or distributed by that manufacturer.

3. A vehicle dealer's, manufacturer's or rebuilder's license issued pursuant to this chapter does not permit a person to engage in the business of a new or used mobile home dealer, manufacturer or rebuilder.

4. The Department shall investigate any applicant for a dealer's, manufacturer's, distributor's, rebuilder's or lessor's license certificate or license and complete an investigation report on a form provided by the Department.

5. A person who violates subsection 1 or 2 is guilty of:

(a) For a first offense, a misdemeanor.

(b) For a second offense, a gross misdemeanor.

(c) For a third and any subsequent offense, a category D felony and shall be punished as provided in NRS 193.130.

Sec. 4. NRS 482.350 is hereby amended to read as follows:

482.350 1. *Except for a manufacturer described in subsection 2 of NRS 482.078:*

(a) A new vehicle dealer's license shall not be furnished to any dealer in new vehicles, trailers or semitrailers unless the dealer first furnishes the Department an instrument executed by or on behalf of the manufacturer certifying that the dealer is an authorized franchised dealer for the make or makes of vehicle concerned.

(b) New vehicle dealers are authorized to sell at retail only those new vehicles for which they are certified as franchised dealers by the manufacturer.

2. In addition to selling used vehicles, a used vehicle dealer may:

(a) Sell at wholesale a new vehicle taken in trade or acquired as a result of a sales contract to a new vehicle dealer who is licensed and authorized to sell that make of vehicle;

(b) Sell at wholesale a new vehicle through a wholesale vehicle auction provided that the wholesale vehicle auctioneer:

(1) Does not take an ownership interest in the vehicle; and

(2) Auctions the vehicle to a vehicle dealer who is licensed and authorized to sell that make of vehicle or to an automobile wrecker who is licensed in this State or any other state; or

(c) Sell a new vehicle on consignment from a person not licensed as a vehicle dealer, rebuilder or a long-term or short-term lessor.

Sec. 5. NRS 482.36311 is hereby amended to read as follows:

482.36311 As used in NRS 482.36311 to 482.36425, inclusive, **and section 1 of this act**, unless the context otherwise requires, the words and terms defined in NRS 482.36318 to 482.36348, inclusive, have the meanings ascribed to them in those sections.

Sec. 6. NRS 482.36423 is hereby amended to read as follows:

482.36423 1. Whenever it appears that a person has violated, is violating or is threatening to violate any provision of NRS 482.36311 to 482.36425, inclusive, **and section 1 of this act**, any person aggrieved thereby may apply to the district court in the county where the defendant resides, or in the county where the violation or threat of violation occurs, for injunctive relief to restrain the person from continuing the violation or threat of violation.

2. In addition to any other judicial relief, any dealer or person who assumes the operation of a franchise pursuant to NRS 482.36396 to 482.36414, inclusive, who is injured in his or her business or property by reason of a violation of NRS 482.36311 to 482.36425, inclusive, **and section 1 of this act** may bring an action in the district court in which the dealership is located, and may recover three times the pecuniary loss sustained by the dealer or person, and the cost of suit, including a reasonable attorney's fee. The amount of pecuniary loss sustained by a dealer, pursuant to subsection 7 of NRS 482.3638, is the fair market value of the franchised dealership at the time of notification of termination, refusal to continue or unilateral modification of a franchise.

3. Any artificial person created and existing under the laws of any other state, territory, foreign government or the government of the United States, or any person residing outside the State, who grants a franchise to any dealer in this State may be served with any legal process in any action for injunctive relief or civil damages in the following manner:

(a) By delivering a copy of the process to the Director; and

(b) By mailing to the last known address of the manufacturer or distributor, by certified mail, return receipt requested, a copy of the summons and a copy of the complaint, together with copies of any petition or order for injunctive relief.

4. The defendant has 30 days, exclusive of the day of service, within which to answer or plead.

5. The method of service provided in this section is cumulative and may be utilized with, after or independently of all other methods of service.

Sec. 7. NRS 482.36425 is hereby amended to read as follows:

482.36425 1. Any manufacturer or distributor who willfully violates any provision of NRS 482.36311 to 482.36425, inclusive, **and section 1 of this act** is subject to a civil penalty of not less than \$50 nor more than

\$1,000 for each day of violation and for each act of violation. All civil penalties recovered must be paid to the State of Nevada.

2. Whenever it appears that a manufacturer or distributor has violated, is violating or is threatening to violate any provision of NRS 482.36311 to 482.36425, inclusive, *and section 1 of this act*, the Attorney General may institute a civil suit in any district court of this State for injunctive relief to restrain the violation or threat of violation or, if the violation or threat is willful, for the assessment and recovery of the civil penalty, or both.

Sec. 8. This act becomes effective upon passage and approval.

Assemblyman Frierson moved the adoption of amendment No. 2.

Amendment adopted.

Bill ordered reprinted, engrossed and to third reading.

Madam Speaker announced that if there were no objections, the Assembly would recess subject to the call of the Chair.

Assembly in recess at 6:27 p.m.

ASSEMBLY IN SESSION

At 6:29 p.m.

Madam Speaker presiding.

Quorum present.

GENERAL FILE AND THIRD READING

Assembly Bill No. 2.

Bill read third time.

Remarks by Assemblyman Carrillo.

ASSEMBLYMAN CARRILLO:

Assembly Bill 2 permits a manufacturer of passenger cars powered solely by electric motors to sell its new or used passenger cars directly to the public provided it has not entered into a franchise agreement for the sale of its vehicles and was selling or distributing its cars in Nevada on or before January 1, 2016.

Roll call on Assembly Bill No. 2:

YEAS—39.

NAYS—None.

EXCUSED—Duncan, Hogan—2.

VACANT—1.

Assembly Bill No. 2 having received a constitutional majority, Madam Speaker declared it passed, as amended.

Bill ordered transmitted to the Senate.

MESSAGES FROM THE SENATE

SENATE CHAMBER, Carson City, September 11, 2014

To the Honorable the Assembly:

It is my pleasure to inform your esteemed body that the Senate on this day passed, as amended, Senate Bill No. 1.

Also, it is my pleasure to inform your esteemed body that the Senate on this day passed Assembly Bills Nos. 1, 3.

TIMOTHY K. TAYCHER
Assistant Secretary of the Senate

INTRODUCTION, FIRST READING AND REFERENCE

Senate Bill No. 1.

Assemblyman Frierson moved that the bill be referred to the Committee of the Whole.

Motion carried.

MOTIONS, RESOLUTIONS AND NOTICES

Assemblyman Frierson moved that the Assembly resolve itself into a Committee of the Whole for the purpose of considering Senate Bill No. 1.

Motion carried.

IN COMMITTEE OF THE WHOLE

At 6:31 p.m.

Chair Kirkpatrick presiding.

Quorum present.

Senate Bill No. 1 considered.

CHAIR KIRKPATRICK:

On your desks, you have the first reprint of Senate Bill 1. Please go ahead and pull that out.

I see the three of you here, Mr. Hill and our presenters from NDOT [Nevada's Department of Transportation]. If you could go ahead and start with the presentation, that would be great.

STEVE HILL, EXECUTIVE DIRECTOR, GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT:

I am pleased to be here this evening. We are here to talk about Senate Bill 1, which applies to all companies throughout the state that have the ability to meet the criteria contained in the bill. A minimum investment in the state of \$3.5 billion within ten years is the primary criterion, as is hiring Nevadans. There is a significant provision in the bill regarding hiring current Nevadans in the state. Clearly, this is an exceptional opportunity for Nevada. The bill obviously applies to all companies, but the opportunity we have with Tesla is transformational for the entire state.

Three years ago, this body—the Speaker, all of you—passed Assembly Bill 449. That bill transformed the way we do economic development in Nevada. It is easy to forget that it has not been that long since we were suffering through the worst recession—or one of the worst recessions—that Nevada has had. We had 14.5 percent unemployment during that session. It took vision to make the changes that you made, and it is great to be able to participate in that process and see the results that are coming from your support of economic development in Nevada.

I will quickly discuss the economic impact of the project. I just want to point out that the impact that we will see is more than just what we will measure economically. There will be a major statewide impact. We will see immediate diversification in Nevada. This is important for everyone in the state. A part of why you have changed economic development in Nevada is to diversify our state. The diversification that we will see is also in a cutting-edge technology that will be important for decades to come, and that is important too. Investing, targeting, and

pursuing smart and the right opportunities so that they remain relevant for decades is critical. Nevada has been and will continue to be the place to be if you are in the gaming or hospitality industry. It will be the place to be if you are in the mining industry. We have been known for that. We will be known for those industries in the future. That is great. We will also be known as the state for unmanned vehicles and water technology, and now for advanced battery manufacturing and technology, in a very big way. This is the type of diversification, and the underpinnings of the economy, that matter to the entire state. It is the reason that you have taken the steps you have taken in the past and that we ask you to take tonight.

This will provide immediate impact in Nevada. They will start construction soon—right now, soon—and we will see an immediate impact across the state as a result of that. This is really the definition of rising tides lifting all boats. Construction workers will be able to go back to work. That will lift up workers who are underemployed. We will start to see property values rise. This quickly will be significant. It also provides opportunity for the future. This is not the end of the road; this is the beginning. The opportunity is before us and before you. We must continue to work in order to capitalize on that for all Nevada citizens, and we look forward to working with you moving forward.

Let me talk just a little bit about the economic impact analysis that we have done, the process that we went through. We contracted with Applied Economics. Three major economic impact programs are used in the economic development industry. The IMPLAN [Impact analysis for PLANning] model is one. Applied Economics out of Phoenix is the company that authors that software, and that is why we have used them. REMI [Regional Economic Models Inc.] and Emsi [Economic Modeling Specialists International] are the other two major programs. We have had the analysis run through Emsi and through REMI. The REMI analysis was with Jeff Hardcastle, who is the state demographer and a professor at UNR [University of Nevada, Reno], and the analysis of that was done by Professor Alan Schlottmann, who is a professor of economics at UNLV [University of Nevada, Las Vegas]. In addition, we had the Emsi company run its analysis of this opportunity. What that showed was that the \$100 billion that we have been discussing is probably the most conservative study of the group.

The project will create 6,500 jobs, with an average wage in excess of \$22 an hour. These are great jobs. They also have terrific benefits. Health care benefits are available to employees on day one. They have a long list of benefits they provide to their employees. This is going to be a great place to work. They care about their employees.

They have made a commitment to hire Nevadans, and you will see this in the bill as Mr. Nielsen goes through it. It is a significant commitment in terms of percentage. It is also a significant commitment in terms of the stakes involved. It is a criterion for them keeping their abatements, so they have made a strong commitment, and there is a strong sense of accountability that goes along with that. As I have said before, they also have a commitment to hiring veterans. That was something that they brought with them here and is a part of their corporate culture.

Last night we discussed the building itself, so I will run through this quickly. It is a 5-million-plus-square-foot building. That footprint makes it one of the largest buildings in the world. There will be an initial investment of approximately \$5 billion, with an additional \$5 billion over the course of the next decade or so.

The company has made a written commitment, which I hope you have seen by now, to make a contribution to K-12 education of \$7.5 million a year for five years beginning in August 2018. That amount is approximately the amount that would be collected for K-12 education from real and personal property taxes during that period of time and is timed to coincide with the opening and the full operation of the manufacturing facility, when the impact on the regional schools will be most felt. There will also be a statewide component to that contribution, and Tesla continues to work with the superintendent of schools for the state of Nevada to nail down the specifics of how that contribution will be used. There will be a \$1 million commitment with UNLV for battery research. The University of Nevada, Las Vegas has a very strong reputation in this field. Certainly, the opportunity to partner with a company that is at the cutting edge of this industry is a great opportunity for our University System [Nevada System of Higher Education] and UNLV, and we think it is a great opportunity for Tesla, as well, so we look forward to that.

At this point, I would be happy to answer any questions, Madam Speaker, or I can turn it over to Mr. Nielsen to walk through the content of the bill.

CHAIR KIRKPATRICK:

I would like the rest of you to give a brief presentation, and then I want to open it up to public comment. There are some folks in southern Nevada that want to be on the record, there are some folks here, and then I believe there are about 30 questions from Assembly members, and we can answer them as we go. Mr. Nielsen, you can say something, give a presentation, or wait for questions. I am sure that NDOT is probably just going to wait for questions. I could go to public comment if you want.

CHRISTOPHER NIELSEN, EXECUTIVE DIRECTOR, NEVADA'S DEPARTMENT OF TAXATION:

Madam Chair, whatever your pleasure is. If you want to go to public comment now, that would certainly be fine by me.

CHAIR KIRKPATRICK:

I am going to public comment unless you have pertinent information that you want to add, and then we will bring you back up to answer questions. At this time, I am going to go ahead and open public comment. If you three gentlemen could just step aside for a bit, do not go far. I will invite all of those that would like to testify up to the table. I am going to start in Clark County.

JACK MALLORY, REPRESENTING IUPAT [INTERNATIONAL UNION OF PAINTERS AND ALLIED TRADES], DISTRICT COUNCIL 15:

First, let me start by saying that we are not opposed to smart economic development. We realize that diversifying our economy is critical for the state to stabilize its revenue stream in the future, for it to become less dependent on sources of revenue that are cyclical in nature and ultimately create chaos for you, the people who are charged with ensuring that programs are properly funded in the state. With that being said, we do not believe that the bill you are considering fully protects the people of our great state.

Section 24 of the bill proposes adding a new chapter to Title 22 of *Nevada Revised Statutes* [NRS], which primarily deals with the establishment of cooperative agencies, regional transportation commissions, economic development agencies, redevelopment agencies, and others. In most cases, the provisions contained in each chapter are fairly consistent as they pertain to local government investment and private development.

There are two provisions in particular that we believe should be included as a part of this bill to be included in this new chapter, which would guarantee that the prospective developers contemplated by this bill would be able to meet the requirements contained in it as they pertain to hiring.

The first issue that is not addressed is the ability to obtain specialized training to operate components in a facility once it is able to begin production. *Nevada Revised Statutes* Chapter 274, "Zones for Economic Development," is contemplating this. I have emailed you a copy of this document [Appendix I], and it contains language cut and pasted from NRS Chapter 274—it is 274.210. I included it for your convenience, and if you are willing to consider it, also as a conceptual amendment. I do not necessarily believe that it is perfect or that state or local government should be required to pay for all of the necessary training, but it could be used as a model. Given the nature of certain businesses, particularly the one that we are talking about, that may be attracted to Nevada by the package of bills considered during this special session, at least some of the training may be proprietary, and as such, prospective businesses should provide it.

Another issue that we believe is key and which should be addressed in this chapter is fair competition. Prospective businesses that choose to relocate to Nevada are required, under the terms of this bill, to utilize no less than 50 percent of Nevadans as its construction workforce. Of course, we would like to see this as a higher standard. However, we understand that there are restrictions that must be included in the law. We believe that the same thing could be achieved if all contracting firms were required to compete on level terms. This is not a new concept. There are other chapters contained in Title 22 that do contemplate this, and we believe that the

appropriate standard should be applied for the area where construction work will occur. As such, we believe that the provisions contained in NRS 279.500 should be included in this new chapter to ensure that Nevada contractors and workers are able to compete fairly for the construction jobs that the chapter may create. Again, in the document that I emailed to you, the language is copied for your convenience.

I would like to point out that the only time prevailing wage would apply on these projects would be if a local government agency created by this new chapter were to provide property for development at less than fair market value of the property, if it provided financial incentives to a developer with value of more than \$100,000—effectively, if they were to incentivize the purchase of land or construction of the project at a level greater than \$100,000, which is the statutory trigger for NRS Chapter 338. That would be our request—that that be considered along with the training component within this legislation.

One other thing that we are concerned about is how this new chapter may interact with other chapters within the title. During the last legislative session, Assembly Bill 50 addressed redevelopment agencies [RDAs]. One specific provision in the bill that I am referring to is how redevelopment agencies interact with tourism districts. That bill repealed a provision that prohibited an overlapping between tourism districts and RDAs. Also in section 5 of that bill was a provision that prohibited double-dipping, if you will, which would have been receiving funds from both the redevelopment agency and the tourism district. The concern, obviously, is that there could be a diversification district created pursuant to this act that overlaps with the redevelopment agency, or with the tourism district, or with an economic development agency, and the entity that is benefiting from this diversification district could, in fact, benefit from multiple districts.

I would be happy to answer any questions, if there are any. Thank you, Madam Speaker.

DANNY THOMPSON, REPRESENTING NEVADA STATE AFL-CIO [AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS]:

I will be honest with you. We proposed an amendment in the Senate to require that in exchange for these abatements and incentives, prevailing wage had to be paid on this job, and they rejected that. They did not bring up the amendment. I will tell you this: It is a problem for the future. This bill is not only going to apply to Tesla, but we are setting a standard here for other companies who are going to come, and most assuredly they will, based on these new technologies. This is an issue that needs to be addressed, and I will tell you that we intend to come back this next legislative session with a bill and have an open and honest debate about it and see if we cannot get some understandings.

Having said that, today is really a historic day in that for the past 30 years—actually since the 1930s when we became dependent on gaming to pay our bills—we have been trying to diversify the economy. I say “we”—I mean everyone in this state has tried this in one form or another. In the past decade, it has kind of taken the renewable energy vein, if you will. That has not always worked out for us, because it has been our experience that when these jobs would come, these contractors would bring workers from out-of-state, and the operation of these solar plants and these kinds of plants do not require many people. It has not really worked out that well for us on a large scale.

This, however, is different. This is the future. This technology and this need to wean ourselves off foreign oil and to have a clean, carbon-free society is the first step. Nevada was chosen, and everyone who worked to make this happen should be proud. I hope that Tesla is going to do the right thing and hire Nevada workers first, because as you know—I do not have to tell anybody in this room—our unemployment rate has topped the nation for years. I have people who have been out of work five and six years, and they are somehow still around. I do not know how they are doing it, but they are. This will be the biggest shot in the arm for employment that has ever come in my memory. The only thing that comes close to this in my memory was back in the day when I sat in one of these chairs and we changed the laws to allow Citibank to come to Nevada. When they came here, I read an article in the paper that they changed their zip code so they did not have to be listed as being from Las Vegas. They changed their zip code and their name so it did not reflect that they were from Las Vegas.

This is an opportunity for the future, because not only are you going to have Tesla come here with this gigafactory and start making these batteries, other businesses are going to co-locate here. Northern Nevada has been probably worse off than anybody in the state as far as employment opportunities. Prior to the bubble popping, we went from construction being the second largest industry in the state to it dropping off the list completely. Construction has been decimated by what has happened here, and this is a real opportunity for all of us, including Tesla, and I would urge you to pass this bill. Thank you.

RAY BACON, REPRESENTING NEVADA MANUFACTURERS ASSOCIATION:

I think I know each and every one of you. My role here is fundamentally as a resource for you, as far as knowledge about the manufacturing sector and what an operation like this means. I grew up in a factory town and fundamentally have been involved in some way in the manufacturing sector for pretty close to 60 years.

This plant is a chemical plant. It is going to have some large electrolytic cells, and it is going to be a very steady power consumption operation. What that means is once you start up the process, it runs 24/7, because depending upon the actual chemistry involved, it may take hours or days to shut down, and it may take hours or days to fire back up.

There are a couple of other chemical plants that have processes that are not dissimilar from this, and those are located in Henderson. They are TIMET's [Titanium Metal Corporation's] Henderson Technical Lab and Olin Chlor Alkali. From my understanding, this is going to be a little bit different, a little bit more complex, quite a bit more complex. While they will compete for some of the general labor that is in northern Nevada, they generally speaking will be reasonably unique. I think you have probably heard these numbers, but let me repeat this. This factory is proposing to double the global output of lithium ion batteries. There is no other plant in this country that produces these things in anywhere near this kind of volume. There is no other factory in this country that is going to be a viable source of labor.

We are going to have to train through our community college system. In addition, they will train internally because some of it is proprietary, as Mr. Mallory said. We need to deliver them a good, solid base product. I believe that they will probably take advantage of a program that is called the National Career Readiness Certificate, which tests basic skills as far as reading, workplace reading, workplace math, and problem solving skills. That is as unbiased a testing program as I have ever seen. The protocols are very good. I have been through the thing. I would love to tell you how wonderful my scores were, but let me say that having been away from a classroom for a long time, I could have done better. I think that levels the playing field for whomever. There are solid methodologies to improve your scores on those programs, but they do a wonderful job of giving an employer a very good look at what is going on.

The other side of that coin from the employees that go through the testing program, regardless of where they are in the state—and there is a testing center at each of the community colleges now; there was not two years ago but there is now—they wind up with a national certificate that they can take to an employer anyplace in the country. More and more employers are recognizing the value of it. More and more employers are paying for it; they have it done, and I think it truly does make sense.

This is going to strain every part of our system. We know that. It is going to force us to take a look at some of our tax structures and say, What do we need to do to fix these things? Do we need to set up something in our tax code that does capital improvements for schools? What else do we need to do? Do we need to take a look at what we are doing otherwise? This is just the first, and I think you will see others. I do not know how many others, but I believe that you will, in fact, see others.

Why are they coming to northern Nevada? Number one: logistics, logistics, location, location. It is the shortest shot to their plant; it is a direct shot to their plant. The location, Storey County, is a very, very can-do county. They take a look at it and say, If somebody is going to spend \$5 billion and have some of the best engineering and architectural talent in the entire country, they probably have a pretty good idea of what they are doing. It is not in any way an adversarial process between the local governments and the company that is coming. In many cases in this country, that is somewhat of an adversarial process. It is not in Storey County.

That is part of the reason they are being so successful. That is part of the reason they have 6,000 jobs in a project that is only eight or nine years old.

There is only one issue that I have seen in this bill that is not addressed in what we have done, and I think it is something that can be handled in the process. The economic evaluation looked at the impact on Washoe County and the impact on Storey County. It did not look at the economic impact on Lyon County. Lyon County, I think everyone here knows, has the highest unemployment rate in the state. They have a lot of vacant houses still sitting in the Fernley area, and they are challenged at this stage in the game. I think as we go through this process, Lyon County is going to need some assistance at multiple levels to kind of figure out how they grow with what this is going to do. Lyon County will be the southern terminus as the highway goes through, and Fernley is one of the closest residential areas, and that is in Lyon County. That will be a challenge, but I think it is a doable challenge.

CHAIR KIRKPATRICK:

Mr. Bacon, I am ecstatic to hear that everybody is going to be at the table next time to talk about all the impacts that this is going to bring, and I will remind all the folks of what they said. This is a bigger discussion once we get into session. We really have to talk about what kind of state we want to be. I appreciate you putting that out there because we can only do great things like this when we work together. We also have to look at the impacts across the state for the long term. I appreciate you putting it on the record.

RAY BACON:

Just to summarize, this is a state-changing thing. If you think about legislation over the history of this state, there are probably four or five key dates: 1931, the Gaming Act; 1955, when we brought in the sales tax; 1967, I think, when we brought in corporate gaming, which literally opened up the expansion of the gaming operation. I think 2014 will be the fourth one of those. Thank you.

CHAIR KIRKPATRICK:

Do not forget 2015 because that is when we are going to fix all that other stuff. We have a lot of history coming. Thank you, Mr. Bacon.

PAUL ENOS, CHIEF EXECUTIVE OFFICER, NEVADA TRUCKING ASSOCIATION:

I am here tonight to speak in favor of Senate Bill 1. We are actually very excited for this project. This is something that is going to be absolutely fantastic for the trucking industry because while truckers drive freight, we are not drivers of the economy. We depend on a casino, a mine, or a gigafactory to make us really thrive. The fact that this project is happening is something that we are very excited about. In fact, it is not just a project that is going to have an impact on northern Nevada, but I have already had a member from southern Nevada—actually from Assembly District 41—have a piece of equipment from Assembly District 41 moved by a trucking company from Assembly District 17. It is neat to see that we are getting a statewide economic impact from a project that is happening in Storey County.

The year 2009 was a really tough time. We were in the depths of a recession. I remember working with Assembly Speaker Barbara Buckley. We talked about diversifying the economy. We talked about what are some of the things we can do to diversify our economy in Nevada and what are some of the areas we could go after. One of things she and I talked about was logistics. We talked about the Tahoe Reno Industrial Center, which at that time had built a 1-million-square-foot refrigerated distribution center for Wal-Mart. We talked about what was going on out there and how that economic activity benefited logistics. We talked about other areas in the state that could benefit, whether it was Apex, whether it was doing something out in Ivanpah. She said let us put a study together. There was an interim study, and it is actually Assembly Concurrent Resolution 30 of the 2009 Session.

It is kind of fun to look back at this because you can see some of the things that we talked about in this building starting to come to fruition now, at a much greater magnitude than I think we ever anticipated. We said we want Nevada to be the distribution and manufacturing capital of the West. Having the largest factory—potentially what is going to be the largest factory in the world—does that. We talked about abatements. We talked about abatements for property tax.

We talked about abatements for modified business tax. We talked about abatements for the local school support tax portion of the sales tax and how that could help drive business. Those were not implemented, but the threshold that we set in that study was actually a lot lower than what we are talking about now.

I look at what we did back then and what we are doing now. We have done a much better job at protecting out state's interests today. Our threshold then was you need to have 50 employees and at least \$500,000 of investment in the state and pay 80 percent of the average wage. When I look at what we have in Senate Bill 1, it is so much better than what we had contemplated back then.

Then of course, transportation—transportation is something that is very important to this project, very important to my members. We are seeing how important it is to everybody down in Las Vegas right now with that major artery closed. One of the things we talked about in this study was not only having I-11 come up and connect with northern Nevada, but also we talked about that connection of roads, State Route 805 between Interstate 80 and Highway 50. Actually, one of the things that happened in this interim study is a letter was sent to NDOT encouraging them to build this road to help develop economic activity. It is great to see a lot of the things that we talked about four years ago, five years ago, start to come to fruition today. I think it says a lot about Nevada. I think it says a lot about the Economic Development Office out of the Governor's Office, the Legislature, and the business community all getting together and saying, We can get it done here. I think it is a great day and a great project, and we are fully supportive.

BOB HASTINGS, PRIVATE CITIZEN, LYON COUNTY:

I am a Lyon County Commissioner, but I want to be clear that today I am here as citizen Bob Hastings. I do have some experience and background in what is going on in the area. I thank Mr. Bacon for giving me some lead-ins on what I was going to discuss here.

We hear a lot about Washoe. We hear a lot about Storey. Lyon is part of this as well. Many of you have gone through a lot of the same things we have in Lyon County over the last five or ten years, but Lyon County even took it a little bit further, because Lyon County saw 20 percent unemployment. To this day, we are still at over 10 percent unemployment.

I am one that does not generally appreciate incentive packages for business. I have to see the clear advantage and the clear purpose of them. In this case, I appreciate the caution that all of you are applying to this and that the Senate side applied to this. It is an issue I do think we need to move forward. It will bring issues, as Mr. Bacon said, for Lyon County. We are going to have logistical issues. Suddenly, we are going to have to determine how we are going to handle our infrastructure, how we are going to handle our roads. It is a challenge that I think in Lyon County we are ready to take.

Earlier today, I heard a lot of discussion on the Senate side about how this is going to affect real people, not just cities and counties and things like that. When you have 10-plus percent unemployment and you have a business like Tesla willing to come in just over the hill—just over the line—it will affect lives in Lyon County. It will improve Lyon County. It will help us. With the emphasis being put on USA Parkway, which Lyon County has been fighting for—I have heard a lot of statements that make it sound like this is something new. This is not something new. Lyon County has been working with NDOT and fighting with NDOT to get this done for a long time, because we know the advantages of having access for our citizens to not only Tesla, but to the other businesses, to Sparks, and so on.

This will affect lives, and as much as I do not like incentive packages at times, I am going to ask you to please consider passing this bill. Thank you.

CHAIR KIRKPATRICK:

Thank you, Mr. Hastings. We appreciate that. I think that there is a role for government, and when we can do things and do them well, there is opportunity for everybody across the state to flourish. We wish Lyon County luck in this process.

Okay, let us bring the presenters back up. Now we are going to get through our questions. I have a list of questions from members. I am going to start with Mr. Paul Anderson. You have been awfully quiet; let us start with you.

ASSEMBLYMAN PAUL ANDERSON:

I appreciate the opportunity. Since we just heard from a citizen who is also a county commissioner, I have a question in regards to the enabling legislation that is in section 18 of the bill. On the state level, we can sort of measure the fiscal impacts on our agencies and roadways because we have a lot of measurements to do that. I do not know how far down into the counties, the cities, that we can look at that. Can you help clarify what that enabling portion will allow them to do and any impacts that we are going to see in those counties and cities—fiscal impacts, in particular?

CHRISTOPHER NIELSEN:

I think the question is in regard to the creation of the economic diversification district. Section 18 enables a local government to create a sales and use tax zone. As far as the impact goes, I can describe to you how mechanically it works. It is a piece of the sales tax abatement, and when this district is created for a project—in this case the Tesla project—it will enable the sales tax to be fully abated for materials and certain products that are delivered into that district. As far as the economic impact goes, I do not have any additional information beyond that.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

Gentlemen, as you know, protecting our state is of the utmost importance. Can you walk me through the accountability pieces in the bill that will protect Nevada?

STEVE HILL:

The accountability provisions in this bill are significant. One is the \$3.5 billion threshold. That is a very bright line. Either you make that within ten years or you do not. There is a strong requirement to hire Nevadans, 50 percent during the construction process and 50 percent of permanent workers, which is a new provision. There are clear criteria for earning the transferrable tax credits that are a part of this process, and then there are audits along the way. In this particular case, one of the responsibilities that has been added in this bill is a requirement that the company hire an outside auditor chosen and approved by GOED [Governor's Office of Economic Development] and paid for by the company to do the work that is required to measure their results. Then there are clawback provisions throughout the bill for all incentives. There are requirements and thresholds that must be met in order to earn the credits, there is a complete audit structure in the bill, and then there are clawbacks for every incentive.

ASSEMBLYMAN OHRENSCHALL:

I have a couple of brief questions for Mr. Hill. Going to page 5 of the bill, lines 10 through 13, one of the requirements is that the company applying "provide documentation satisfactory to the Office that the participants in the project collectively will make a total new capital investment of at least \$3.5 billion in this State." What do you foresee as documentation that will satisfy the Office, Mr. Hill? The reason I ask is in the last decade, we have had many strong, solvent companies that have gone into bankruptcy protection. I just wonder what kind of guarantees you are going to require to make sure that the funds are there.

STEVE HILL:

The process for the application will certainly be thorough. The company is investing with a number of partners, as it turns out. Panasonic is the major named partner, at this point. This bill requires that Tesla, as the lead participant in this project, put together a full investment plan as well as an operating plan as we go through the abatement process that outlines where the funds will come from. They have, by the way, recently gone through an approximately \$2-billion-bond issue on Wall Street that was very successful—that was oversubscribed. That portion of funding we have seen is available, just because we have been able to see that publicly. They will need to show where that funding will come from, including from each of their partners. They have strong backing. Their market capitalization right now, which is the total amount at which Wall Street values their company, is at \$35 billion, and they have strong partners in this project as well.

CHAIR KIRKPATRICK:

I want to elaborate a little bit on that. I think through the audit process, it is very clear that in the first quarter—and it is typical—we need a little massaging to make sure that we are getting the right information out. I think that there is some flexibility to ensure that we are getting that right information. I always try to give state agencies a little bit of cover, in that when you talk about “provides satisfactory documentation,” they are always open to hearing things that we would like to see. With the audit provision every quarter for the first two years, I think that helps bring some of that along.

STEVE HILL:

I appreciate those comments. To add to that, I think it is important to point out that Tesla and Panasonic are both publicly traded companies. They have to be very transparent because of the SEC [Securities and Exchange Commission] rules under which they live. There is a great deal of information about both of those companies, and certainly Tesla, out in the marketplace. They have had one of the most successful stocks over the last year, which is a series of financial experts agreeing that they have a significant amount of value. That judgment is helpful; many of the companies that would look to be eligible under this bill will be publicly traded companies, and at that point, that information is much more readily obtained.

ASSEMBLYMAN HARDY:

This is to Mr. Malfabon. Due to the limited funds for the highway system that we talked about last session, does moving this USA Parkway ahead of its scheduled goals have any effect on other projects throughout the state or specifically Project Neon? Is it going to cause any delays with that project?

RUDY MALFABON, DIRECTOR, NEVADA’S DEPARTMENT OF TRANSPORTATION:

In response, there are two elements of USA Parkway I wanted to talk about. One is the approximately \$43 million payment for the right-of-way and some of the improvements that have been made to the existing road. Then there is the construction phase of the rest of the Parkway, about 13 miles to U.S. 50 from where the current pavement ends. The \$43 million would be State Highway Funds, not federal funds. We do have \$207 million, as of yesterday, in the State Highway Fund balance, as well as the bond revenue set aside for the Project Neon right-of-way acquisition. We can take that and not have to defer any projects. Across the state—northern, southern Nevada—no projects will be affected by that expenditure, which will go before the Transportation Board for its consideration and approval.

The other element of the construction: NDOT has a four-year list of federal projects that is called the Statewide Transportation Improvement Program, or STIP. We did not have the USA Parkway construction phase in that four-year span of time. Right now, the project is in the environmental clearance phase to allow it to be federally eligible for funding. Federal approval for the environmental phase will come around the first part of next year. We are actually going to have a public meeting in October. After you get the environmental phase done, then you can start looking at design and construction. The soonest that we could do the construction phase is after some engineering that happens next year, so you are talking 2016, 2017. You are moving that project into that four-year period that it was not planned in. The construction phase will have a \$60 million to \$65 million impact on NDOT’s Capital Improvement Program.

We wanted to assure the Legislature that it does not affect southern Nevada projects, and definitely not Project Neon. As you know, the Transportation Board last month approved changing course on that from a public-private partnership to a bonded project. Our next biennium, we are requesting bonding authority to deliver Project Neon as a bonded project, as a design-build project. Since it is bonded, it is not affected by this in any case. In summation, the projects that could be on the list to be affected by an accelerated construction phase, which is up to the Transportation Board, would be northern Nevada projects or projects in rural Nevada, not in Clark County or southern Nevada.

ASSEMBLYMAN HARDY:

Thank you, Mr. Malfabon. Just one quick question about section 13, subsection 3(b) and subsection 3(c) for Mr. Nielsen. I just want a clarification. This .5 percent on the first billion and the 2.8 percent on the second \$2.5 billion, does the developer have access to those dollars prior to the dollars being spent or is that after they have spent the dollars? Maybe I am misunderstanding.

STEVE HILL:

The company has access to those dollars or are awarded the credits following either the investment, or in the other case, the hiring. They have to perform. All of the abatements and incentives in this agreement are performance-based. They have to perform first, then they get them, then they have to make sure that they achieve those thresholds. If they do not achieve those thresholds, there are clawbacks to take all of that back.

ASSEMBLYMAN HARDY:

Thank you. That is what I wanted to hear.

CHAIR KIRKPATRICK:

Before I go to the body, I like to let folks ask questions, and usually I come back and address things. I asked NDOT to be here because my constituents read in the paper that it was an additional dollar amount. I wanted to address that. The reason that it is not in the bill, Mr. Hill, if you can clarify—and I know I have asked this 15 times—that dollar value does not count towards the incentive package that has been put together, correct? I think those are important to the folks in southern Nevada that have been reading otherwise.

STEVE HILL:

Yes, you are correct. As the Director pointed out, all we are doing there—and I say “we” very generally because it is actually NDOT through the Transportation Board—what they will be doing is accelerating the purchase of the right-of-way and accelerating the construction of the road. That funding will happen through the normal course of business—and I say “will,” but there will be a meeting of the Transportation Board where the Director will review that project—and provided they approve that going forward. You may be able to identify a little better where you are in that process, Rudy, but provided that is approved, then that will be funded in the normal course of business through the State Highway Fund.

CHAIR KIRKPATRICK:

I believe the folks that are interested can go on to the Board of Transportation and see the discussion they had last week on prioritizing and how they do that.

ASSEMBLYWOMAN SPIEGEL:

Mr. Hill, my question is for you. This bill establishes a very significant new paradigm for economic development. Section 8 of the bill defines a project, and I am wondering what your vision is. If you see projects being undertaken by industrial park developers who might aggregate to shoe factories or other large lead participants, I was wondering if you could speak to some other examples where you generally, conceptually could see where we could use this paradigm.

STEVE HILL:

To start with, the project would have to spend at least \$3.5 billion. The question, just to clarify—and this is a little off the question that you asked, but I think it is important to answer, as well—this provision will be placed into Chapter 360, which governs our abatement process now. There is a prohibition of gaming companies, mining companies, health care equipment, the utility companies, maybe one more, from receiving abatements. Those companies could not receive these abatements either. You need a \$3.5 billion threshold, which means it is limiting what the projects could be. It is intended to be a consolidated effort of the partners toward a project. It is not just a zone with different uses. It is a zone with a specific use that can include partners; it can be done solely by one company.

Major manufacturing is really, I think, where the prime opportunity is there. I think we have taken just terrific steps in the state to capitalize on that. Combining things like the unmanned aerial vehicles and the technology there with the robotics in a plant such as Tesla—a lot of things can spin out of that. That type of major manufacturing really is probably—and I do not want to eliminate any project that would qualify for \$3.5 billion—but certainly, what I have in my head is major advanced manufacturing.

ASSEMBLYMAN ELLIOT ANDERSON:

I was looking at page 6 of the bill; lines 37 through 40, subparagraph 2, talks about how you would set a time for the operation to continue in the state, and that got me thinking about a *New York Times* article that I read shortly after the Tesla project was announced. It talked about how battery technology rapidly evolves and lithium could soon be replaced by a newer technology. It talked about the evolution of those battery technologies. Has Tesla thought about this? Have you talked to Tesla about this? What are their plans if that happens? Is this gigafactory going to be able to be easily converted to handle different types of battery technology? Because if we are talking about providing these incentives, we need to make sure that once those incentives end, we have a factory that will continue to produce.

STEVE HILL:

I am certainly not an expert in advanced battery technology and manufacturing, but I have kind of followed this, and certainly, for example, on Tesla's last earnings call with Wall Street, they were asked a similar question. They had a terrific answer for it, and I think it is important to point out that they are way out there on the cutting edge of what they are doing. Over the past several months, their stocks continued to rise. The answer that they provided to Wall Street seems to have worked very well. I think it is a great question to ask the company. They have a great answer for that. I, frankly, do not have the ability to repeat that from the battery technology standpoint. I think it is important, though, to point out the confidence that the financial world and the technology world are placing in what they are doing. They continue to advance that cutting edge on a regular basis.

ASSEMBLYMAN ELLIOT ANDERSON:

I understand that you really are not an expert on battery technology. Given the other part of my question, have you spoken with them about their plans to reconfigure? They are going to make a huge investment, according to what they have been telling us, and so it would make me feel a lot more comfortable. I appreciate that the financial world is comfortable, but I want to be comfortable, too, about their blueprints in our state.

CHAIR KIRKPATRICK:

Mr. Anderson, I personally had a discussion with Mr. Musk and, of course, my first question was, When are you moving to Nevada? We have some great places at Tahoe that you would probably really love. I had no problem asking them what their long-term plans were. He did say a couple things. One, he said that STEM [science, technology, engineering, math] education is super important to him. He reminded me a couple times that he is an engineer. I am more of the social butterfly, but he was the engineer, and we kind of had that little conversation. He said that STEM education was super important to him, and he wanted to help bring the state along. The one thing that he said publicly, for those folks that were not at the press conference, is that he wants to be a partner in Nevada for the long term. There are a lot of great things that he loves about the state.

The one unique thing about this particular project—and I know some of you got to go out and see it—is that there is room to grow, and that was important for him making a 25-year commitment. I would hope that this state will change the landscape and that infrastructure like that will keep him here for the long term. I specifically asked him those questions because I think they are important. In 1990, we saw a lot of people getting abatements, and they left as soon as the abatements were gone. I think when a person looks at long-term growth, when a person talks about education, that tells me that they are going to stay around a little bit, and we should utilize those assets that we have in our state and keep them engaged. That usually keeps folks. You usually become a native after six years in our state.

ASSEMBLYMAN KIRNER:

I would like to address my question to Steve and maybe Chris as well. I appreciate the accountability measures in this bill. I think that is very important. I know that other states have also done that in various contracts. The question is, as they have used clawbacks, have they worked? Does the language in our bills, in your opinion, effectively mirror the states where clawbacks have worked? I am just concerned that clawbacks will work if we need to do that.

STEVE HILL:

Actually, they have worked, I think, better than most would expect, over the past several years. We have worked with the Department of Taxation, and you can see on our website some reports on abatements that have been granted from 2009, 2010. We are updating those reports and the results from those audits. In there you can see where the clawbacks are. It is an invoice that the Department of Taxation has sent to companies. I do not know—Chris can answer this, I believe—but I am not sure that we have had to file suit in order to get clawbacks, but we have audited, sent invoices, and received money back when it was due. That is kind of outlined in those reports. Our statutes have worked well along those lines, and the Department of Taxation has done a good job of monitoring that and making sure that it is enforced.

ASSEMBLYMAN GRADY:

I would like to make a comment, and then I have a question for the DMV [Department of Motor Vehicles]. First, I appreciate the comments from Ray Bacon and from Commissioner Hastings from Lyon County. I will tell you, I was very disappointed in the figures that were released on 96 percent of the people would live in Washoe County or Storey County and 4 percent would live in Lyon County. I think we are going to see a big difference in the number of people looking at Lyon County.

I will tell you that the counties in this region work very closely together on many things and will on this. It is kind of strange that we are looking at USA Parkway to spend all this money, at the same time saying Lyon County is not going to be a player in it. That does not make sense; we know they will be. The Silver Springs area is a natural for people that will move into the area to work. Fernley has gone through some tough times, not only with the recession, but also with a major flood. They are getting back on their feet. They have a number of houses for sale. A lot of people have left the area because of the 10 percent to 20 percent unemployment, and it will make a huge difference.

Our schools in Lyon County, fortunately, are much different than Washoe or Clark County. We have room. They built a new school that is not full. They can shift people around. I talked to the school superintendent the other day. They are looking at this. There is room in the Silver Springs area for students in the school. There is room in the Dayton area for kids in the school.

I would like to ask NDOT about the USA Parkway itself. It is kind of a strange mixture of what we have. We have private ownership of the first part of it that is paved, then we have some rough grade in the second section, and then we have nothing, basically, on the Lyon County side down into Silver Springs. When we do the land acquisition and start down there, it is my understanding that the first part of it that is under private ownership is not built to state standards. What do we do there? I know we cannot go in and pave the road on private property, so how are we going to handle that? Is that going to be turned over to the state, the county? What are the plans there?

RUDY MALFABON:

The plans are that in the section that is privately owned, NDOT will acquire the right-of-way needed to build the roadway in that section, including some of the improved section. That is why we are paying the developer for some of the improvements to date. There might be a portion closer to the interchange that may be owned by Storey County. Now, that is the section that you are talking about that does not meet state standards. We do recognize that there are things like rock along the shoulders or lack of a wider shoulder—paved shoulder—fire hydrants that are too close to the travel lanes. Those will eventually be brought up to standards, but what we want to concentrate on is connecting to U.S. 50.

The portion in Storey County is privately owned. The portion in Lyon County, the TRIC [Tahoe Regional Industrial Center] developer actually had a clause to reserve a corridor for

highway purposes through that area, through that land, so NDOT will not have to pay for the land. We will actually be on an easement. Similar to BLM [Bureau of Land Management] land, we do not own the land that the road lies on, but we have an easement for transportation purposes to build our road on. Then there are a few parcels of private property closer to U.S. 50 to acquire as well.

ASSEMBLYMAN GRADY:

Thank you, and if I may, just one more comment. The people in all of Lyon County, as you know, have been pushing for this road for six, seven years. They are looking forward to it, and ironically, when this road is put in, it will be faster for the people from Virginia City to come down through Highway 50 and go up that road to get over there than it is now where they have to come from Virginia City, down through Geiger Grade, into Reno, out Interstate 80. It will be closer for them to come and do whatever they need to do in that portion of Virginia City.

We do appreciate your work. It has been a long battle to get that road, and the sooner the better. Thank you.

ASSEMBLYMAN ELLISON:

I have a couple questions. In section 33, it talks about the municipalities and the pledge. Does that mean that if they are collecting taxes in those districts, they will have to give that money back to the state or does that mean that the money will go back to the user?

CHRISTOPHER NIELSEN:

Mr. Ellison, the ordinance in section 33 is really the second step of the sales tax abatement. This bill authorizes an ordinance to be imposed to create an economic zone, and in that, the local government can pledge a portion of the proceeds of a sales tax for economic activity that takes place in there—pledge that money to the developer. Mechanically, the way it would work would be that the Department of Taxation would receive money, limited on a monthly basis. Then it outlines that we, by agreement, will shift that money to the local government, who will in turn, by agreement with the developer, use it to repay the developer or help offset the developer for acquiring, approving, or equipping the qualified project. It would kind of be a full circle to get back to the qualified project.

CHAIR KIRKPATRICK:

Mr. Nielsen, can I help out here? My understanding is everybody is going to pay that 2 percent. Everybody pays the 2 percent, but then Storey County could remit that to the Tax Department to help the developer, correct?

CHRISTOPHER NIELSEN:

That is correct. I guess the best example would be the brick and mortar or the lumber that is used to construct the facility at the project site. They will self-assess, they will remit at 2.75 percent—although it is not particularly apparent here—2.75 percent on those materials. We will process that and then we will start the process, per agreement, going back to the counties—the local government—and then the local government will reimburse the lead participant for certain costs.

CHAIR KIRKPATRICK:

The reason that I was asking for a little bit of clarity is I kind of understand how it would work, but I wanted to say that, at least for myself, I was very sensitive to other local governments losing that 2 percent. I think they should feel comfortable that they will not. They will pay it, but the state will help Storey County keep their word on what goes back, which is our investment part. We have done this before in renewable energy. I do not want the smaller counties to be concerned, because I can tell you, that was my very first concern. Every local government is struggling as it is, and 2 percent is a lot of dollars. The way the language is currently written does not affect those local governments. From my understanding, this was a better way to do it.

ASSEMBLYMAN ELLISON:

I appreciate that because I got a lot of information today listening to the Senate side. There were a lot of questions that were answered and brought a lot of information in.

My next question is maybe to NDOT, and that is on the electric cars. They do not use gasoline, but they are still impacting the highway. Are we going to look into how we can address this issue in the future? Because as more and more electric cars and hybrids come back onto the highway, it is going to affect fuel tax that will come back to the state. Maybe you could speak on that for a second.

CHAIR KIRKPATRICK:

To keep within the germaneness of this bill, I can find you ten people that would sign on to that bill draft. If you want, we can do that tonight, but I do not think that it is appropriate for these folks to answer that at this time.

ASSEMBLYMAN ELLISON:

I think it is important, because this is going to be something that we are going to have to address in the future, maybe by the next session. It is something we will have to address—how we are going to pay for offset with the electric car.

The batteries—they are not lithium. Is there another name you are going to call these?

STEVE HILL:

They are lithium ion batteries.

ASSEMBLYMAN DALY:

On page 4 in section 5 and section 7, it talks about a lead participant versus a participant. I wanted to make sure that we are consistent with how the abatements work between the two. We all understand the lead participant is going to be the owner of the property and the primary one in business. We all know the example in the present case we are looking at. But how does that apply to suppliers, vendors, subcontractors, construction contractors, et cetera, and then how do the abatements work when a subcontractor or somebody purchases material for this project? Explain that to me. Then, how far down does it go and how are we going to manage all that?

STEVE HILL:

There will be an application filed by the lead participant. Our office and the state will look to that lead participant for compliance with the legislation as well as the contract that we will sign with them. They are responsible for the other participants on the project. A participant has to be one of the applicants included later in that application and an investor. These are the people who are investing in this project. When the abatement application or an incentive application is approved, they will be listed; there will be a group of those people. That could be added to later if somebody else becomes qualified to be a participant. Those do not include subcontractors, suppliers, and everything downstream from there. These are the owners. That group will have an approval. The abatements and incentives do not apply to everybody else. What that means is those companies that have been approved have to buy something. When they buy something, that potentially is eligible for an abatement. If somebody else buys something, it is not. For example, if they have a contractor on site that purchases a piece of equipment to use on that site, that does not qualify for an abatement. Now, if they purchase the building from the contractor—Tesla purchases the building from the contractor, which will happen—the materials in that building are eligible for abatement. The short answer is the owners of the project that are approved and called out as approved for abatements have to purchase something themselves in order to be eligible.

ASSEMBLYMAN DALY:

Okay, thank you. I think I understand. The subcontractor or the contractors are not going to be eligible for the abatement unless they are actually owners of the project, and some of the material that they purchase in the contract that they have may be subject to abatement if the owner is buying it. How is that going to be measured? We do not want to have a situation where the owner says to the contractor, Get me a price for this but we will buy all the material. Is the contractor going to put in a bid for the material and installation, or is it going to be just

installation and we will buy all the material? I am just trying to figure out if there is going to be a firewall for that kind of stuff. There are some things—and you see it in construction, you see it in the hospital that says, We are going to buy this particular piece of equipment because it is easier for us to do; it is easier for us on the scheduling; it has to be here; and you have to build the building around it, it is so big. Those things I understand. Saying I am going to buy the concrete and aggregate that the contractor would normally buy so I can get this higher deal—I am just curious—I want to know what the firewall is on that, because we have seen that in other areas, and it can be an issue.

STEVE HILL:

I was in that industry that directly is your example, Assemblyman Daly. In this particular case, it is a little different because the materials on the construction of the building and the facility are eligible for the abatements. The gamesmanship that can happen at times, as you point out, happens because typically those materials are not eligible for sales tax abatement. This case is different in that the building as well as the machinery that goes into that building—I do not know if you have seen a picture of the inside of Tesla's auto manufacturing plant in Fremont, but it is a terrific plant and very impressive—that type of equipment will also be eligible for the abatements and incentives.

ASSEMBLYMAN DALY:

I want to talk regarding the waivers on page 7, subsection 5. I know there was an amendment on the Senate side to those, and especially about the notices and various things. I just wanted to get a little more detail about it now that we have that new language. You have to apply; there is going to be a notice you are going to send out; people can come in to a public hearing and put in their comments. But, your office or your board, as I believe I heard the testimony, is going to be making a decision. I am just trying to get some insight. Say I ask for a waiver six months in on a two-year project. How long is the waiver going to last? Is it going to be employer-by-employer, category of work? I mean, we may need specialized people in one area, but we have plenty of people in another. Is it going to be projectwide? And then is there—to use a term like we are using on the tax part of it—a clawback that says, Hey, we want you to get in compliance and keep working toward that, so come back and ask us to renew the waiver. I just want to make sure that it is not a waiver—Okay, you are done, we do not have to meet it anymore, and now that is not even a criterion to be considered on whether you still qualify for the abatement.

STEVE HILL:

This program is new for us. I think it is significantly stronger than the program that the Office of Energy has right this minute. I think working with the Speaker and others in this body worked to strengthen that. It is a provision for the abatements and incentives, so there are some significant teeth in this.

As it relates to waivers, there are really two different reasons that they could have a waiver: a lack of people available in a job and a lack of qualified people. We are going to have to work on the qualification side as well as the numbers side, and we will have to do that by a job description or job category and will have to consider the time frame, as you point out. There may be a temporary waiver at times, and at some point, for some reason, there may be a more permanent waiver. We will have to see how that works as it goes forward. I believe what I said on the other side of this building today is that there will be opportunity for people to appear before our board. We will discuss the way this program is outlined before our board, so there will be a public process that allows comment and input. Then as you say, there was an amendment put into the bill to strengthen that, not just from a commitment standpoint, but also from a legal standpoint.

ASSEMBLYMAN DALY:

I do not think it takes an amendment; it would just take a commitment or an indication that you would follow that. I know that on some of those things, people miss public notices and various things. I know, for instance, if a company is asking for H-2B visas—they need to bring workers from out of the country because there is no one here to do it—they are required to send

out a notice if there is a local union that covers that kind of work in the area. I am hoping we can get at least that out of you before something like this is being requested to see if there really are the qualified workers in the area before that happens. That is not just for any organization that I am associated with; I think that would go out to everybody, because we do not know which area of work is going to come up with that shortage. I am hoping for an indication that that could happen.

ASSEMBLYMAN STEWART:

My question is for Mr. Hill and deals with the \$37.5 million that Tesla is donating to education. In the letter we got today from Tesla, they said the final agreement would be between Tesla and your organization, Mr. Hill. Can we anticipate that a portion of that money will go to the excellent STEM programs in Clark County and our high schools? I hope so.

STEVE HILL:

I believe that the letter points out that a part of the proceeds from that \$37.5 million will be allocated to a statewide STEM initiative. So, the answer is yes.

ASSEMBLYMAN SPRINKLE:

For Mr. Hill, I am looking at section 11, subsection 2(n). I am just going to paraphrase quickly: The lead participant in the project must, on behalf of the project, meet any other requirements prescribed by the Office. First, I definitely want to be clear that this bill is about any applicants, not just one in particular. When we are looking at requirements that might be coming from your office, what are some examples of these requirements? Are they actually going to be in writing, or is this just something up to the Director?

STEVE HILL:

That clause is in there because we do not know the answer and we do not know what we do not know. We want to have the ability, especially for any significant project that meets the thresholds in this bill, to reach out and say, Hey, this is something that is specific to your project, something that we need from you that is important to the state or local government or the citizens. We want that provision in there that allows us to do that. If they are going to participate in this, we need to be reasonable about it, but they need to be reasonable back. It is one of those clauses that covers what we do not know at this point.

ASSEMBLYMAN FRIERSON:

I have a couple of questions. First, section 13 refers to an average rate of \$22 per hour. My concern is if we are talking about a project where we are hoping that 50 percent or more are Nevadans, that the Nevadans are also part of that \$22 per hour. My concern is I do not want the Nevadans to end up with \$12-an-hour jobs and some higher ups making \$150,000, so that we have an average of \$22, but not necessarily amongst Nevada employees. Because this is just an average rate across the board, would the audit that is required annually or the quarterly reports be something that we could expect to provide data about the Nevadans—the 50 percent or more, hopefully, Nevadans and what the average salary is for those employees?

STEVE HILL:

We can do that. I want to assure you, though, that that will not be the case. I understand the concern and I understand there have been past concerns along those lines. I have spent a good deal of time with the company working through their wage and benefit schedules, and I know some members of this body have as well. In our analysis, there are basically three categories of employees that are broadly associated with the project. A large number of the 6,500 are in that manufacturing workforce that will be onsite, which is a great job and terrific benefits but the lowest paid of the three groups. Our understanding is that that group of employees will exceed the average on their own without any influence from the other two groups.

The other two groups are primarily the line managers and the plant managers there at the site and all of that administrative work. Then there are going to be a number of engineers on the site as well. They will be highly paid, but not to the point that they skew the calculations significantly. This will be a site where they will be doing the advanced battery manufacturing

work as well. This is a prototype operation, and it is one of the reasons there will be so many engineers there, which I think is a terrific thing for the state.

That manufacturing group will probably exceed \$22 an hour on their own. The other two categories are more highly paid. The way the bill is set up and the statute would be set up, we put in a definition of a job, and that definition requires that a person be employed at least 90 days prior to the day that we count what the numbers of jobs are. This in and of itself was intended to eliminate the possibility, for any project in the future, that that calculation could be gamed by somebody being hired for a day and then let go on the day of the count. It also means, though, that the workforce in Palo Alto or in Fremont probably would not qualify in that job count or in that average wage, because they have to be employed on the site for at least 30 hours a week for three months prior to that calculation taking place.

ASSEMBLYMAN FRIERSON:

In section 16, it appears that it divides clawbacks into two sections. In one, if they do not meet certain criteria, they have to pay back a portion of the benefit that they received. Then there is another section where they have to pay the entirety of it with interest. I am looking at subsection 2(c) and am curious why a participant who submitted a false statement would only be required to submit a portion and the others would be required to submit the entirety with interest—and I am looking in the subsequent subsection that says if someone fails to meet the requirements for eligibility, they would be required to pay back the entirety with interest. That may be a catchall that allows for GOED to make a determination as to whether or not it was intentional, but I wanted to make sure that if we do have folks that are trying to mislead us down the road, we are able to deal with it in a way that is consistent with how serious that behavior is.

ASSEMBLYMAN HORNE:

Section 11, subsection 2(k) uses the word “anticipated”: “50 percent of employees engaged or anticipated to be engaged in the construction.” Is that anticipation number in a scenario where they have not yet done the hiring but they know they have these vacancies they wish to fill? And if so, if at the time when they file the report, the audit is done and those were not filled, is that a time when you do that clawback? You take those tax incentives away?

CHRISTOPHER NIELSEN:

Mr. Horne, I am going to take over for Steve, at least for one question. I believe the reason they use the word “anticipated” is because that is in the filing of the plan before any abatements or tax credits or probably before the project even gets off and running. As far as the clawback, when it is annually looked at, you are looking at actual people employed, not employees that are anticipated to be employed. The anticipation takes place at the time of filing of the plan, and then the count, for the purposes of the clawback, are actual employees hired at the site.

ASSEMBLYMAN HORNE:

If I can get more clarification here, this is when they are providing that certificate of eligibility, correct? Then, under section 11, subsection 2(k), projects to be eligible for the transferrable tax credits, these are things the project is going to have to provide—documentation satisfactory to the Office that at least 50 percent of the employees engaged or anticipated to be engaged in a project, and 50 percent of the employees employed at the project, are residents of Nevada. The word “anticipated” is what caught me. If you are providing documentation, arguably you can provide documentation that you reached that 50 percent goal, but if you do not actually reach it when the tax credits are given, that number is different. I just wanted to be clear on the steps when that is taken. When they submit that application, they only have to submit anticipated, but sometimes somebody might misunderstand, just clarify it.

CHAIR KIRKPATRICK:

Mr. Hill, I want to be clear because there has been a lot of discussion on this. This is the piece about performance-based. What we have done in the past as far as workforce dollars and for training dollars is said, Sure, we are going to give you the money up front. We have given away training dollars before and have not seen the employees. I believe this time we tried to be a little more studious and say, You can get the dollars once the employees are actually working and have worked the past 30 days. Based on the fiscal year that we are working off, they are

going to have to prove that they have been working, or they cannot collect any of their dollars. They already have to be in place.

What I would say about the word “anticipated” is sometimes you are getting ready to gear up, so you have an idea of folks that are going to be coming online. You will have that documentation in place, but they are still going to have to true-up whether they have those employees. They could be anticipated employees, but if they have not met the criterion that we put in here of working the past 90 days, it does not matter. The other piece is this would not allow them to be counted twice. In the past, we have had people double-dip. This is a cleaner way of trying to ensure that if you have 1,000 people the first year and then you have 1,500 the second year, you only get credit for the 500, because that is the difference. I do not want to speak for you, Mr. Hill, but I think that that is the way we tried to ensure that we were getting employees that had been employed.

ASSEMBLYMAN HORNE:

I understand that, but as I read that paragraph, in addition to that paragraph, you have “unless waived by the Executive Director,” and that was discussed earlier. I am reading this that you can provide documentation of the 50 percent of employees you have engaged or that you anticipate to have engaged. Then, later on, you may not have realized that anticipated number—that 50 percent—and then the Director can waive that for various criteria. I am looking for step-thru on how that works.

STEVE HILL:

The way this process will work is we will require documentation on each employee that is either working in the construction process or permanently on the site. There will be an audit done on that, a count done on that, and the results will be derived from that process. We will not count anticipated employees in that process. That is not our intention. There will be documentation of people employed, and that will be the measurement.

CHAIR KIRKPATRICK:

I am going to put it on the record that if I see a waiver of anticipated employees, I am going to be at the public hearing myself, and I am going to let folks know why. That is the whole point of trying to make the waiver process a little more public, so that we can have that discussion.

ASSEMBLYMAN HICKEY:

My question is for Mr. Hill. While I think all of us in this body are happy to hear about the safeguards and the attention to ensuring that goals important to all of us are met, like hiring minimally 50 percent Nevadans, I also heard the founder of Tesla and folks around him speak to us and say they want to hire within Nevada for all kinds of reasons. I also imagine that many of the people that do get hired are going to become Nevadans. I think the real concern for many of us in this room, because we want to be proven right on this gamble, is what are we doing—and speak to this briefly—to get those Nevadans who are underemployed now?

I was happy to hear from Chancellor Klaich yesterday that plans are already underway to look at training programs in conjunction with Tesla’s needs and to tie them into the community colleges. I have not heard DETR [Department of Employment, Training and Rehabilitation] mentioned and the other programs in place right now. We have been desperately trying to train people, not knowing this project may be coming. Have there been serious discussions, and will we make a commitment to hire as many Nevadans that could really benefit and get them to that point and at the same time keep them here so they remain Nevadans? Because I think 50 percent is low. In the end, we ought to have, except for those specialty folks, a lot of Nevadans put to work with this.

STEVE HILL:

You bring up an excellent point. The final remarks that I made on the Senate floor earlier today were about that topic. We are reacting already, very quickly, to this opportunity. I was thrilled that the Nevada System of Higher Education got the opportunity to meet with Tesla yesterday. They have met with them prior to this as well. They will be heading to Palo Alto to start work on curriculum—not just to start a conversation, but to start the work on curriculum. I said earlier this evening that this is the beginning of the road for us. It is not the end. Tonight

is not the end of this process; it is the start of this process. To capitalize on the opportunity that Nevada has and every Nevadan has as a result of this happening in our state requires education, it requires training, and I think we will be able to do that. I think this body will do that. I believe the Governor has that as a priority. I think the education system does as well. It is critical that we make that happen. There is no question.

We have engaged DETR, and they are a very strong partner. Dennis Perea, who is the Deputy Director of DETR now, is on our Board of Directors for Economic Development. We work with them on a daily basis. They have been working on, and made real progress in, the manufacturing industry training programs. Mr. Bacon talked about that earlier this evening. This is a great opportunity for all those training partners to come together. I mean really, this is going to take a significant jump in the amount of effort, the amount of investment, and the dedication that we put into the manufacturing sector and everything that spins out of that. It is a great opportunity, and it is the key to taking advantage of this much broader opportunity statewide.

ASSEMBLYMAN THOMPSON:

This question is for Mr. Hill. I want to go back to your opening comments. You talked about economic impacts for the state, and I specifically want to talk about the \$1 million for UNLV for research, which I think is an awesome opportunity for us to build the research credentials for the University System. Using your words, we want to be on the cutting edge. How soon, if this were approved, would those dollars be available to the University? We really cannot wait. We have to stay on this to keep driving this.

STEVE HILL:

This will happen quickly. Frankly, everything that Tesla does happens quickly. We will be making an introduction there over the next couple of weeks. I have already talked to President Snyder about this opportunity. The Vice President of Research at UNLV, Tom Piechota, has been involved; the Dean of the School of Engineering, Rama Venkat, has as well. They have been providing information. Tesla is aware of the excellent research that takes place in battery technology at UNLV. This will be an easy start and will happen certainly within the next month or two.

ASSEMBLYWOMAN NEAL:

My question is to Mr. Hill. I needed to clarify the intent with section 16, lines 38 through 40. What I needed to be clear about was the language in here says that the lead participant shall repay the Department or the State Gaming Control Board any portion of the transferrable tax to which the lead participant is not entitled. Why is the State Gaming Control Board being repaid? Are they only going to be repaid the gaming percentage fees that were applied? Is that the only portion that they are going to receive? I am assuming interest will be attached to that as well.

STEVE HILL:

The credit can be applied to a couple of different taxes. The Gaming Control Board would be repaid in the event that that transferrable tax credit has been applied to the gross gaming tax. The lead partner on the project is responsible for the other partners on the project. The state would look to that lead partner, both in contract and through the statute, as responsible for the other partners on the site.

ASSEMBLYWOMAN NEAL:

It was confusing because it said any portion, and so on the first read and then second read—I am assuming it is already predivided and that is because they make that irrevocable declaration of what they are pledging.

My second question kind of pulls in several sections, because at the end of the bill, I believe in section 31, you guys talk about this economic diversity district, which is not defined. Then there are all these things that you can do within this economic diversity district. I am assuming some of the things that are tied into that are also in section 18, where these local government entities have the ability to encourage economic development through abating their permitting and licensing fees, and then in the later sections, 31 and 33, they are allowed to pledge additional revenue. Here is my concern. Number one, the district is not defined, so it is not really clear on

what the application of the district is. Earlier Mr. Mallory brought up the topic—that because of the lack of definition, because of the lack of applicability, what if it was in Las Vegas? What if the language was applied in the southern part where there was an overlap in a TID [tourism improvement district], where there was an overlap in a redevelopment agency? That is one part of the issue that I want to get clear on the record—how that is applied.

The second part is in terms of that additional revenue that a local county or city can pledge. I know it is permissive and I know it says “may” all the way through there, but it is an interesting position when you are able to put more money on the table. If you are not necessarily a wealthy county or a wealthy city or do not have a stable base and you pledge revenue, then the state is somehow in a position where they are trying to fix a bad decision. Someone said, I really, really wanted this company. They pledge these things and then they find out five years later they could not afford it. I am wondering why we need this extra meat on the table when we are already giving, at the state level, a large incentive package. That is where I need clarification.

STEVE HILL:

There may be a couple of questions in that one big question. You said these were simple. This was a very, very competitive process. Any project that applies here is certainly going to be competitive. It takes a \$3.5 billion investment for a purpose to qualify for the bill. It is going to have to be a \$3.5 billion investment. All of those are going to be very competitive. This certainly was as well. I will point out that I was asked this question on the Senate side, which I think is informative. I was asked if our normal abatements were in place, how those would compare to the bill that we have before us today. Seeing the \$1.1 billion number, that is kind of on the high side, but our normal abatements would have been—and that includes green building abatements, which we assume would be eligible but have not been an issue in these discussions—assuming that, our normal abatements would be about 73 percent of the abatements that we are providing through this bill in that project. The difference was very important. Without the difference, we would not be in the position we are now. Every dollar mattered.

I think you heard Mr. Musk last Thursday say that Nevada did not provide the most abatements, the most incentives on this project. There were many things that mattered. Being adequately competitive was an absolute in order to be able to receive the project. That plays into the answer to your question. Without the ability to do that at times, we are not going to be in this position to attract those companies. I want to make clear that this would be revenue generated by the company, paid to the state, paid back to the county, and then back to the lead participant. That is the way we have described it here. That would not be additional money out of the local government’s coffers.

ASSEMBLYWOMAN NEAL:

Then that Gaming Control question: Why are they a part? Why would they be paid back?

STEVE HILL:

Chris can correct me if I am wrong, but it is because a portion of the transferrable tax credits is tracked through the Gaming Control Board, so they have to be a part of that process.

ASSEMBLYWOMAN BENITEZ-THOMPSON:

My question was just to clarify for the record the type of clawbacks that are defined in section 16. If I am reading this correctly, when we talk about clawbacks, we are specifically talking about property tax. In year ten, if things do not come to fruition as imagined, then it will be the property tax that was abated with interest. Is that right?

STEVE HILL:

No. Actually, all of the tax abatements are subject to clawback. If they do not meet those thresholds, those are all subject to clawback.

ASSEMBLYWOMAN BENITEZ-THOMPSON:

Okay, it would be the property taxes, employer excise tax, and local sales and use tax? It would be all of those over the ten years plus interest?

STEVE HILL:

Yes, that is correct.

ASSEMBLYWOMAN BENITEZ-THOMPSON:

Then, for clarification for the legislative record, when we think about section 16 in reference to sections 31 and 33 where we are talking about the municipality pledge, is that 2.75 percent included as well, or is that separate because that is through municipal ordinance?

STEVE HILL:

It includes that portion as well.

ASSEMBLYMAN AIZLEY:

You are talking about the geographic boundaries of a single project, but I do not see any real definition of a boundary. Is it possible, for example, for Storey County to be a single project with just its own interests at heart? Then, could a place have two parts? Could the geographic boundary involve two separate pieces or could there even be a space in the middle that was not covered? I do not see any definitions, but when you say geographic, it reminds me of geometry and that is mathematics, so I have to ask.

STEVE HILL:

There is a single purpose requirement. While there is no definition of what those boundaries can be, if they cross county lines, you would have to get county governments to cooperate in order to make that happen. Certainly, crossing a boundary is something along those lines, and I think it is possible. But, that single purpose has to be in place.

ASSEMBLYMAN AIZLEY:

You do not think the county could be a single purpose?

STEVE HILL:

I do not know.

ASSEMBLYMAN AIZLEY:

What about the separate pieces? If they wanted to add more land to do more of a project, is that another request or is that automatically granted?

STEVE HILL:

I do not think it would be automatically granted, but if the single purpose project grew, I think the county would have the ability to grow the size of that site.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

Mr. Hill, I have been very privileged to attend the past GOED Board meetings and watch the abatement process. Right now, you do not have the ability to watch it live while it is happening. Do you have plans to bring that on board so that there could be transparency for all of Nevada? I know we have been talking a lot about northern Nevada even though this project has a statewide impact. In the process that I have watched throughout this whole year, there have been a lot of companies that have chosen to expand or chose southern Nevada as their site. If you could comment on that, because Clark County is doing well this year as far as attracting and expanding new companies there.

STEVE HILL:

By the way, we appreciate you coming to our board meetings. You have been diligent in attending and helping by providing ideas like you did just now. We had not thought about actually getting our board meetings onto the Internet. Given the fact that the work that we are doing becomes larger and probably more impactful to a larger number of people, I think that is a great idea, and we will look into doing that. We have not done that in the past. We have just videoconferenced between two sites.

I would like to thank EDAWN [Economic Development Authority of Western Nevada] for the work on this project, the Las Vegas Global Economic Alliance for the work they do in Las Vegas, and the Northern Nevada Development Authority. We have nine regional

development authorities throughout the state doing a great job. There have been significant gains in Clark County over the past year. In fact, Mr. Musk, who is the chairman of Tesla Motors, is also the chairman of Silver City. The first company that was related to Mr. Musk's business ventures chose Las Vegas. The second choice he has made is here in northern Nevada and, obviously, this was his choice directly. I think there have been 3,400 direct jobs in Clark County over the past 12 months, if my memory is correct, which is one of the largest years that has ever been experienced there. Lots of good things are happening throughout the state.

ASSEMBLYMAN HEALEY:

I would like to start by thanking Director Malfabon and all of NDOT for doing an amazing job getting the roads back open, hopefully tomorrow, in southern Nevada after the flood. Thank you.

Director Hill, can you give us just a brief understanding of the environmental impact of actually manufacturing—understanding the components of green energy that they will be operating off of—but any of the byproduct that may come as a result?

CHAIR KIRKPATRICK:

Mr. Hill, I would like the short answer.

STEVE HILL:

Tesla is very committed to a zero emission, very clean site. That includes pretty much every aspect of the property. Maybe I should not talk about water right this minute, but the process will be using effluent, which will be very helpful to the environment going forward.

ASSEMBLYMAN CARRILLO:

This question actually goes to Mr. Malfabon. I wanted to discuss the impact of lifecycle cost analysis and also the alternate design and alternate bid regarding the USA Parkway. Of course, we know that money for our state is still something that we have to kind of keep an eye on, and we are looking for the long haul. We can throw roads up in a day, but if we are looking for the long term—and obviously for this project or any other project in the state, this is something that we definitely have to keep in mind—I wanted to find out if this is something that we can address. Of course, this does not address anything in the bill, but we know that this will be an impact as well. Can you address that please?

RUDY MALFABON:

This would be a great project to apply that to. What we do in that case is we let the bidder determine whether they want to do a concrete pavement or an asphalt concrete pavement—partly cement concrete—white versus black pavement. They do a cost analysis of what is more effective, but we establish the standards so that we know over a certain lifecycle, we are going to get the benefit of that project. Since it is a new construction project, this is the type of project that it is a good application for—that method of delivery. We are determining what is the best delivery method—to design it in-house and put it out to bid for that alternative process or to do a design-build, where we only take it to a certain stage of engineering and the contractor hires an engineering company to take it the rest of the way. That is a much quicker process.

ASSEMBLYMAN DALY:

On page 5, section 11, the new (i) and (j) regarding insurance, where it says things that are going to be “satisfactory to the Office.” Can you give me some insight so I have something on the record of what types of things you are going to be looking at? When we are looking at employer-provided insurance, it has to be affordable, right? Under the Affordable Care Act, insurance cannot be more than a certain percent. Are you going to take some of those things into consideration when you are looking at this and saying it is good enough, when people really cannot or will not have a viable chance at health insurance? It is important and it is an important provision in this accountability and the measures for how workers are going to be treated on this project. I would like some insight there.

STEVE HILL:

I agree. It is important, and we were fortunate to work with Assemblyman Healey during the last legislative session on Assembly Bill 333. We worked together to strengthen the requirements along those lines. The law now requires us to take into account—for any abatement, not just in this bill, for any abatement or incentive—the health care provided by the employer. We do analyze that. We analyze that based on the bronze level of the exchange. If they do not meet every criterion that is in that coverage provision, they do not get the incentive.

ASSEMBLYMAN DALY:

They would not meet the requirement of providing health insurance if they did not meet that because that is a requirement absent the 50 percent. The worker has to be able to get that insurance, and that part of it does apply to the construction part of it, as well, so you are going to have some homework to do on a lot of contractors.

STEVE HILL:

Yes, that is accurate.

ASSEMBLYMAN EISEN:

Mr. Hill, I just want to go back and revisit a point that Mr. Frierson asked about. It is just a slightly different issue related there. This is in section 13, subsection 4, paragraph (b), where we are talking about the average rate. I just want to get a clarification on the record, first of all, because the language there says that the qualified employees of the qualified project must be paid at an average rate of \$22 per hour. I want to be clear on the record that \$22 per hour is the minimum the average can be. It is not that it has to be exactly that. More importantly, I want to get a clarification from you on your answer to Mr. Frierson about the employees who are included in that calculation to reach that \$22 or more per hour average. I want to talk about what a specific company may be planning. We are talking about a policy that the state is creating. We could have a project be proposed that is actually heavy with more highly compensated employees that could skew that dramatically. Are we able to identify a cutoff point, whether it is a salary point or a job description, of folks who would be excluded from that calculation so that we do not suffer from that potential skewing effect?

STEVE HILL:

One, no, we are not requiring that the average pay be exactly \$22 per hour. Secondly, the bill, as currently written, does not make that an exclusion for any very highly paid employees. I think there is a potential to do that by regulation. We can also look at that in the future session. At this point, there is not a restriction on that. As I said earlier, we do not anticipate that being an issue in this particular case. You are right; the bill addresses any company that would qualify, and that issue could come up in the future.

CHAIR KIRKPATRICK:

Mr. Hill, from my perspective, it is important that we watch for that in the audit to assure that we are aware of that going forward.

ASSEMBLYWOMAN BENITEZ-THOMPSON:

Just one last thing, because I wanted to make sure it was part of the legislative record. This is a stand-alone bill and is an opportunity for anyone who wants to make this type of investment. I know there are considerations to certain projects, and your office has released an economic development forecast report with some members. I just want to make sure to reference that so that is part of our Assembly legislative record since I know that has been part of the decision-making process for many folks on the floor.

Chair Kirkpatrick announced if there were no objections, the Committee would recess subject to the call of the Chair.

Committee of the Whole in recess at 8:49 p.m.

IN COMMITTEE OF THE WHOLE

At 8:59 p.m.
Chair Kirkpatrick presiding.
Quorum present.

[There was no public comment.]

On motion of Assemblyman Frierson, the Committee did rise and report back to the Assembly.

ASSEMBLY IN SESSION

At 9 p.m.
Madam Speaker presiding.
Quorum present.

REPORTS OF COMMITTEES

Madam Speaker:

Your Committee of the Whole, to which was referred Senate Bill No. 1, has had the same under consideration, and begs leave to report the same back with the recommendation: Considered.

MARILYN K. KIRKPATRICK, *Chair*

GENERAL FILE AND THIRD READING

Senate Bill No. 1.
Bill read third time.
Remarks by Assemblymen Flores, Fiore, and Bobzien.

ASSEMBLYWOMAN FLORES:

I rise in support of Senate Bill 1. As you have already mentioned, this floor statement is rather long, so I ask you to bear with me. In the spirit of transparency, it is important to go through this thoroughly to ensure that those listening and those out in the public know exactly what we are voting on.

Senate Bill 1 authorizes the granting of transferable tax credits and abatements of certain taxes to certain participants of qualified projects. To qualify, the lead participant must make an application to the Governor's Office on Economic Development, or GOED, and demonstrate, among other things, that the participants in the project will make a collective minimum investment of \$3.5 billion within ten years of approval of the application and that at least 50 percent of the employees engaged in construction of the project and 50 percent of the persons employed at that project are Nevada residents. These requirements may be waived by GOED if there are insufficient qualified and available Nevada residents, but if that determination is made, the waiver must be made public and posted on GOED's website. To be considered a Nevada resident, each project participant must document that the person has a Nevada driver's license or ID, is employed full time for an average minimum of 30 hours per week, and is offered coverage under a health insurance plan.

The tax credits and abatements are as follows: \$12,500 for each qualified employee up to a maximum of 6,000 employees; an amount equal to 5 percent of the first \$1 billion of new capital investment; and an amount equal to 2.8 percent of the next \$2.5 billion of new capital investment. The bill also provides that no more than \$45 million in transferable tax credits may be issued in any of the first seven years and caps the total credit which may be approved at \$195 million. Property taxes and the modified business taxes may be abated for up to 10 years, and local sales and use taxes may be abated for up to 20 years.

It is important to note that transparency and accountability were always goals of this body. The bill requires public notice of action on the application, verification of eligibility, audits, and also notification of affected local governments. It also requires repayment of transferable tax credits and abatements if the lead participant or other participants fail to meet the criteria relating to, among other things, minimum investment or number of jobs or otherwise become ineligible.

At the local government level, local governments are also authorized to abate licensing or permitting fees for qualified projects and are empowered to create economic diversification districts, or EDDs. Any agreement between those local governments and the lead participant automatically terminates after 20 years.

In addition to the accountability and transparency requirements that I just mentioned, reports are also required to be submitted to the Governor and Legislature annually by GOED on the number of qualified projects submitted and approved; quarterly by GOED on the dollar amount of the abatements, number of qualified employees and their wages, and investment amounts; annually by a local government which has approved an abatement as to the number and amount of abatements and the number of persons employed within the jurisdiction by that qualified project and their wages; and for an EDD, annually by the local government as to the status of the qualified project within the EDD and an assessment of the financial impact of the district on local government services within the EDD.

Finally, the bill also reduces the amount of transferable tax credits that may be granted to producers of qualified film productions from \$80 million to \$10 million. The transferable film tax credits expire June of 2023, and the rest of the provisions expire June of 2036.

As you can see, there were a lot of details. We spent a lot of time discussing this because this is something that is of historic nature and required us to spend the amount of time necessary going through every detail of this bill to ensure accountability and to ensure transparency. I urge the body to support S.B. 1.

ASSEMBLYWOMAN FIORE:

I stand in support of Senate Bill 1. I am amazed at what has been accomplished here. I appreciate that Governor Sandoval has taken the lead on this and worked with our legislative leaders and Nevada's Economic Development team. To our Governor's credit, he has placed Nevada in the number one spot. Nevada is showing the nation that this is the place to do business by being nimble and responsive to those who want to grow their industry.

This legislation makes an incredible step toward revitalizing manufacturing in America and bringing it to Nevada. When I think about Detroit or Chicago in their height, it was because of the jobs created by their thriving manufacturing industries. When it became cost-prohibitive to manufacture in the United States, those jobs and the innovation went overseas, and now Detroit is in bankruptcy. It is opportunities like this that will allow Nevada to continue to rebrand and grow our way out of this recession while creating opportunities that will benefit all Nevadans.

I believe business flourishes when taxes are low and predictable, and that is exactly the offer that is on the table for Tesla and any other company that qualifies. My one reservation about this legislation is that there are thousands of Nevada businesses that would also grow and expand and create jobs if they were given the same opportunities. I look forward to working on legislation to support our small businesses and all businesses when we return to these chambers in February. I look forward to continuing this discussion and building on this opportunity for a successful and diverse economy in Nevada.

ASSEMBLYMAN BOBZIEN:

I rise in support of Senate Bill 1. Like my colleagues in both the Assembly and the Senate, I am excited about the path to the future we are forging tonight. I am excited about the possibility to put Nevada on the map as an innovator in the development of new technologies and new business models. Nevada will play a role in solving our planet's climate crisis by moving us away from what Elon Musk has described as the mine-and-burn hydrocarbon economy.

I know this goal of a cleaner future was on the mind of Senator Reid every moment he worked on this effort, and I want to thank him and all of Nevada's elected officials with the vision needed to see this through for their efforts.

Tonight we are legislating for the hopes and dreams of our children. This evening, there are thousands upon thousands of Nevada students working hard, doing homework—hopefully they are going to bed soon—to prepare themselves for the jobs of tomorrow. Our future electricians, engineers, accountants, and other professionals from all across the state will take the work we are doing here tonight and run with it to build a better Nevada. Indeed, many of them will work at the factory we are contemplating.

However, I am worried. For too long, this state has failed to live up to its obligation to fund the services foundational to prosperity: health care, education, road infrastructure. Time and time again, Nevada comes up short when it comes to funding the needs of our state.

In Washoe County—my home and the future home of thousands of families that will hopefully work at the factory—we have failed to respond to the pressing needs of our schools. The \$308 million—and climbing—in unmet capital needs for our aging classrooms do not magically go away with Tesla's arrival. If anything, the projected increase of students in the years to come makes the situation more dire.

As we have heard from the Governor's Office of Economic Development in testimony, what we do during this special session is not the end of the story; it is the beginning. As we heard from the Nevada Manufacturers Association, this is going to strain our systems. And yes, we need to talk solutions.

Shortly after the factory announcement, The Brookings Institution issued a three-part road map for how Nevada can make the most of this opportunity. Their suggestions: pile onto workforce training and education; build the ecosystem; commit to innovation. It is a succinct plan, but I will boil it down to one word: invest. Will Nevada step up to meet the unmet challenges facing our state that will only become more acute upon Tesla's arrival? Will we invest in a world-class education system, both K-12 and our colleges and universities, to train the workers and entrepreneurs who can innovate in The Brookings-described ecosystem?

As I watched deliberations down the hall, I heard a colleague describe her concern regarding this very question as something that kept her up at night. Well, it keeps me up at night, too, and it should keep every elected official, economic development officer, business leader, parent, and citizen up at night as well. Many of us here in these chambers will be back here in just a few short months. Let's all commit to hitting the reset button on our most important issues and find a way to truly invest in our shared future.

Roll call on Senate Bill No. 1:

YEAS—39.

NAYS—None.

EXCUSED—Duncan, Hogan—2.

VACANT—1.

Senate Bill No. 1 having received a constitutional majority, Madam Speaker declared it passed.

Bill ordered transmitted to the Senate.

UNFINISHED BUSINESS

SIGNING OF BILLS AND RESOLUTIONS

There being no objections, the Speaker and Chief Clerk signed Assembly Resolutions Nos. 1, 2, 3 and Assembly Concurrent Resolution No. 1.

MOTIONS, RESOLUTIONS AND NOTICES

Madam Speaker appointed Assemblymen Frierson, Bustamante Adams, and Hickey as a committee to wait upon His Excellency, Governor Brian Sandoval, Governor of the State of Nevada, and to inform him that the Assembly was ready to adjourn *sine die*.

Madam Speaker appointed Assemblymen Horne, Diaz, and Kirner as a committee to wait upon the Senate and to inform that honorable body that the Assembly was ready to adjourn *sine die*.

A committee from the Senate consisting of Senators Jones, Gustavson, and Ford appeared before the bar of the Assembly and announced that the Senate was ready to adjourn *sine die*.

Assemblyman Horne reported that his committee had informed the Senate that the Assembly was ready to adjourn *sine die*.

Assemblyman Frierson reported that his committee had informed the Governor that the Assembly was ready to adjourn *sine die*.

Assemblyman Horne moved that the 28th Special Session of the Assembly of the Legislature of the State of Nevada adjourn *sine die*.

Motion carried.

Assembly adjourned at 9:31 p.m.

Approved:

MARILYN K. KIRKPATRICK
Speaker of the Assembly

Attest: SUSAN FURLONG
Chief Clerk of the Assembly