

THE SECOND DAY

CARSON CITY (Thursday), September 11, 2014

Senate called to order at 9:14 a.m.

President Krolicki presiding.

President Krolicki requested that his remarks be entered in the Journal.

Good morning on the second day of the 28th Special Session. Before we get started today, we are normally not convened in the month of September, and certainly not on September 11th. Given that this is the 13th anniversary of September 11th, 9-11. If we could just take a moment of silence to remember those thousands of folks and how our lives have changed since that day.

Roll called.

All present.

Prayer by Senator Pat Spearman.

Eternal God, father and mother of us all, creator of the universe and all that is good, we thank you first for this day that you have allowed us to see as we commemorate the bravery of public service personnel and service members who were dispatched to lands far away and for all of those who have continued to fight the fight against terrorism. We thank you for their bravery, and we thank you for their strength, and we thank you for their service. Let the light that shines through them be a light for us today. Help us to always remember that fearlessness is not the absence of fear, but the determination to face the danger in spite of it. Help us to remember those who are the least among us as we deliberate. Help us to remember – help us to remember – help us to remember why we are here. This we ask in your name.

AMEN.

Pledge of Allegiance to the Flag.

MOTIONS, RESOLUTIONS AND NOTICES

Senator Denis moved that further reading of the Journal be dispensed with, and the President and Secretary be authorized to make any necessary corrections and additions.

Motion carried.

Senator Denis moved that the Senate resolve itself into a Committee of the Whole for the purpose of considering Senate Bill No. 1 with Senator Denis serving as Chair and Senator Smith serving as Vice Chair of the Committee of the Whole.

Motion carried.

Mr. President announced that if there were no objections, the Senate would recess subject to the call of the Chair.

Senate in recess at 9:19 a.m.

IN COMMITTEE OF THE WHOLE

At 9:28 a.m.

Senator Denis presiding.

Senate Bill No. 1 considered.

The Committee of the Whole was addressed by Senator Denis; Senator Goicoechea; Barry Smith, Executive Director, Nevada Press Association; Constance Brooks, Vice Chancellor, Nevada System of Higher Education; Craig Stevens, Nevada State Education System; Randy Soltero, International Alliance of Theatrical Employees; Steve Hill, Director, Governor's Office of Economic Development; Christopher G. Nielsen, Director, Nevada Department of Taxation; Senator Kihuen; Senator Cegavske; Senator Jones; Senator Smith; Senator Ford; Senator Hutchison; Senator Manendo; Senator Kieckhefer; Senator Spearman; Senator Settlemeyer; Senator Atkinson; Senator Woodhouse; Senator Hardy; Rudy Malfabon, Director, Nevada Department of Transportation; Senator Roberson; Danny Thompson, AFL-CIO; Ray Bacon, Nevada Manufacturers Association; Paul J. Enos, CEO, Nevada Trucking Association; Jack Mallory, Director of Government Affairs, Henderson Council 15, International Union of Painters and Allied Trades; Jack Wagner, American Independent Party; Matthew B. Parker, Chairman, Nevada Brotherhood of Locomotive Engineers and Trainmen; Geoffrey Lawrence, Nevada Policy Research Institute; and Ken Evans, Urban Chamber of Commerce, Las Vegas.

SENATOR DENIS:

We will begin with public comment and then proceed with a presentation from the Governor's Office.

SENATOR GOICOECHEA:

Should questions be asked as we go or at the end of a presentation?

SENATOR DENIS:

We will have an overview then review each topic rather than each section. You can ask questions after each topic is discussed rather than waiting until the end. This will be more helpful. Sections will be referenced. We will have public comment before and after the formal presentations.

BARRY SMITH (Executive Director, Nevada Press Association):

I am the Executive Director of the Nevada Press Association. I have one comment on one sentence in the bill. My question is about Section 12, paragraph 7, regarding confidential information, proprietary information and trade secrets, which I understand the necessity to protect and which are covered by law. The sentence I question states: "The decision of the Executive Director of the Office is final and not subject to judicial review." That leaves no avenue or opportunity to question or find out if the decisions are accurate or legitimate.

SENATOR DENIS:

Thank you. We will be asking questions about this section. A representative of the Governor's Office is here, and we can ask him about this as we go.

CONSTANCE BROOKS (Vice Chancellor, Nevada System of Higher Education):

I am Vice Chancellor for the Nevada System of Higher Education. I am not here to offer any suggestions on economic decisions that will be made throughout your deliberations. I am here to provide an explanation of the support the Nevada System of Higher Education (NSHE) is willing to offer with respect to what we feel is a culture shift within our workforce in this State. The Chancellor of NSHE met with the project manager of Tesla yesterday at the Governor's request. We will be looking forward to an invitation for our presidents and other key NSHE staff to visit Palo Alto to work with the Tesla team to develop curriculum and strategies to help produce

programs for certificates through Ph.D.s and doctoral research. We are looking to use the model the Palo Alto team has in place with Stanford University.

We have also been requested to provide resources and expertise in the area of diversity. The Tesla team is interested in having an inclusive workforce. We can provide these resources through our Cultural Diversity Committee through the Board of Regents to assist them in this area.

Nevada College Collective Executive Director Frank Woodbeck has been part of our leadership team. He has an outstanding reputation in Nevada as a leader in workforce development and is known for being innovative in securing federal funds. We look to him for leadership as we work toward teaming with the State and Tesla in the future. The Governor has been pleased with how responsive and nimble NSHE has been. We believe this is consistent with the way Nevada does business.

CRAIG STEVENS (Nevada State Education Association):

The President of the Nevada State Education Association (NSEA), Ruben Murillo, could not be here today to testify. I will read his testimony:

"Mr. Chairman, we appreciate the State's efforts to diversify the economy and bring businesses like Tesla to Nevada. The NSEA wants to ensure our public education system has the capability to handle the loss of taxable revenue that would go to support our schools in northern Nevada and the rest of the State. Our public education system is trying to recover from cuts to education funding, and we want to be sure that an education system that is already stressed isn't pushed over the edge. As educators, we look forward to collaborating with the State and the business community and ensuring our K-12 and higher education system has the resources necessary to make our students and community successful. Thank you."

RANDY SOLTERO (International Alliance of Theatrical Employees):

I am representing the International Alliance of Theatrical Stage Employees (IATSE) and other workers in the movie and television industries. I support the Tesla project. It provides a much needed diversification of the economy for Nevada. We are disappointed that part of this agreement includes removing a majority of the funding for the film tax incentive that was passed in the 77th Legislative Session. We will work to restore these funds during the next Legislative Session. The film industry is a way to create good, quality jobs in the State of Nevada, and we are proving it. In the first eight months of this program, we have had many people begin to work in the movie industry as a career rather than a hobby as in the past. The film tax incentive legislation passed in the last Session created real jobs and real careers. I look forward to the future. On behalf of IATSE Local 720 and the others I represent, we stand in support of completing this project with Tesla. Thank you.

SENATOR DENIS:

Thank you very much. Is there anyone else who wishes to give public comment? We now have a speaker from the Governor's Office of Economic Development, Steve Hill, and a representative from the Department of Taxation. Welcome to our Committee. We are looking forward to your comments. I am sure we will have many questions as we go through.

STEVE HILL (Director, Governor's Office of Economic Development):

It is a pleasure to be here today to discuss Senate Bill No. 1. This legislation applies to all companies that qualify under the criteria outlined in the bill. This legislation applies to Tesla. I will discuss how the legislation applies, and I will provide comments about the project and the company and what this means to Nevada. This is an exceptional opportunity—a once in a generation opportunity. Projects that mean this much to a state do not come along that often. The ability to secure this project is transformative for our State.

Three years ago, this body passed legislation that changed our economic development. At the time, we were experiencing one of the worst recessions the State had ever experienced. Our unemployment was over 14 percent, and people across the State had lost jobs and were struggling. The future, while we knew we would recover, looked difficult. In passing Assembly Bill No. 449 of the 76th Session, the Legislature changed how economic development occurred in the State. It started a path for recovery and prosperity.

In the last three years, we have made much progress. We have seen the unemployment rate improve. We still have work to do, but we feel this is a part of that work. This bill also lays a path for the future. The impact of this project expands beyond what can be measured in an economic impact model. The impact of this bill for the State means immediate diversification of our economy. Three years ago, we talked about diversifying our economy. This bill does this immediately. It changes the economic and industrial structure of the State. It diversifies Nevada into a cutting edge technology. This technology will be important in the future. It will not be temporary.

Nevada has been the place to be for gaming, hospitality and mining, and will continue to be so in the future. Those industries are pillars of our economy, and we need to continue to support those industries and help them grow. We are now, also, the place to be for unmanned vehicles. We are the place to be for water technology, and we will now become the place to be for advanced manufacturing and advanced energy storage technology. All of these industries will be important in the future. This type of diversification of economy provides both opportunity and greater stability as we move forward.

This project will provide an immediate impact. It is the definition of "a rising tide lifts all boats." It also provides opportunity. Today is a starting point, not the end of the road. We must work to capitalize on the opportunity that is presented to us. A big part of that is developing and training a workforce to capitalize on the opportunity of continuing to be the place for these industries. I look forward to working with you and appreciate your support for economic development both three years ago, and every day in-between.

The economic impact from the project will be approximately \$100 billion over 20 years. There will be 6,500 jobs created by this project. The average pay for those jobs will be more than \$25 per hour. Tesla provides exceptional benefits for its employees. Health care benefits are excellent and are available for employees on the first day of employment. There is a deductible associated with this health care plan, but through healthy life style choices, an employee can earn credit towards the deductible that also help reduce the cost for all employees.

This facility will be over 5 million square feet in size, this footprint making it one of the largest 3 footprints of buildings in the world. The company is continually planning. It is possible that the facility may grow even larger. There will be a \$5 billion initial investment in this building. The refresh of equipment in the building will amount to at least another \$5 billion over the next 10 to 15 years. We are projecting an investment of at least \$10 billion in this project.

The construction process will begin immediately and will peak at providing over 3,000 construction jobs on the site. It will provide jobs for workers in the area who have suffered for many years. I was in the construction industry for many years, and the last six years have been difficult for this industry. This project will make a difference in improving this industry. It will allow unemployed and underemployed construction workers to move back into their trade. The jobs they currently hold will then become available for others to move back into their trades. There will be an uplift for all as a result of this project, and we will feel immediate results.

There will be a purchase of the right-of-way to extend USA Parkway which is not part of the legislation. This opens up the opportunity for expansion into Lyon County, the Carson City area and the entire region.

The Tesla company has made several important commitments. They will make a direct contribution to K-12 education of \$37.5 million beginning in August, 2018. That is \$7.5 million dollars each year for 5 years. This number was arrived at by estimating the K-12 portion of both the real and personal property tax that will be abated during that period of time. We believe the rise in school population will begin in the school year that starts in August of 2018. This will help fund the requirements of that student growth. We are discussing using a portion of this funding for a Statewide STEM initiative and will be working with the State Superintendent of Schools to determine the best and highest use of this funding.

Tesla has agreed to fund \$1 million of research on battery development at the University of Nevada, Las Vegas (UNLV). This will begin soon. UNLV is known for its battery research, and we hope this partnership will continue to grow in the future. Tesla will prioritize hiring Nevadans—this is contained in the legislation. They also have a company-wide commitment to hiring veterans and will prioritize the hiring of veterans as part of this project.

There are indirect benefits to be received from this project. A location of this magnitude has a significant multiplier effect equal to much more than the project itself when a series of smaller companies relocate to the region. The multiple arrived at by Applied Economics, that did our economic impact study, was a little less than 2.5. The 6,500 jobs created by the project will translate into 16,000 indirect jobs created in the community at a similar pay rate to what will be seen at the site. The project will increase employment in the State by approximately 2 percent. This translates into more than 10 percent of the employment base in this region at this point in time. The direct economic impact of the project is approximately \$40 billion, and the indirect impact of the project is approximately \$60 billion. That is more than 3 percent of the current gross domestic product of the State. It is more than 20 percent of gross domestic product of the region.

There are three economic planning models. We have used the NVPlan model from the Governor's Office of Economic Development (GOED) for this project. We think this model is typically the most conservative of the three, and it was shown to be this time as well. Applied Economics is the author of the NVPlan model, which is why we use them to do economic analyses when we consider major projects. We believe it is better to do this using an outside agency than to do it in-house. Applied Economics ran a variety of models for this project and found between \$97 billion and \$107 billion dollars of economic impact over a 20-year timeframe.

We asked that Economic Modeling Specialists Intl., another economic modeling program, run their model so we could compare the results. We asked Jeff Hardcastle, the State Demographer with the University of Nevada, Reno (UNR) to run the Regional Economic Models Incorporated model so we could compare all three models of analysis for this project. We asked Economics Professor Alan Schlottmann, from UNLV, to analyze the results of these three models. The result was, that the analysis done by Applied Economics was the most conservative of the three. The economic analysis we have done has the possibility of being significantly lower than the actual outcome of what this project could be.

We are excited about what this legislation can provide for Nevada. Tesla is just one example of that. We hope there are others as we move forward. I appreciate your support and your vision over the past 3 years, and I ask for your support today.

CHRISTOPHER G. NIELSEN (Director, Nevada Department of Taxation):

The first part of this bill, comprising sections 1 through 10 of the bill are definitions. Section 5 defines the meaning of "lead participant." In the Tesla project, this would be the Tesla project owner. Section 7 defines the meaning of "participant" as partners of the lead participant and would include the construction company and its subcontractors who would build the project onsite. Also included would be operational partners doing business with the common goal of manufacturing a product or providing a service at the economic-zone site. Section 9 defines "property taxes" to include both real and personal property taxes for this project. Section 4 defines the term "employer excise taxes" as a modified business tax.

The eligibility and application process for the tax credits and abatements are in the second part of the bill beginning in Section 11. Section 13 discusses transferable tax credits with limitations. Section 15 discusses tax abatements. The accountability provisions with respect to the abatement and the tax credits begin with Section 16. Local government abatement and reimbursement information is contained in Sections 18 and 31. I would like to go through these in more detail now.

SENATOR DENIS:

As we go through each section, I would like to be able to ask questions on that section.

MR. NIELSEN:

The first part of an abatement program, including those already in existence in Nevada, is the application process. Sections 11 and 12 contain key terms used in this process. A project must first provide proof to the GOED that it will promote economic diversification and aid in economic growth while being consistent with the State economic plan. The project would then, collectively, be required to make a \$3.5 billion capital investment during a 10-year period. It next would need to guarantee at least 50 percent of the employees engaged in the construction of

the project and 50 percent of the operational employees are Nevada residents. There is a process that gives GOED the authority to issue a waiver if it can be demonstrated there are not sufficient Nevada residents to fulfill the requirements. Workers are required to prove residency showing a copy of driver's license or ID card issued by the Nevada Department of Motor Vehicles; a copy of a current motor vehicle registration, proof that the employee is employed full time, at least 30 hours per week, and proof that the employee is covered by health insurance. This describes Nevada residency and also the type of employee that is required to work at the project. That is the application process and the highlights of the criteria the GOED would consider in the application process.

SENATOR DENIS:

Thank you. Does anyone have a question?

SENATOR KIHUEN:

Thank you for your presentations. What are the consequences for a company that does not meet the threshold of hiring 50 percent of its employees from Nevada?

MR. NIELSEN:

There will be an annual compliance audit for employment, investment and the all components of the project. If a company is not complying with the rules of the abatement and tax credit, there will be a claw back provision with the abated taxes and tax credits.

SENATOR KIHUEN:

It is encouraging when we talk about 6,500 project jobs and 3,500 construction jobs. How will we ensure these are local jobs and local contractors? Is possession of a Nevada driver's license enough to show residency? We are concerned about Nevadans and want them to get back to work. How do we ensure that?

MR. HILL:

The bill requires 50 percent of the employees hired during both the construction and the operation's processes be Nevadans. That will be audited annually. This is a criteria for receiving the abatements. If a company does not do this, it will not receive the abatements. It is a strong incentive with a strong claw back provision if it is not met.

I anticipate there will be waivers at times. As the company quickly gears up to 6,500 positions, some positions will be new to Nevada and it will be difficult to find qualified local workers in the quantity immediately required. We will need to work with them on this. It is a strong provision, and it is important to the Legislature, to us and to Tesla as well. They want to make a commitment to the community, and they will do so.

SENATOR KIHUEN:

What would you say to my constituents in southern Nevada who do not want to subsidize this project for northern Nevada jobs? We have constituents who are unemployed in the Las Vegas area as well. What is the message you would send to them? How will this impact them?

MR. HILL:

There are two messages to be given. The first is that the abatements to be provided today are for a lowering of the tax rate for future taxes that Nevada does not collect right now. It is an investment in the future, but it is not a check that the State is writing. One of the criteria important to the Governor in this process was that this not negatively impact the General Fund. As we looked at transferable tax credits, we have repurposed other tax credits already budgeted in order to ensure this does not impact the General Fund. Going forward, the abatements are for potential revenues that we do not currently collect. All abatements are like that.

The opportunity Tesla provides is actually statewide. The immediate economic impact will be much more regional than it will be statewide, but the branding opportunity comes to the State. You have seen: "Tesla comes to Nevada." That reputational impact will be felt across the State. We are a state that can get these types of projects done. This legislation provides the opportunity to do this type of thing anywhere in the State. The diversification of our economy is a General

Fund and statewide issue. Having this type of pillar to help prop up the State's finances will have an impact statewide.

SENATOR CEGAVSKE:

I appreciate the detailed information. I have a question on Section 13 regarding training. We have discussed having UNLV receive research funding for battery development. Will training be provided as well, and how does that apply? How are the community colleges included in this training process.

MR. HILL:

This is a responsibility we need to provide as part of this project and a great opportunity for our University System. Part of this project is research and development regarding future giga-factories, as the company believes it will require more than one, possibly several. This is the test bed for advanced energy storage in the world. This facility will produce 35 gigawatts of capacity a year. Giga means one billion, so in this instance, it means a billion watts of capacity. Currently, in the world, there are 34 gigawatts of lithium ion production in total. This factory will produce more energy storage than all of the similar energy storage currently produced in the world. It is the cutting edge of that industry. The research-and-development work for that will be done here. We will have hundreds of engineers in that facility developing that technology. They will be able to partner with our University System in the north and the south.

This is a statewide opportunity for workforce training. There will be terrific jobs and great opportunities for our students. We need opportunities for our students to have jobs here in Nevada that pay well and provide excellent benefits so they can support their families and stay in the State. This project provides those opportunities. The universities and community colleges have had conversations with Tesla. There is a group consisting of representatives from the north and south visiting Palo Alto next week to begin curriculum development. We are excited about what this can mean for higher education.

MR. NIELSEN:

Chairman Klaich testified on one of the bills last night in the Assembly and echoed Mr. Hill's statements that this will be something that benefits educational organizations in both the north and south of the State.

SENATOR CEGAVSKE:

What impact will this have on your division? Will there be an increase in the need for training? I believe it may have an impact on your division as well.

MR. NIELSEN:

Yes, there will be a learning curve for the Department of Taxation and its employees. Our job will primarily relate to the abatement and ensuring that, in conjunction with an independent auditor, all of the requirements are met to ensure our tax dollars are being used wisely and in accordance with the law. There is no direct fiscal impact to the Department of Taxation at this time.

SENATOR JONES:

You described the 50-percent requirement in Section 11, subsection 2(i), as "very strong." Your office, however, is allowed to give a waiver at any time and has broad discretion in this regard. What assurances can you give us that these waivers will be publically disclosed?

MR. HILL:

I can assure you right now, those waivers will be disclosed publically.

SENATOR JONES:

When will they be disclosed?

MR. HILL:

When they are issued.

SENATOR JONES:

How will they be disclosed?

MR. HILL:

They will be on our website. That is where we will initially disclose them.

SENATOR JONES:

Would you be amenable to language in the bill that states that?

MR. HILL:

I would.

SENATOR JONES:

You stated it might be difficult to find workers "in the area," so there might be a need for waivers. The bill language does not refer to one specific geographical area but rather to the State of Nevada. We represent our local constituents as well as the State as a whole. What assurances can you give us that when companies take advantage of the provisions of this bill, they will not look only to northern Nevada or the Salt Lake area, but rather to southern Nevada first.

MR. HILL:

The way the bill is structured, companies have a responsibility to look to Nevada for at least 50 percent of their employees throughout the project. If there is difficulty finding that percentage of employees in a particular field, they have to document the process they used to try to reach that 50 percent number. Documentation must include the steps taken and why the company feels it cannot achieve the 50 percentage of employment in that skilled category by hiring workers from within Nevada. This is not exclusive to any region of the State, all regions are included. Workers hired would, however, need to show they would be willing to relocate to take a job. This would be a part of the process of seeking a waiver.

SENATOR GOICOECHEA:

Under Section 7, it says "a participant means a business which operates in the project site area and contributes to the project." I want to establish that, because a contractor comes onsite with \$100 million worth of equipment, they are not, in fact, entitled to the abatements under this bill.

MR. NIELSEN:

This is a sales or use tax question, and we will get to it when I discuss the zone a local government will be required to create, the economic diversification zone. This zone will be created at a project site by the local government and is essentially a tax-free zone. If Tesla hires a contractor to supply \$10 million worth of lumber and concrete, and it is delivered to the site, which is typical of how construction projects are done, those materials will be part of the abatement. The contractor will be deemed a participant, and those materials will be excise taxed. If a contractor has to go to Home Depot and purchases materials outside of the zone, taxes will be paid. This is not unique to this bill or any other abatement procedure. This is sales and use tax 101. The abatement is based on when the sale takes place unless another special provision applies. Going back to your example, if a participant who is a construction contractor on this project is hired to build a building, needs concrete and wood and has it delivered to the site, it will not be taxable.

SENATOR GOICOECHEA:

I understand that. I am more concerned with the equipment that would be used on the project. Let us say a contractor needs three D-10s to move some of the dirt. If he orders them, buys them and has them delivered to the site, I do not want that equipment to be sales tax or property tax exempt. I want to clarify that for the record.

MR. NIELSEN:

Returning to my earlier example, it depends on how the piece of equipment is obtained by the contractor. If the contractor needs a specific piece of new equipment that has never been taxed and has it delivered onsite for the specific purpose of use in the construction project, that piece of equipment will be exempt. If it is a piece of equipment with general application, it will

probably not be purchased within the zone unless a dealer sets up there. This equipment would be taxed. It depends on what the need is and how it is purchased.

SENATOR GOICOECHEA:

I am concerned about the personal property tax loses we could incur. We could have a contractor with equipment valued at \$200 million that moves the equipment onto the site, as a participant. I want to ensure that contractor is not abated his personal property tax while he is on the site. I can see problems that could occur. If I am a contractor who would like to update my equipment, I might bid the contract at a lower level than others, in order to avoid the 7-percent sales tax on this equipment.

MR. NIELSEN:

Those are excellent examples, and there are no absolutes. If there is a bona fide use of equipment and it needs to be purchased and used exclusively for a period of time only at that site, if it is delivered in that zone, it will not be subject to the sales and use tax and will not be subject to the personal property tax. If the equipment is being used at the project site and others outside the zone, it will be subject to the personal property tax. This is why there are strict audit requirements by the Department of Taxation and an independent auditor as part of this process, to avoid this sort of problem. I cannot imagine a contractor buying an expensive piece of equipment and just letting it sit next to the Tesla building. That could happen, but I don't believe it will happen. Equipment having a bona fide use, to be exclusively used at the project, that is purchased for the project and delivered to the zone will be abated.

SENATOR GOICOECHEA:

There is a capability that a company could maneuver between the lines, and I wanted to have the abatement explained on the record. In Section 11(d), \$3.5 billion dollars of new capital is required to be invested in the State by participants. Mr. Hill has talked about our two major industries, gaming and mining. My concern would be a situation where a new group invests in a mega-resort or perhaps where a huge mine comes online; that group will invest \$3.5 billion dollars. This would be a new site because the group is saying "Okay, this is going to be a new facility or a new mine." Can they access this abatement?

MR. HILL:

No, they cannot. There are exclusions in this statute for several categories from incentives from the State. These includes gaming, mining, health care equipment, utilities and perhaps one more. These exclusions apply to this provision in that statute. Those industries would not be eligible.

Senator Denis moved to recess the Committee of the Whole until call of the Chair; seconded by Senator Goicoechea.

Motion carried.

At 10:40 a.m.

Senator Denis presiding.

MR. HILL:

Before the recess there was a discussion about who is and who is not eligible for abatements. I would like to clarify that issue. There will be an applicant for the abatements. For this project, the applicant will be Tesla and its partners on the site, for example Panasonic. Partners will be a party to the application, through the applicant, for abatements contained in this bill. The only companies eligible for the abatements are those that are a part of the application. The partners have to buy something in order for the abatements to be available. Anyone else buying something is not eligible.

SENATOR SMITH:

What abatements would a contractor on the construction project be entitled to?

MR. HILL:

What the contractor sells to the successful partner, in this case Tesla, is eligible for abatement. It is considered an abatement for the partners in the project, the contractor on the site is ineligible for those abatements.

SENATOR SMITH:

To clarify, if lumber is delivered to the site, is it eligible for an abatement?

MR. HILL:

Please repeat the question.

SENATOR SMITH:

I thought I heard you say contractors delivering supplies like lumber to the site are not eligible for an abatement. Please clarify this for me.

MR. HILL:

What is purchased by the successful applicants for the abatement is eligible for the abatement. If that supplied item is used in projects, such as lumber or concrete, it will be sold to the partners. That is eligible for the abatement. Purchase of the tools and supplies a contractor would need for the project that they would then take away after the project are not eligible for the abatement.

SENATOR DENIS:

Can tools be purchased as part of the supplies that are eligible for the abatement?

MR. HILL:

Subcontractors may purchase any tools they need, but they will pay the normal taxes on these tools. If the company purchases these tools on the site, for use at the site, they are then eligible for the abatements. As an example, if the company is planning to do internal maintenance on their equipment and purchases materials, and if those materials are delivered to them in Storey County, the company would be eligible for the abatement. If they are using subcontractors to do the maintenance work and the subcontractor buys the materials, they are not eligible for the abatement.

SENATOR DENIS:

Is this the part of the bill that is addressed by the audit requirements? Who will review these purchases?

MR. HILL:

They will be reviewed by Mr. Nielsen and the Department of Taxation.

SENATOR FORD:

We have discussed the necessity of hiring Nevadans. That is the stated purpose of the goal of hiring 50 percent of the employees from within the State, and it applies not only to northern Nevada and Storey County but also to southern Nevada. I have had discussions with Steve Hill and posed questions about specific conversations that may have been held with Tesla concerning its DBE, WBE and MBE requirements, specifically its experiences with and their intentions regarding engaging women-owned enterprises, Black-owned enterprises and small businesses owned by minorities. I have not received an answer to my question. Have any discussions occurred with Tesla to ensure all Nevadans, and specifically diverse Nevadans, will be able to take advantage of this opportunity?

MR. HILL:

This has been discussed with Tesla. The company has in the high 50 percent of its employees who self-identify as minority. They have a strong commitment to diversification and diversity. Adding requirements to the agreement would typically be considered as adding to the potential cost. These requirements typically restrict supply and add to the cost of the agreement. If we insist on this, Tesla would look to us to make up the difference in the very competitive costs the issues would raise. The types of qualifications are only a part of contracts to which local

government is a part of in most states, including Nevada. The State is not a part of this contract agreement. It would be expensive for the State and a significant deviation from past policy on these issues. We are working with a company that has a strong commitment to this issue.

SENATOR FORD:

You are saying that no commitment was received from Tesla to ensure that DBEs and MBEs will ultimately be considered. You state the Tesla workforce is demonstrative of dedication to diversity.

MR. HILL:

There is no legal commitment. There is a verbal commitment on their part to do everything they can to make that happen.

SENATOR FORD:

I realize this is not a state project with state requirements. Many companies, however, do have diversity programs and ensure they are working with DBEs and MBEs. That is the question I would like answered. Does Tesla have that sort of program? What is its history with it, and what can we, meaning you, Mr. Hill, do to help them find qualified DBEs and MBEs and similar enterprises?

MR. HILL:

Chancellor Klaich testified last night during public comment and said that Tesla met with the University System not only to talk about training, but also to talk about its diversity program. The University System has made the diversity program that they have structured for Nevada available to Tesla and will be working with them to ensure it is implemented.

SENATOR FORD:

That is promising, and I appreciate that. Your waiver provision gives you the authorization to make a determination of who qualifies for a waiver from the 50-percent hiring requirement. I only see two reasons to allow a waiver in the provision. It allows a waiver for an insufficient number of Nevada residents "available and qualified" for employment. Do you intend to ensure waivers are only sought because the employees are unavailable or unqualified? How are we gauging what is meant by "qualified"? How will it be determined that Tesla could not find a qualified person in Nevada in order to justify the waiver?

MR. HILL:

This is a new provision for us, and we are committed to its implementation. For a project of this size, Tesla has committed to a community that is not as large as others in the United States. It can be anticipated in a region of 400,000 to 500,000 people, there will be some areas where people may not have specific skills for a job or that people may not be willing to take the jobs available. We will need to address this going forward. A lack of availability will be something that arises more often than a lack of qualifications. Tesla, as well as the University System, is committed to training workers in order to make them qualified. We will begin working with the company to determine job descriptions and match them to the qualifications of employees as they work with the University System on curriculum. The community college system and DETR have begun programs to help define these qualifications. This will also be helpful.

SENATOR HUTCHISON:

Mr. Hill stated this project would result in the immediate diversification of the economy. I have lived in Nevada my entire life, and we continue to discuss diversification of economy. For the record, would you put into perspectives the true diversity that will happen regarding economic opportunities in Nevada. We continue to discuss the gaming and mining industries. The mining industry employs approximately 15,000 people. How will this project help diversity our economy? We are asking for sacrifices and for people to support this project. Some wonder why we are pursuing this project, and how it will globally affect Nevada.

MR. HILL:

This project will add to the significant manufacturing already present in Nevada. The mining industry employs a little over 16,000 people in the State. This project will bring the

manufacturing industry to a much more significant level through advanced manufacturing. It involves robotics, and we can grow this industry with the unmanned vehicle industry as we move forward. This type of diversity brings stability. Nevada was hit hard in the last economic depression. This project broadens the pillars that underpin our economy.

SENATOR HUTCHISON:

The provisions of the bill discuss Nevada residents. Employees under this bill are Nevada residents. This includes those in the north and south, construction workers who live in these areas, the unemployed or the underemployed in southern Nevada. All of these individuals can apply for positions with this project and move to this area or commute in order to participate in this project. The statute states Nevada residents. Please discuss this with us.

MR. HILL:

That is accurate. The statute supports the intention of the Legislature and the company that this be a statewide effort.

SENATOR HUTCHISON:

Please discuss the definition of "project" found in Section 8; specifically, that project means a "project undertaken by a business or a group of businesses." Also, please discuss subsection 2 in that section where it states: "engage in a common purpose or business endeavor." What is meant by the intent of a common purpose or business endeavor?

MR. HILL:

The threshold to qualify for this project is a \$3.5 billion investment. The bill recognizes there may be more than one business that is part of a major project such as this. Tesla and its major partner, Panasonic, are bringing a major investment to the State. There is an advantage to this policy for this project. It is anticipated there will be around 15 partners on this site. This brings 15 significant businesses to the project. These 15 significant businesses each have supply chains and customers and other aspects that broaden the attention, focus and supply chains brought to Nevada. This bill recognizes this is an important component to encourage projects of this size, but it is also an opportunity for Nevada to attract a much broader group of interested businesses. It has to be for a specific purpose.

SENATOR HUTCHISON:

This legislation was written to also contemplate future major projects like Tesla where a company is willing to make a \$3.5 billion capital improvement investment. We would like as many of those as possible throughout Nevada.

MR. HILL:

Yes, we do want to offer this opportunity to businesses that invest at that level or higher.

SENATOR MANENDO:

I live in southern Nevada and represent constituents from that area. One of the concerns I have heard over the years regards funding for transportation. Last Session, we brought forward a bill to rework the Transportation Board due to the inequities that have occurred in this State from the north to the south. The Transportation Board has been briefed on this project and on the proposal to speed up the construction of the roadway to the planned Tesla site. I understand Director Malfabon said they are still reviewing where the \$1.4 million is going to come from. My question is, have we figured out where that money is going to come from? Is it going to be a shift in dollars from the south to the north? Is it going to impact Project Neon, which is a huge issue in southern Nevada, or any other projects in that area?

MR. HILL:

The process for the purchase of the right of way and construction of USA Parkway goes through the Transportation Board. It is not a part of this legislation. The Director of the Nevada Division of Transportation (NDOT) will be available to answer specific questions about this. It will not affect southern Nevada projects including Project Neon. I do not know where the funding is coming from, and I am unable to answer that question. I have been assured it will not affect other projects in the State. The project to purchase the right of way was on the schedule

prior to this. It is being accelerated by a couple of years to respond to the needs of the area and the project. It expands the opportunity for this project into more of the region.

SENATOR MANENDO:

Why would a business want to purchase transferable tax credits from Tesla?

MR. HILL:

There are two potential reasons. The first is they could potentially be purchased at a discount to the face value. A marketplace is created, and Tesla will have to sell into that marketplace. There is the possibility Tesla might not receive the full face value of this, and that is typically what happens with transferable tax credits. I have asked several businesses to purchase these transferable tax credits at face value. This is not a legal commitment on their part, but they have agreed to do this because during the conversations on transferable tax credits, the discount possibility was raised. We did not want to have to address that cost for the State. We have some patriotic businesses throughout the State that are willing to support this process.

SENATOR MANENDO:

Thank you. I will have some more transportation questions later on dealing with railroad spurs.

SENATOR KIECKHEFER:

Is it true the waiver for the 50-percent threshold for Nevada employees has to be submitted by the project lead and not by an individual contractor on the site?

MR. HILL:

Yes, that is correct. The concept throughout the bill is that there is a single point of contact to funnel information from the partners on the site. In this project, that would be Tesla, but this would happen for any project to which this bill applies. This reduces administrative issues for the State and the company.

SENATOR KIECKHEFER:

If a union subcontractor needs 100 employees and can only find 30 in Nevada, who completes the waiver request? If they want to hire employees from Utah or California, could they do that on their own? Would they do the work then report back to the general contractor about the makeup of their labor force? Is it up to the general contractor to manage the force to ensure the 50-percent target is met?

MR. HILL:

That is correct. The agreement we will have looks to the lead partner to be responsible for the actions and activities on the job.

SENATOR KIECKHEFER:

The application process seems very quick. We have a 90-day process for submitting an application, holding a hearing and making a decision. It seems like a lot of paperwork could be included in this process within that 60-day time period. Are you comfortable with these timelines for projects of this size?

MR. HILL:

I have delegated this to my staff so I am not concerned about it. The forms are modeled after our standard abatement package, and we have been anticipating this.

SENATOR KIECKHEFER:

Part of the application gives you the discretion to require the lead applicant continues in operation in the State for a period specified by the office. How will you make the determination of how long this operation needs to continue functioning in Nevada? What are the securities in place to ensure this happens?

MR. HILL:

State law regarding abatement has a 5-year requirement in this area. This is the minimum for this designation. The requirement to continue to operate is typically determined in consideration

with the average of the length of time for the abatement. In this case, abatements will be in place for several different taxes for 10 years. This requirement will be at least 10 years because of this. The sales tax abatement would last for 20 years. This is a point-of-sales' issue. The operating side is not as much of an issue as the purchase side. They have to be here in the State to earn that abatement so they will want to remain here. For this project, the requirement will be at least 10 years. The types of abatements that are in place, when they are earned, how long they need to be here for us to justify providing the abatements, is what determines the timeframe. That decision will be made, after November, by our Board.

SENATOR SPEARMAN:

What we are talking about is a business that is looking to a venture capitalist in essence. Using that metaphor, by default, we become the board of directors and have a fiduciary responsibility to ensure the honoree on this investment is maximized. We have discussed the waiver, but I have not heard if there is a sufficiency protocol that has been developed. Is there a template to get the waiver? The waiver negates the responsibility to comply but talking about it like this makes it anthropomorphic and opaque. It is not the waiver that negates the responsibility to comply. It is those with approval authority who decide the veracity of the request. I am interested in making sure we nail this down, and that it is understood by all parties.

I am a veteran, an African-American and a woman. A company of this size should be aware that information about businesses run by individuals in the four categories considered as disadvantaged can be gathered by going to the Chambers of Commerce that represent those constituencies. I believe there needs to be a pronounced and protracted dedication to ensuring this happens. In southern Nevada, the longer the supply chain, the greater the benefit. The supply chain for this project needs to be elongated to maximize the return on our investment.

MR. HILL:

I would like to introduce you to the company at some time and allow you to have this conversation directly with them. I think you will see their commitment, and they may also get some great ideas from that conversation.

SENATOR SETTELMEYER:

I appreciate the discussion we have had to work through this. I would like to discuss Section 11 that discusses the definition of a "Nevadan." I have had the opportunity to discuss this with one corporation and appreciate they have gone beyond this legislation and a stated dedication to hiring veterans, which is not part of this bill. We have, however, had instances in the past related to construction jobs—there were two or three in Douglas County— where individuals who were union members in Las Vegas came and worked in our area. This upset the local non-union workers because they did not get the jobs; the workers from Las Vegas did. This is alright with me, it is the way things work. I do have a concern, however, about who will be ensuring the workers are actually Nevada residents and have a Nevada driver's license. Who will be responsible for that?

MR. HILL:

This responsibility will fall to GOED. The bill provides wide latitude in requiring that the company gives us information adequate to ensure residency requirements are being met. They will be responsible for reporting, and we will be responsible for auditing those results.

SENATOR SETTELMEYER:

I am concerned about the traveler aspect. Other sections of our statute have allowed travelers to be considered residents just by getting a driver's license. I hope we will be more constrictive as this legislation discusses. What is the reasoning behind employment for the last 3 consecutive months of a fiscal year? Is this precedence because we have it elsewhere? Where did this language come from?

MR. HILL:

That language is intended to prevent the possibility that a number of employees are hired the day before the day of the count. It is a commitment to real employment for a job. If a company begins with 700 full-time employees at the end of 2015 and has 1,500 permanent, full-time

employees in place who have been in place at least 3 months, they will get the transferable tax credit for the 800 additional employees. The count day will determine the number of full-time, permanent employees who have been employed since September 30 so there is not the ability for the company to boost the count in order to boost their credit.

SENATOR SETTELMEYER:

I appreciate that explanation. By ensuring it is the last three months, it also avoids double counting employees.

MR. NIELSEN:

Once an application is approved, the lead participant and its partners are eligible for transferable tax credits and certain abatements. The transferable tax credits are calculated annually and are issued by the GOED. They are calculated as \$12,500 for each qualified employee up to a maximum of 6,000 employees. A qualified employee, as defined in the bill, is one who is full time, working 30 hours a week or more; is paid, in the aggregate, an average of \$22 an hour or more; is employed for at least the last three consecutive months of the calendar year and has health coverage. The count, for the purposes of the transferable tax credit, does not include the constructional employees. It only includes the employees of the lead participant in this project Tesla, and its partners, in this case Panasonic, who are on site, and it is capped.

The second calculation is 5- percent of the first \$1 billion in new capital investment by all participants. The third calculation is 2.8 percent of the next \$5 billion. There are capital limitations. The credit program eligibility duration is limited to year 2022. Participants may be eligible for credits between 2016 and 2022. It is capped at \$45 million per year. If there is an excess of credits from these three calculations, these may be carried over. The program has a total ceiling of \$195 million. Even though the credit program expires in 2022, these credits will still be available for use by purchasers for 4 years after that date, meaning the program will potentially not come to a conclusion until 2026.

The credits issued by GOED can be applied to three types of taxes: the modified business tax, also known as the payroll tax, the gaming tax and the insurance premium tax. We anticipate any company that has employees and that is subject to the modified business tax will be eligible and want to purchase credits for this tax. We also have businesses in gaming and insurance in Nevada.

These are all General Fund tax types. They were chosen in the interest of tracking and administering the program. Section 21 reduces the existing film tax credit from approximately \$80 million down to \$10 million.

The tax abatement portion of the bill begins in Section 15. There is a 10-year abatement for both real and personal property at 100 percent. The sales tax abatement is effectively an 100 percent abatement for 20 years. These will be approved by GOED as part of the application process.

The Governor's Office on Economic Development will abate a portion of the sales tax if an application is approved. The balance of 2.75 percent will be effectively abated down to zero by the local government authorized to create an ordinance or economic diversification district. There is precedent for this. We currently encourage improvement districts. In this case, instead of setting up an improvement district, we will be setting up an economic diversification district. The concept is similar assuming a project is approved; the participant partners purchase something, they pay the 2.75 percent tax and this is then reported to the Department of Taxation. The Department has an agreement with the local government to remit the money to the local government, who in turn has the ability to enter into an agreement with the lead participant to reimburse that participant for the cost incurred in acquiring, improving or equipping the qualified project.

There is accountability built in throughout this bill. In Section 16, the major accountability portion is a tax claw back. There is precedent for this in other abatements. It is a strict compliance standard. If the participant does not make the requisite investment within 10-years' time, there is an absolute claw back of tax credits and tax abatements. If the party availed themselves of \$100 million of tax credits and received \$150 million abated, they would owe the State that money. This is similar to how existing abatement programs operate. The difference is the external auditor in this bill. My staff currently performs audits. This bill requires that an

independent auditor, paid by the lead participant, and chosen and approved by the State, perform the annual audit. This will bring in more resources and allow an outside review of the program in terms of compliance.

Section 17 requires mandatory reports from GOED annually regarding the incentive program, what incentives and tax credits have been taken and how the program is working. The final accountability piece is existing law authorizing the Department of Taxation to conduct audits of all kinds: abatement, tax credit or both, when we see fit. There is no limitation on when these can occur or end.

Local government abatement and reimbursement is discussed in Section 18. This authorizes a local government to abate certain local permitting and licensing fees such as a local business licensing tax. A county can choose to abate this fee. Under Section 31, a local government is authorized to enter into an agreement with any of the owners or interests in the property for payment of amounts to defray the costs of local government services.

SENATOR ATKINSON:

Thank you both for the presentation and the opportunity for us to ask you these pointed questions. I respect my colleague, Senator Hutchison, and I respect that we are one Nevada. No one realizes that more than I, having a daughter who attends UNR while I live in the south part of the State. I have obligations in both the north and the south of the State. I am receiving emails about jobs, about the potential loss of jobs, and how this would affect them. I realize Senator Hutchison said that jobs would be created in the north and possibly in the south and it would be up to those individuals to decide if they wanted to pack up and move for the opportunity to gain employment. We also, however, need to recognize that this may not be practical for some people, especially some of those I represent. They typically try to find jobs where they live. I believe it is this body's responsibility to ensure an environment in which businesses can flourish and employ our citizens. I believe in this and believe this makes a good step toward doing this in Nevada, but we do need to ask questions.

My first question is whether any other locations were considered? Were any locations in the south of the State considered or was this the only opportunity Nevada had? Some people are questioning why we are doing this now as opposed to waiting until we go into the regular Legislative Session in five months.

MR. HILL:

The direct answer to the location question and set of opportunities is that—I think it is obvious and important to say out loud—in any situation like this, the company decides where they want to be. We are of service to that company. Last December, we met with representatives and Tesla in southern Nevada, with the Regional Development Authority—LVGEA—for a day or a day and a half. We held meetings and site visits to show them all of the qualified sites in southern Nevada. This is a normal process for us. A company will send us, or potentially one of the Regional Development Authorities, a list of criteria on what they are looking for in a property. This includes size, if they need a building, if they need raw land, the infrastructure, the utility situation including the volume of power and water needed, access to roads and rail services and other criteria. We send this information to Regional Development Authorities in all areas of the State in which they have interest. They share it with the real estate community and ask them to respond with sites that come close to meeting the requirements of the company for their location. We compile this information and pass it on to the company. The company makes the final decision about location. We followed this process in this case. We visited sites and with local officials in southern Nevada and the next day repeated this in northern Nevada. During this process, they were shown nine sites in which they had expressed specific potential interest. This was evenly split between the two geographical areas. The company narrowed this down to a couple of choices in northern Nevada and then chose the site we are discussing.

Elon Musk was here last week to help us make this announcement. He has become a well-known business man, visionary and inventor and is the chairman of Solar City. The first decision he made, in regards to Nevada, was to come to southern Nevada. That operation has grown significantly and was a great opportunity for the State state-wide. That location is in southern Nevada and continues to grow. Solar City just announced it is opening a new operation in Henderson. Tesla is a significant operation opening in northern Nevada. The ties to Mr. Musk

and his companies provide a statewide opportunity for our citizens. He will continue to grow and continue to invent. If Nevada can continue to be a location he looks to for his operations, it is not only good directly for the relationship with him and his companies, but says something to the rest of the world. It will be an attractive magnet for Nevada.

SENATOR ATKINSON:

That was a great explanation. But again, speaking for my citizens, in a district I believe has one of the highest unemployment rates, I would ask one last question, one probably a little more difficult to answer than the first one. How do we make a decision to do this? Maybe there is a better answer that I have not received. We are creating economic development, which I am absolutely all for, in one part of the State, but then diminishing or decreasing the development of something else, in another part of the State. And I know you know what I am speaking about. As you know, most of the jobs are going to the south and developing, etc. Maybe it is not where we thought it would be, as this point, but it is growing, like with anything else. I don't know how we make that type of decision, to do something like that, whereby the folks I represent do not have the opportunity, as others would have. It just appears to me that we are picking winners and losers here, and I would like an explanation for that. Again, for the record, so that my folks understand what is going on here. Thank you.

MR. HILL:

This was a policy in fiscal analysis that we went through, in some detail. The two transformable tax credits that we are repurposing, we analyzed those with respect to the efficiency and the effectiveness of spending those dollars for this current project and in this current bill. I think it is the responsibility, personally, and I think it is self-evident for the Governor and the Legislature to allocate scarce resources. The State certainly has a limited amount of resources. As the Governor certainly looked at this opportunity, he did not want it to have an impact on the State's General Fund or the State's financial status currently or in the future. That is one of the criteria in order to actually reach this point—to provide the transferable tax credit—therefore, we needed to find a way to pay for them that was also justified by using dollars that were available in a more efficient and effective way. I could give you a couple of statistics, but the effectiveness of the transferable tax credit programs as they will go, in this case to Tesla, are multiplied to be more effective than they are in those other programs. It is not to diminish those industries or the jobs that are created there, but there are some pretty significant differences, both in the job creation and in the permanency. The jobs that will be created for this factory in northern Nevada and the transferable tax credit program will be 2.7 percent of the payroll generated, as a result of the transferable tax credit. In the Home Office Tax Credit Program, that number is about 32 percent. So there is a 13 to 1 difference in the effectiveness there. And the Home Office Tax Credit Program is permanent. It is not a temporary incentive. The experience that we have had with the film tax credit would show a ratio that is somewhat higher than the Home Office Tax Credit. There is quite a difference as we look at this from a policy and fiscal standpoint.

SENATOR DENIS:

What is the intent of your office? I do not know if you have had a discussion with the Governor moving forward. We have an industry that has invested in Nevada, with the film credits, and we want to reassure them that we are not giving up on them. Would you explain a little bit about what your intent is as we move forward?

MR. HILL:

Certainly, we looked at both of these programs, we did not want a severe cutoff for them. For example, in the Film Tax Credit, we have, in the first, roughly, 8.5 to 9 months of the program, provided credits of slightly over \$5 million. We have \$10 million left in the program. We have provided credits for \$5 million of those. The intention was, I am projecting the rate at which we are providing credits for this program, for it to last into the next Legislative Session so that a conversation could be had, again, during the 2015 Session. Our projection is that the credit program will last through the Session to allow that conversation to take place with the Legislature and the Administration. We also did the same thing with the Home Office Tax

Credit. We pushed the start of any changes to that program, to January of 2016. Insurance rates are locked in through 2015, already, by the Insurance Commissioner. We didn't want any effect for that with the way we have implemented or we will implement this program or the program we have proposed will allow that type of transition. And, in addition to that, we put in a 5-year, \$5 million cap to provide for the transition for that industry.

SENATOR DENIS:

So, it is not your intent during the Session to just eliminate the program?

MR. HILL:

Our only intent right now is to repurpose the \$70 million for what we see the current highest and best use.

SENATOR CEGAVSKE:

One of the questions that was asked and I didn't hear the answer to, is will there be sales tax collected on the vehicles which are sold? I have not heard that.

MR. HILL:

Actually, what is being produced in Nevada are the battery packs for the vehicles. That is the entire chassis frame on the bottom of the car. Those are what will be produced here. Currently, they will be sent to Fremont, California, to the automotive manufacturing facility. If they are selling cars in Nevada, sales tax will be collected. This is not a retail sales tax abatement.

SENATOR WOODHOUSE:

Thank you, Mr. Hill and Mr. Nielson, for your presentations this morning. I want to go back, Mr. Hill, to your initial presentation this morning, regarding K-12 and Higher Education and what we can look at and look forward to in those areas. I do have a number of questions. The first one is regarding the direct contribution for \$37.5 million that you mentioned for K-12, that would take place in August of 2018. How do you anticipate that to be handled? I understood from your presentation this would be going through the Nevada Department of Education and there is some thought about STEM. I want to push you really hard to look at STEM and at also to work with one organization I know that is up and running and could certainly be helpful here, and that is the Nevada Advisory Council on STEM Education. How are you handling that contribution, assuming is going through the Department of Education?

MR. HILL:

The contribution from Tesla will be a total of \$37.5 million. It will begin in August of 2018. The commitment they have made is \$7.5 million per year, for 5 years. Which is, as I said earlier, an approximate amount of K-12 contribution and a portion of both the real and property tax put together. The conversation, between the company and Nevada is happening through Dale Erquiaga, the State Superintendent for Schools. Tesla, obviously, has a strong interest in STEM curriculum. The STEM Advisory Council and Beth Wells has done a terrific job with that. Certainly, her husband is a very strong proponent of STEM education in the State. Including them in that conversation is a very good idea. This commitment was made about ten days ago. It is a part of the conversation we are having. We want to bring interested people and the experts around the State into that conversation about the specifics of the program before we rush to answer the question. We will certainly do that. I know the Superintendent will do that. He is excited about this opportunity, and we are as well.

SENATOR WOODHOUSE:

I would just add to your response, in addition to the STEM coalition, the one that I was referring to was the one that we put into place this last Legislative Session on the Advisory Council for STEM Education. I know the Superintendent is very well aware of that one because it is within the Department of Education. We look forward to both of those being involved. My next question is also regarding the funding. How have you anticipated you will handle the funding that is going to research opportunities for UNLV in the battery research? How are you going to handle that, and when?

MR. HILL:

The funding to UNLV for battery research will probably happen, and we haven't talked about the specifics, through a typical grant process where they develop a grant contract for what research will be done, what the performance qualities are there, how they will work together, then put that into a contract and fund the effort as it is needed to be funded. That will happen in no longer than five years; my sense is it will probably be a little shorter than that.

SENATOR WOODHOUSE:

My last question is regarding higher education as well as our high school students. I really appreciate the fact that this may be an opportunity for our high school students to receive some real, on-the-job, up-to-date opportunities as well, particularly our students at the community colleges—young people at the community colleges, as well as those who may be coming back to school to restart, reapply and recertify—may be eligible for some of the new jobs that are going to become available. Many of these people are coming back because the positions they have been in no longer exist because of changing technology and other things.

It was brought up earlier this morning when Dr. Brooks came in from the Nevada System of Higher Education. I understood that you were looking at Washoe County schools and at Truckee Meadows Community College up here. Are you also looking at these kinds of things being available to high schools in Clark County and surrounding rural county high schools and the College of Southern Nevada as well?

MR. HILL:

The short answer is "yes." Building a cluster around advanced manufacturing takes a broad reach. There is a geographic component to some extent. But, there is also longer reach than that in order to reach supply changes, workforce locations and the available workforce. This is a statewide opportunity. The contingent that will be going out to Palo Alto, to look at the curriculum, will be from across the State. There will be spinoff from this facility. We will see suppliers come in. And, over time, you will see things happen. People will leave Tesla and start their own companies. That is what builds a cluster that has a gravitational force, outside of just the absolute project. That will have benefits in a number of different ways, certainly in both northern and southern Nevada.

SENATOR HARDY:

I appreciated the newspaper help on preparation for this hearing. Likewise, I think one of the things that we do when we create an atmosphere of economic development, that came out in news reporting, as well as in a conversation I had with one of the Storey County Commissioners, was the time to permit, which was pretty huge. For instance, we talked about the 90 days, the 60 and the 30 days. When you look at Storey County, my hat is off to them for what they did and how they did it and how quick they were, and I consider other parts of the State may not have been acting with such alacrity. I am sure that came into part of that decision about where they were. I think that is probably a lesson we can learn in southern Nevada, as to what we could do that would be more enticing to economic development. Having said that, the office, as it has explained, and as I understand it in the bill, operates within the Open Meeting Law. Thus, anything that we do is in the Open Meeting Law, and therefore, we are covered for some of that press issue about what is available and what isn't, as to the proprietary things.

I am concerned that we get on the record, when I look at page 19, Section 16, subsection 2, "*When the lead participant shall repay the Department or State Gaming Control Board, as applicable, any portion of the transferable tax credits to which the lead participant is not entitled...*" Is that \$12,500 per employee? That is listed elsewhere. Is that applicable as a claw back or is there some other thing we are looking at to claw back if they do not meet the standards they said they were going to meet?

MR. HILL:

If I understand your question, there is an overriding "Hire Nevada" threshold for incentives. Past that, there is a single requirement threshold, that the company must meet, for each of the individual incentives. The claw back applies if they do not meet that threshold. It is a very clear, bright line, in each one of those cases. We wanted to avoid lawsuits in the future by having a

series of variables as thresholds for the company to meet because you get into a substantial-compliance versus a clear-compliance issue when you have more than one variable. In each one of those areas, if threshold is not met, the claw back provision is in place.

SENATOR HARDY:

And is that claw back the \$12,500 per employee or is there a variable amount that we look at, depending on taking over the whole factory as a claw back or do we take 30 percent of the factory as a claw back.? How is that determined? Is it determined in that "Office Open Meeting Law" where any portion is applicable? Is that a variable that we are looking at?

MR. HILL:

For that particular incentive, they have to hire Nevadans and they have to hire those employees in order to earn that credit. That is the qualification for it, and that is the measurement for the number of employees on a year-over-year basis.

SENATOR HARDY:

Specifically, is it \$12,500 per employee?

MR. HILL:

Yes, per job.

SENATOR DENIS:

Just one quick clarification on that. It is capped at 6,000 positions. So if they have 7,000 positions, it is still capped at the 6,000.

We have the Director of NDOT, down in Las Vegas, so he can answer a couple of questions Senator Manendo had asked.

SENATOR MANENDO:

I saw Sean Sever here and Rudy Malfabon, so thank you very much. I know you have your hands full with the I-15 issue that is going on. That is certainly a disaster. But thank you very much for getting down to the Grant Sawyer Building. I had mentioned earlier, when you weren't here, that we had a lot of concern—my constituents and a lot of our constituents that live in southern Nevada—on transportation funding. It has been an issue for a very long time. It will continue to be an issue. We understand the Transportation Board has been briefed on the proposal to speed up the process on the construction for the connection to the planned factory in Storey County. One of the questions I had was, if you had an opportunity to figure out where the \$43 million for the right of way and \$61 million for the construction is going to come from? I saw something in the paper that it is still under review where that money will come from. Since I did not get a chance to attend that Transportation Board Meeting, I was wondering if you could enlighten us on exactly where that money is coming from. Will this impact at all our project NEON that we have going on in southern Nevada, or any other project in the south?

RUDY MALFABON (Director, Nevada Department of Transportation):

In response to the first question, about where the money is coming from, it will be coming from the State Highway Fund revenue. We are not using federal funds for this acquisition of the right of way and payment for a portion of the improvements that has been done on USA Parkway. It is a combination of both right-of-way acquisition and payment for the paving and grading of a stretch of USA Parkway in Storey County. Presently, NDOT is doing the environmental study for the rest of USA Parkway, on the unpaved section, all the way through Lyon County and connecting to U.S. 50. We hope to have the environmental document approved by a late-December or early-January timeframe. The money is coming from the State Highway Fund and state revenue. In terms of the projects that are affected, the construction phase of USA Parkway in our current four-year transportation improvement program, the USA Parkway construction phase was outside of that four-year period. To move that within the construction phase and accelerate it, we have our engineers working with financial management and putting together a plan on how we can finance this. We are looking at both the availability of state and federal funds.

To address your concern about whether southern Nevada projects will be affected, no, they will not. Through the action of the Interim Finance Committee, last December, we currently have a balance of about \$207 million in the State Highway Fund. There are \$100 million in bonds for right-of-way acquisition for project NEON here in southern Nevada, on I-15. Those were issued in January by NDOT. Because of the way we manage cash flow and debt service, we received a AAA rating on that bond issuance. This speaks well to the Department's management of our funds. Because we received that additional \$100 million for the acquisition on project NEON, that gave us a bit of a buffer. The other thing was we were recouping some of our federal reimbursements; and that helped as well. From 18 months ago, being at a low point on the State Highway Fund of \$35 million, now up to \$207 million, we have looked at our cash flow and we can take the \$42 million, approximately, for the right-of-way and the improvements, to date, on that section of USA Parkway and make that payment without suffering a delay to any projects on our current Transportation Improvement Program. When we do the construction phase, I would recommend to our Transportation Board that we only look at what projects were in the northern area that could be deferred one year, in terms of making room for the construction of USA Parkway, not those in southern Nevada. We would not have any southern Nevada projects on the list to be considered in deferment because of that.

Now, I want to address a larger issue facing NDOT, which is that we still want to see what the long-term transportation funding is from Congress. But, we believe we are not going to suffer through any kind of decrease in federal funding. We anticipate Congress will take the right action to continue funding at the levels we have been receiving and what other state DOTs have been receiving.

SENATOR MANENDO:

We certainly all hope that because that is a huge piece of the pie. If I can switch from the roads to a question about the planned railroad spurs, can you provide a little bit information on that?

MR. MALFABON:

Could you repeat the question?

SENATOR MANENDO:

We understand that there are plans for railroad spurs.

MR. MALFABON:

The Nevada Department of Transportation is not involved in the construction of the railroad spurs. The only thing we would have to do is look at how the existing road could accommodate a railroad spur, but that was not something which was discussed with the Department. It is not in that \$60-million project. I am not that familiar with the railroad spur. I know that one is planned. I know that has to be between the railroad and the developer.

MR. HILL:

I don't know the answer to the question. What I do know is that would be a private transaction. It might be able to avail itself of some federal funds, but there is no state component to that process.

SENATOR MANENDO:

I am looking for more information and a better understanding of how that process is going to work. I am not familiar with that, and I do not know how that works, as far as federal funding and where that is coming from. I am on an expedition of education here. Some of our folks were asking about that as well.

MR. HILL:

I can facilitate that conversation offline. The federal funding that is available, from my understanding, is for some specific purposes that go along with that. Typically, that is a private transaction. I am happy to help facilitate that.

SENATOR MANENDO:

Mr. Malfabon actually answered one of the questions. I wanted to make sure that was our transportation money or not. I know you guys are all working hard down there on I-15, so we appreciate that. I know there are many people who are affected by that. Thank you for your hard work on that.

SENATOR ROBERSON:

I want to thank you for all the hard work you have put into this project and the substantial talent that you have brought to public service since you have taken over this office. We all owe you appreciation because you have done an incredible job here and you have been doing an incredible job for years. I want to personally thank you for that.

I want to touch on something that you mentioned a few minutes ago during tax incentives. All of us here have constituents in this State, and when we talk about tax incentives and creating new tax incentives or repurposing existing tax incentives, I think we owe it to our constituents to make sure they know that we are obtaining the best bang for the buck when it comes to taxpayer money. Our constituents want to know that if we are going to provide tax credits, that those tax credits are going to create jobs—the best jobs and the most jobs per dollar of tax incentives. I think it is important for all of us to know what the legislation that is on the table today, what its efficiency is and how it will perform as far as creating jobs, per dollar of incentives. What is it, compared to the existing tax incentives, that we are proposing to be repurposed?

I think you mentioned what we have on the table here was 2.6 or 2.7 percent. I want to clarify what that I think it is the percentage of incentives to estimated payroll. I want to confirm that. I also think it is important when we talk about the Home Office Tax Credit and the Film Tax Credit and those percentages so we can compare apples to apples as much as possible, getting back to, "Are we providing the best jobs and the most jobs we can, per tax dollar, per tax credit dollar, for our constituents." I think you said 32 percent for the Home Office Tax Credit, and you said something higher for the Film Tax Credit. Could you go into more detail? I think it is important, before we get to the point of voting on any legislation, that we understand what the relative merits are, as far as best bang for the buck and efficiency and performance for the tax credits that are on the table today, compared to the existing tax credits that we are looking to repurpose.

MR. HILL:

In the calculation, basically, the numerator is the amount of the incentive and the denominator is the payroll. I need to explain the payroll on each of the three instances. Certainly, for Tesla, we are anticipating permanent jobs. We have made that calculation over 20 years, as all of our calculations have been made. It is 6,500 jobs at \$25 plus an hour for the 20 years. If you include the transferable tax credits, that includes the credit for the job and also the credit for the investments—the entire \$195 million—that is a 2.7 percent ratio. The credit of \$195 million. The payroll over that period of time is relatively an enormous number. It is in the \$7 billion range, over 20 years.

For the Home Office Tax Credit, you will probably hear some testimony on that program later today. That program was put into place in 1971. That was prior to when we had accountability measures and reporting measures, so the information there is a little more anecdotal. That 32-percent number I will explain. I think we have had the benefit of the doubt on that, but regardless, there is a significant difference between 2.7 percent and 32 percent and arguing whether it is 30 or 34 percent, but it is in that range. We believe that there are about 1,400 jobs associated with that credit. That credit had been ongoing on for 43 years. It is up to about \$26.5 million during the last calendar year. We think it will grow to a little over \$30 million this year. It is about \$19,000 per job on an every-year basis. There is no sunset to that legislation as it currently exists, and there is no cap to the program. As more people are insured in the State, and the Governor and you have made decisions over the past several years that have allowed more people to be insured, that has allowed that credit to grow as well. We cap this at 20 years for them too, even though the subsidy would go forward, past that 20 years. The calculation is a discreet 20-year period, about \$19,000 a job. That is an estimate based on information we have, but it certainly is not complete. That is how we came to that 32 percent.

On the Film Tax Credit, we have provided the tax credits to four productions. It is likely that there will be a fifth toward the end of this month. Those are all the productions we currently have in the application pipeline. We have provided slightly over \$5 million now. That will increase to about \$5.8 or \$5.9 million at the end of this month. The benefit we have in the analysis on the Film Tax Credit Program is that it was wisely structured so there is a distinct budget process that the producers have to go through in order to first get the certificate of eligibility. Then, they produce the film, and there is a very strong audit provision at the end to make sure that budget is inline. The certificate of eligibility is a maximum amount that can be earned through the production. This has produced, if we include the fifth production assuming it is approved, about \$10 million in Nevada based on payroll for those 5 productions. That ratio would come in at right about 59 percent.

SENATOR ROBERSON:

That is a little eye opening. You are talking about 2.7 percent ratio, to an approximate 32 percent ratio for the Home Office and 59 percent ratio for the Film Tax Credit. Is that about right?

MR. HILL:

Yes, that is correct. That is why we felt repurposing of those dollars, right now, was the most effective use for those dollars and what they could produce.

SENATOR SPEARMAN:

First of all, if I did not say it before, I do want to say that I am indeed appreciative of the opportunity that Nevada has for economic diversity and to bring in new innovations. I really do appreciate that. Having said that, I want to make a statement and you can answer it, if you can. Decision-making, when you only use statistics without looking at social consequences, sometimes does not give you an accurate picture about the impact on real people and real lives and how that plays out. We just passed the Film Bill last Session, so technically, it is still in its incubation period. Unless someone extrapolated the numbers to the out-years, it is almost impossible to say what the benefits are or will be. It is not, for me, just about the Film Bill. It is also about the small businesses that have already invested money in hiring people, that are adjunct to that industry. We all know that even though large corporations get most of the news when they create jobs, it is small business that really drive an economy. My real concern is for that mother of four, that just hired two people, six months ago and what happens to them, is to the person who has just hired another person for another aspect.

I guess the first question I would have is that \$70 million is almost saying, "We are taking it all." I am being facetious when I say that. But, \$70 million, why that figure? Was there any attempt to at least talk to some of the people who have created these small businesses in the south to ask them what that impact might be? If that did happen, was there ever any discussion about looking for other places? I know you said the Governor felt this was the best repurposing, and, maybe, you cannot answer that for the Governor, but, my concern, once again, is for the real people whose lives are impacted in a very real way— \$70 million—and we just got started. I am a bit uncomfortable with that because I think it sets a dangerous precedent for other small businesses or other businesses associated with larger industries. When we pass legislation, how can they count on it being around for longer than seven or eight months if another shiny object comes along? I am not trying to minimize the importance because I think this is going to be a great opportunity for the State of Nevada, but I also want to make sure we keep, in context, the real consequences to real people and real lives, when you just wipe that out.

MR. HILL:

I appreciate the point. It is one of the considerations, or maybe one of the main considerations, in leaving enough money in the program we think to get it in the next Session in order to continue to have that conversation. Certainly, the program is somewhat in its beginning stages. We also expected it to be more active than it has been. It, so far, has been very intermittent. There are very few, in fact, I am not sure if there are any, permanent jobs created as a result of the program. A majority of the jobs are for extras during the production. There are some in the industry, no question, but they are for relatively short periods of time. These would

have to grow for an industry to actually be able to invest into. The program is capped, as it currently exists, over 4 years, at \$20 million a year—the reason for the \$70 million, with \$10 million in the current year and then \$20 in each of the three out years—unless that attitude is changed during the next Legislative Session or subsequent Legislative Sessions, in order to match the timing of the tax credits that are being provided to Tesla, paying with them through these two other programs.

SENATOR SPEARMAN:

I think the term you used for the activity was intermittent, at best. At the risk of sounding flippant, which I am not trying to do, renewable energy is intermittent, but we still invest in that, and we allow it time to grow. Once again, I am concerned about the small businesses that entered the market with some fear and trepidation, and now, we have confirmed those fears and encouraged trepidation. That is where I am coming from, from that instance.

I want to talk about an environmental concern, and that is the impact of lithium, cobalt and any other potentially harmful substances on the local environment, specifically, water in the area.

MR. HILL:

I would imagine that we can get the Director of Environmental Protection can answer those questions, because he will do a much better job than I will. What I can tell you is that, through the permitting process and then through the commitment that Tesla has for the environment, we know that those concerns have been addressed and will continue to be, both through the permitting and the monitoring process. The project will certainly be clean and safe for the environment. The specifics of that are really better left to the Director to answer.

SENATOR SPEARMAN:

Will the business model used be a just-in-time business model? If so, what does your inventory look like and will there be any complications in respect to storage issues? Just-in-time meaning you only have the manufacturing material that is needed in-time, for those who may not understand.

MR. HILL:

I am not sure if they phrase it as "just-in-time", but certainly, they have a desire to keep inventory as low as possible for a number of business reasons, and I know that they do that.

SENATOR SPEARMAN:

I would still encourage the Governor and whoever else he is consulting with to consider the people who will have to lay off workers and to consider the fact there are parallel tracks to intermittency with renewable energy and what we are trying to do with the film industry. It is not about the film industry, it is about the small business. I think we have a fiduciary responsibility to our constituents to make sure that we press that point, and if there are any changes that can be made, please assure us they will be.

SENATOR HUTCHISON:

Mr. Neilson, I am going to give you a chance to speak. I wanted to have some clarification on what seems to be a fairly new concept in Nevada, which is this economic diversification district, which is a tax incentive district. First, will those districts be created by local governments? Is that correct? My understanding is that this is necessary. These districts are necessary to be created in order to comply with the Constitutional provisions regarding sales and use taxes. I would like you to address the reason we have to create these. Is this going to be a creature of local government? The third point I would like to understand is if there precedent for this? I know you talked about Special Improvement Districts, but is there precedent for this? Specifically, what is being done in other states? I want to understand the solid ground that we are or are not on with these districts.

MR. NIELSEN:

The answer to your first question is, yes, these zones will be created by local ordinance through the enabling legislation we are considering today. Secondly, on the purpose of why we

are creating these zones, is in part to address certain constitutional issues regarding how we collect taxes in Nevada. Thirdly, as far as precedent goes, yes, there is precedent, though not exact precedent in Nevada. These would be a new type of district. We currently have tourism improvement districts where we give local governments the ability to create zones and to pledge a portion of the sales tax for certain uses, whether it pays for bonds or to the developer for reimbursement of expenses incurred in furtherance of a project or projects.

SENATOR HUTCHISON:

Mr. Chair. We do have districts where the State collects sales tax and local governments are then authorized to rebate those. This would be a modification of an existing precedent and an existing district that we already recognize in the State. Is that correct?

MR. NIELSEN:

That is absolutely correct.

SENATOR HUTCHISON:

With regard to the performance-based incentives under Section 16, we have talked about this in terms of the claw back provisions. Mr. Hill said he wanted to create clear lines so he and the Office of Economic Development knows when they are met and when they are not met. My question goes to what the consequences are if you receive a claw back? I see those taxes are never going to be taken back from the transferees unless there is some kind of fraud involved. Is that correct?

My next question is about claw backs and receiving interest on the abatement or the tax credit. We have the option for the Secretary of State to suspend or to cancel the business license of the lead participant. If their license is revoked, it has particular important legal consequences for a business entity in terms of what they can even do in the State of Nevada, including legal proceedings.

My last question is, at the end of the day if we don't get these performance-based incentives recognized and we have to say we want claw backs, are we basically going to have to go after them through the Attorney General's Office, through a lawsuit or something like that? This is the way we would get our investment back. Is that correct?

MR. NIELSEN:

First, with regard to the transferee questions, yes. If a project, whether it be Tesla or some other large-scale project, fails to meet the eligibility requirements, the claw back would kick in. The transferees would not be impacted, for instance, on the credits, but the lead participant would be on the hook for it, plus interest. I think the statutory interest is laid out somewhere in the bill.

You touched on the business license. Yes, the Secretary of State, as we all know, has administered the business licenses for the last several years. The consequences, I believe, if that license is revoked, is a company can no longer do business here in the State. I think the enforcement mechanism, if push-comes-to-shove would be to get the local government's sheriff involved. It is actually prohibited for a business to be operating without a license. That is the last step in the process.

Under the existing abatement program, we do have companies, who, from time to time, fail to meet the eligibility requirements after an audit, and we bill them, with interest. If they do not pay, we use existing tools, including using the Attorney General's Office, to get that money. I must say we have been successful. What makes it more difficult, is when a company is on a smaller scale. The dollar amount of taxes is lower, but some of these companies, from time to time, become defunct. You cannot get blood from a turnip. I think the good thing about a larger-scale company is we know where they are. We expect Tesla to be manufacturing cars for a long time, and they are going to need batteries for a long time.

To sum it up, I think the protections in place, with respect to the claw back provisions, are fair and sufficient.

SENATOR HUTCHISON:

I would note, and I could stand corrected, but I believe, that if the company is revoked or their business license suspended, they are unable to maintain a legal case or proceeding in the State of

Nevada, including any potential counter claims and that sort of thing. It is an important tool in the collection process. As you say, we are talking about companies that are going to make \$3.5 billion in capital investments. They are probably viable and sustainable.

My last question relates to proprietary and confidential information. Before you make an application public, there may be a need to have proprietary or confidential information removed from it. There was some concern expressed about the elimination of judicial review based on that decision. Please comment on that.

MR. NIELSEN:

Director Hill may be able to add more to this since the application will be going to his office. Based on the bill, yes, there will be some. This is going to be a public approval process not unlike the current abatement scheme. There is notice of a hearing, local governments have to be notified and documentation has to be made available at the hearing. There is a determination at that point whether a project will move forward or not. In any business transaction, there is certain proprietary information that a business would want to keep confidential, and for good reason. Certain things will be kept confidential in that application process. It does not mean to the entire application is confidential. It means a redacted portion is made public where anyone can understand...the nuts-and-bolts of the transaction but the confidential and proprietary aspects of the business are removed.

As far as judicial review, you are correct, it is eliminated. The policy is: if you are a business, looking at our State, there needs to be some certainty about when the application is either a "yay" or a "nay." For the lawyers in the room, you know, once it gets into court, not only can anything happen, but it takes a while to get an adjudication. The policy is to make this a transparent process, which makes it fair to the public, but also makes it fair to the applicant in that you give them a final determination, whether it is "yes" or "no", at the administrative level rather than at the judicial level.

SENATOR HUTCHISON:

There still is accountability at the administrative level obviously. This is coming out of the Governor's Office, and he is ultimately responsible for all of this. You have an elected official who will be overseeing and be responsible, ultimately, for these types of decisions. That is what we are really saying. We are going to leave the responsibility with the administrative, executive office, to make those calls. Is that the policy behind it as well?

MR. HILL:

I work for the Board of the Governor's Office of Economic Development. The Governor is the Chair of that Board. The Lt. Governor and the Secretary of State and six members of the private sector, who are appointed by the leadership of the Legislature, are the nine voting members of the Board. Ultimately, they have oversight over me and this process.

SENATOR HUTCHISON:

Many of them are elected, and it is a bi-partisan board. Is that correct?

MR. HILL:

That is correct.

SENATOR HUTCHISON:

Thank you for that clarification.

SENATOR FORD:

Gentlemen, thank you, again, for all of the time you have put in on this and the questions you are answering for us. We received the text of this 32-plus page bill late yesterday because, contrary to any incorrect belief, we were working on the constitutionality issue related to this bill—the 2-percent sales tax issue. What assurances do you have for us that what you are attempting to do is indeed constitutional, and how do we communicate that sufficiently to those who are sending us emails about the constitutionality issue again? In fact, GOED has already been sued once over the constitutionality of some actions similar to this. I am interested in making sure we can avoid that.

MR. HILL:

We have worked closely with the Legislative Counsel Bureau and your legal staff on this issue. They have assured me they feel comfortable with the bill as it is written and the constitutionality of all of it. From a legal-advice standpoint, I recommend you ask your legal advisors for their opinion. I think they will give you the same opinion they have given me. We have also looked at it with the Governor's staff, and they feel comfortable as well. As Director Nielsen has pointed out, this is a mechanism which has been used in other areas of the State in a similar fashion, with a different title to the project, so we feel very comfortable about it.

SENATOR FORD:

I think it was important to get that on the record, for as you know, we are getting a lot of challenges to this bill on the constitutionality grounds. I think my colleague from District 1 asked questions about water. If I heard correctly, you indicated we would get some good answers to some of those questions. Is that correct?

MR. HILL:

I believe the question was generally environmental. I would like to make a couple of points on the water side. I think this provides a unique and exciting opportunity, on the water issue. We have been working with water-treatment plants in northern Nevada that are having difficulty disposing of their currently treated effluent water. The quality standards for the Carson River have recently been raised. There is some concern about the water quality in the river because all the treated water may not meet those new standards. Tesla and their partners on site will be able to accept that treated effluent on the site for their manufacturing process. They will pretreat that water for use in manufacturing, then, treat it again on the site. This will allow them access to the water they need. They will primarily be using or reusing water and effluent and at the same time raise the quality of the water in the Truckee River.

SENATOR FORD:

Along those same lines, we are hearing numbers of upwards to 6,500 new jobs in the region. Do you have an analysis of how those families who will be relocating to the area will impact the water resources?

MR. HILL:

We have talked a lot about water. I think all involved feel comfortable that the water that is needed is certainly available and the additional demand will not be an undue tax on the system.

SENATOR FORD:

Finally, there has been a little comment about the Film Bill. Some of us have been more intimately involved with that bill than others. I do not think it was your intent, but it came across that there was a downplaying of the progress and performance of the Film Bill in this State. Let me give you a couple of facts.

My colleague from District 10 had the first film made in his district, *Paul Blart: Mall Cop 2*, which brought in 3,500 jobs, albeit temporary jobs. We knew when we passed the bill that these would be temporary jobs because film locations are temporary, but the idea is to create an industry and not just jobs to create careers. We understood that. Even by GOED's own pronouncements during the hearing, there were 3,500 new jobs being created by the entry of that particular film. They happened to be in southern Nevada. Because of the Film Bill incentive for *Paul Blart: Mall Cop 2*, \$24 million new dollars were added to the coffers of the State. Soon after that, my colleague from District 12 had a film made down there. For my colleague from District 19, there was a lot of hubbub about someone trying to come to Elko and do some filming. At the end of this month, there is a hearing on a television series which is looking to come here. It happens to be in my district, so the love is being spread around, no question.

The performance relative to our competitor states, like New Mexico, for example, is that we have four films and \$30 million worth of new money. That far outweighs the performance, during that same time period, in New Mexico. Comparing apples to apples—which is what my colleague from District 20 wants to do—we have a very promising film initiative. For example, we have been able to have companies invest, \$500,000 of their own money into their company so they could hire new people because of the opportunities they have with this Film Bill. What

am I going to tell that company when they have to fire these people? My colleague from District 1 can talk to you about it. What am I going to tell this young lady who hired four new people to work as medics on the sites that were getting opportunities? The four people she just hired, the four families now depending on her, will have to be let go. What are we telling an industry that we just gave an opportunity to start operating here? Now, we are going to say, "Sorry, just kidding?" This is problematic to me because we spent the entirety of last Session contemplating this bill. Maybe we spent the time because we had the time but you have given us two days for this—two days to contemplate a \$1.3 billion deal. You want to undo something that we thought about and deliberated on over the entirety of a session? Let me be clear. Don't misunderstand me. I do think the Tesla opportunity is great. I do not particularly prescribe to the northern/southern divide, but the truth is, so far, my constituents have been participating in the jobs in the film industry. As my colleague in District 4 indicated, they are not going to necessarily uproot and be able to go to Washoe County or Storey County and take these jobs. I have concerns about that.

I think it is important to note the vast majority of us did not find out anything about this until 15 minutes before the press conference. That is not enough time to think about it before ultimately announcing that the film initiative program was wiped out, for all intents and purposes. To this day, contrary to belief, there has been no commitment that I have heard from the Governor's Office, your office or anyone else's office, that these funds are going to be restored. There is a misbelief out there that that was floated around. That has not been communicated. I would welcome it from you right now if you could communicate that to us. That you would be willing to restore those funds in 2015, not discussion, but actual restoration. I take it you are probably not going to do that because it is more rhetorical than anything. I would like your response to my concerns because these are real issues, and I think they deserve a real response, not a superficial one.

MR. HILL:

I recognize that this is an important program for you and the State. My first response would be to please, apply for the Film Tax Credit. There is money available. There is money that will continue to be available. It is there now, and we are not taking that all away. That money continues to be in place, and we have not received additional applications. Please, let's encourage those productions to apply. The benefits we discussed will be there and will continue to be there. I certainly cannot commit to refunding the bill. I cannot cash that check, but our intent was to make sure the program lasted through the Session so we could have that conversation. That is the commitment. The conversation about whether to refund should include how efficient and effective those programs are. That conversation, I am sure, will take place during the next Session.

SENATOR FORD:

And, those families who have been affected, what is my message to them?

MR. HILL:

The jobs which have been created are temporary, in any case. I am not quite sure I understand what families or jobs that have been permanent have been affected. Those people were hired, but when the production ended, that was it. There are suppliers to the industry. That is the purpose of the program; to really grow the supplier base and that job base. We have approved all the applications we have gotten. Frankly, it is not enough to have incentivized much, if any, investment in the industry so far. The investment that someone made in hiring someone, was returned when he did the work and got paid, then paid that person. That was going to come to an end. The program is in its fledgling state. I admit that. But it has not produced enough for many, if any, to invest in yet.

Senator Denis moved to recess the Committee of the Whole until call of the Chair; seconded by Senator Smith.

Motion carried.

At 2:13 p.m.

Senator Denis presiding.

SENATOR SETTELMEYER:

We obviously have been getting a fair amount of email communications about the size of this project and the enormity of the amount of money. I am always reminded, however, that I work with the Nevada Development Authority (NDA) on trying to get other businesses into our communities, as well. There are a fair number of programs already out there, as far as tax rebates go. There is Apple, as an example, and they were offered rebates on sales and property taxes or something of that nature. In relation to the available tax breaks that are already out there versus what we are being asked to do, percentage wise, how much more are we being asked to do? Is it 50 percent more than businesses can currently get or is it less?

MR. HILL:

You have certainly seen the \$1.1 billion top estimate, with a low estimate in the \$675 million range. That is based on the amount of investment the company would make. We did run numbers for our standard abatements, which is an abatement of the sales tax down to 2-percent, an abatement of personal property tax of 50 percent for 10 years and an abatement of 50-percent of the Modified Business Tax for 4 years. We also included the green building abatements that would be available for the project. Those abatements, if they were put into place, would amount to 73 percent of the package we have offered to Tesla. For comparison purposes, the standard abatements and the numbers are big, there is no question, but the project is huge. That is what drives the numbers. Approximately \$800 million of the \$1.1 billion would be a standard abatement package. In this case, it's just not a standard amount.

SENATOR SETTELMEYER:

To follow up, you are saying less than 30 percent more than what they could have gotten, without having this meeting?

MR. HILL:

That is correct. It is roughly 27 percent more of the abatement package, in this bill, than would be contained in our other standard abatement packages.

SENATOR JONES:

My understanding is that this deal is open not just to Tesla, but to any company that wants to do something similar in our State. If a company were to choose to come to southern Nevada, instead of northern Nevada, there would certainly be an impact on our local school district, just like there is expected to be in northern Nevada as result of the Tesla project. Southern Nevada schools are already bursting at the seams. The Clark County School District reports that it could fill 28 schools today, if it had the capacity, and it has no bonding capacity. If a project were to come to southern Nevada under this bill, what is your plan to deal with the added load to the already burdened schools?

MR. HILL:

We in the Office of Economic Development would certainly love to see a project like this come to southern Nevada or anywhere else in the State. We are hopeful that this legislation will help provide that opportunity. The impact that comes from a project like this is both positive on the fiscal side and an additional demand for services of all kinds on the other. Certainly K-12 education is one of those demands. Regarding the indirect impact of the tax revenue, we have presented that in the economic impact and fiscal analysis. It will certainly be substantial here. That will help offset that. The funding plan for K-12 education, whether it be on the capital side or on the operations side, is certainly not a policy in which GOED has administrative control or responsibility. The funding side of the operations is obviously a legislative and administrative decision. With capital, you know how that process works, as well. Those things would be best addressed by this body and by the Governor.

SENATOR GOICOECHEA:

I have a question about Sections 26 through 31 as it pertains to the diversification districts. This is only enabling legislation, and again, local jurisdictions, city and county, have the option. Is that correct?

MR. HILL:

That is correct. It is enabling legislation for local governments to enact those districts.

SENATOR WOODHOUSE:

Regarding the direct contribution going to K-12 in 2018, we want to be able to address the needs of our students coming through our high school programs, into the community colleges. I want to make sure that with this K-12 direct contribution, we make sure some of it comes to southern Nevada, because these students, hopefully, are going to be staying in Nevada and coming into various professions throughout our State. We need assistance in our high schools and the College of Southern Nevada as well so we can prepare these students in STEM careers to move into, for example, the research project at UNLV.

MR. HILL:

I appreciate that input. It has been a part of the conversation. That conversation, as I said earlier today, is ongoing, but it is part of the conversation.

SENATOR SMITH:

We talked about the transferrable credits, and I know there is a provision for electrical rates in a separate bill. While this bill is designed not for one company but for anyone who meets the criteria, if this is passed and this company utilizes it, the opportunities are gone that are in this bill, for example, for transferrable credits. There wouldn't be, theoretically, an opportunity for someone else to come in and use this right away. I want to be clear about that for those watching this because that is a component we would have to deal with in a separate way. Correct?

MR. HILL:

That is correct. The programs offered have caps and there are, I think, two. The Economic Development Rate Rider Program is capped by regulation in terms of the number of megawatts, 25 megawatts in northern Nevada and 25 megawatts in southern Nevada. The Transferrable Tax Credit Program is capped at \$195 million. Once the amount up to the cap is used, there is no more available unless a different action is taken.

SENATOR SMITH:

We haven't talked at all about impact on your agency. I think you, Mr. Nielsen addressed a little bit about it. The question was asked about what you would need to do this. We don't have fiscal notes yet, but when I read through the bill, it looks like there is a fair amount of management required. I am curious what you think the staffing needs are going to be, both at the Department of Taxation and GOED to make all this happen and to do the accountability?

MR. HILL:

We are planning to absorb the work that would be required there. There is work required about which there is no question. We will absorb that in-house. I believe we have earlier today responded to the request for a fiscal note with zero impact.

SENATOR SMITH:

We have had this discussion many times. We pass something with no impact and before we know it, we're getting a request to fund staff that we did not think would be necessary. I ask that we have a true and fair assessment of this, so going into the next Session, and out of the next Session, when things are going to be heating up, we are not saying we underestimated and need staff to manage this. I think this will be very important.

MR. NIELSEN:

We also, like Mr. Hill, officially submitted a zero fiscal note. The language for compliance purposes for this abatement is different. Although the numbers are big, there is an independent auditor paid for by the project owner and approved by the State who, on an annual basis,

performs these audits. We will not sit idly by and wait for this each year, but this will certainly help my staff in ensuring compliance. We believe we will be able to absorb it. Over the last year and one half, we have rearranged some staff and have a true abatement audit team dedicated to abatements. We have improved things from an efficiency standpoint. Couple this with the independent auditor component and, at this point in time, we feel comfortable we can keep this in check and make sure that there is a quid pro quo of benefits to what we are giving away.

SENATOR SMITH:

I would like you to remember this statement. You will remember the discussions we had in Senate Finance last Session about bills much smaller than this on this very topic that we had trouble getting passed because they had fiscal notes on them. This is a thousand times bigger than anything we have talked about before. I want you to remember this discussion.

MR. NIELSEN:

There is no additional IT cost to this one. I'll leave it at that.

SENATOR SMITH:

Alright, we will see how this goes. I would like to go back to the school building issue. It is no secret I think this is one of the biggest stumbling blocks we face with this idea. In the Washoe County School District, we could end up with over 4,000 new students according to projections I have received. Our high schools in Washoe County School District are at 97-percent capacity. McQueen High School is at 137-percent capacity and has no more room for portables. I see us, a year or two down the road, not having enough classrooms for students. These are not just the students who are coming into Washoe County School District, they are everyone else's children and grandchildren and neighbor's children who are going to be squeezed because we are not prepared for this. I know it is not your job, Mr. Hill, but you are the spokesperson from the Governor's Office. I will not rest on this. It is an item that will make us look good or make us look bad as we move through this project.

One of the things that has been frequently quoted is how we can take care of business and get it done. This is one thing we are not going to get done if we do not take some action and do something about it. We are sitting here, right now, all of us, taking no action on this particular item. We do not have an answer for it, yet you can see what is happening. Washoe County School District already needs to have schools built without the impact of Tesla. There is no mechanism to do that. I do not want to belabor it, but I want to be clear that the world is watching. Almost everyone cares more about education than anything else. I appreciate the fact we are adding back \$37 million to help with our education system, but that does not build classrooms. This is a huge issue that needs to be addressed.

I lastly want to congratulate you. This is a big accomplishment, and a lot of time, effort and lack of sleep has been put into it. It is exciting. I am amazed by how the people in Washoe County are watching this. I have had a barrage of email. I did a tele-town hall the other night with 1,703 people logging on. I have had over 50 phone calls and emails to my website since then. People are watching, and they are excited. But, they are also nervous about how all the pieces will be fitting together. You have heard my biggest concern. I'd like to ask you, what keeps you up at night? While you are the biggest cheerleader for this project, and rightly so, it is big and new. There are serious implications on both the positive and negative sides. What keeps you up at night about this?

MR. HILL:

Right now, you are all keeping me up at night. This is a major, transformational project for the State and for northern Nevada. There is a lot of work ahead. A lot of the work is directly related to this project, and a lot is indirectly related to this project. I know that. We need to make sure this works. It needs to work for Nevada now. This is the beginning of the road, not the end. I want the people of Nevada to be able to benefit from this opportunity. That focuses quite a bit around education and training. There is no question about that. I believe this body and the Governor know it is a priority. It is not keeping me up at night, but it is a high priority. I think we can rise to this occasion.

MR. HILL:

I appreciate your time and interest. I think it is important we go through a deliberative process like this, and I am honored to be part of it. I would like to recognize the staff at GOED and thank them as well as the staff at the Governor's Office and your staff.

SENATOR DENIS:

I appreciate the responsiveness of our staff as well as you and your staff and those at the Governor's Office to get the answers we need to feel comfortable.

Senator Denis moved to recess the Committee of the Whole until call of the Chair; seconded by Senator Smith.

Motion carried.

At 3:01 p.m.

Senator Denis presiding.

SENATOR DENIS:

We will continue with public comment on Senate Bill No. 1. I will begin with those in favor of the bill.

DANNY THOMPSON (AFL-CIO):

I have been in this building since 1979 in many capacities. I was elected to the Assembly in 1981 and served for 10 years. Since then, I have served as the chief lobbyist for the AFL-CIO. Going back to 1979, every person who has walked through these doors has said we need to do something to diversify our economy because we are dependent on a single industry to pay our bills. Those words are truer today than they were then. In those days, the only place you could legally gamble was in Nevada. You could gamble illegally in other places, but if you wanted to do it right, it was in Nevada. For all those years, people have talked about and longed for true diversification of the economy. Today, we have reached the point—especially after the induction of Indian gaming and the impact it has had on the economy of Reno—we truly have reached the point where we can diversify our economy. We can bring in good jobs, real jobs, in a manufacturing base, in a technology that is only going to grow into the future. This is not a dying technology. It is one that is going to grow for us in the State of Nevada. It will truly diversify our economy.

Over the past several years, we have done things to try to make this happen and make it better. I asked for legislation to be introduced regarding the first solar set-aside in a portfolio standard. I made a mistake in that bill by saying it would set aside 30 megawatts of solar. My thought was this would create manufacturing, installation and maintenance jobs because I was talking about photovoltaic solar. What happened was that a company from Spain came to the El Dorado Valley and installed and built a solar-trough power plant. It used up the entire set-aside amount. Something else happened as well. Instead of hiring Nevada workers, they brought in people from other states. They did not hire any Nevada workers. They received \$15 million in tax abatements and an increased allotment from the PUC on the output of the plant. I sent a worker to that plant to try to get a job. This person, who is called a "salt" in my world, salted that job. He was put on a crew of 24 people from Nicaragua to help build that plant. This plant is operational today, but the \$15 million in abatements that were provided to the company did not benefit Nevada. After the plant was completed, Nevada workers were not hired to continue the running the plant as it is able to run with a limited staff. Today, in Tonopah, Nevada, and I am intimately familiar with this plant because we were involved with this project before there was a contractor, the plant at Crescent Dunes includes a 650-foot tower to heat molten salt—the only one in the United States, and only the second in the world—brought people not only from out of the state, but from Spain. The excuse that was used was that these people were experts. I have observed these "experts" pushing wheelbarrows.

We have made attempts and have not always been successful. At that time, the 50-percent hiring requirement was in the law.

I am here to support this bill. I think it is the beginning of economic diversification. This is a great day for the State of Nevada. We can finally get to the place where we can depend on other things besides our 46-percent dependency on a single industry for our budget. This dependency does not make sense. It is a recipe for disaster. The only thing I ask is this, if you want to stop what has happened in the past in places like El Dorado Valley and Tonopah, you have to require prevailing wage to be paid to the workers on the job who will construct the facilities. If you do that, you will have Nevada workers. This levels the playing field because everyone has to pay the same. This is not without precedent. A redevelopment agency who puts more than \$100 thousand into a project is required by NRS 279.500 to pay prevailing wage. I will submit this to you electronically. This is how you guarantee Nevadans WILL go to work on this job. It is the only way you can be absolutely sure it will happen because there will be no reason to go anywhere else. I do not know what the prevailing wage is in Storey County because it is set by county, but this would be the wage I am referencing.

I want to lend my support to this bill and would be happy to answer any questions.

RAY BACON (Nevada Manufacturers Association):

This is a manufacturing project and clearly down our alley. I have been working for 22 years to get to this point. I have not met or discussed this with the people from Tesla, but I do know about manufacturing, having been in the business my entire life. If you have any questions about my testimony, please feel free to contact me as I think I understand this project well enough to explain it.

First, this is a chemical plant. It is unique in that there are none like it in the United States. We will be breaking new ground. There are other chemical plants in southern Nevada. Those are TIMET, Kerr-McGee, Tronox and Olin Chlor Alkali Products. This is not substantially different in process than those. All chemical plants are 24/7 operations. They are 24/7 operations because it takes a lot of power to get the electrolytic cells going. Once they are turned on, depending on what is being made, it takes a day or half a day or more to get them fired up and going, and many hours to turn them down. A company does not work on a 40-hour week schedule. They turn these on, and let them run for years. This will strain all parts of our economy. It will strain our schools and our tax structure. We know we have issues with our tax structures that do not work. As Senator Smith pointed out, we have a lack of a designated funding stream for capital equipment for schools. It is a state-wide problem, and maybe, this next regular Session is the time to review these issues.

Other states have gone through these things. Alabama and Mississippi with Mercedes Benz and BMW found their communities were substantially strained, but they figured out how to do it. The vast majority of the workers in those plants came from within those states. I think we have a plan we have put in place over the last couple of years that will handle this project.

Part of the reason for the rush on this project relates to the history of the auto industry. The auto industry has been focused on the Big Three since we were all children. Tesla's time to the leading edge of the technology, and the Big Three are going to, at some point in time, decide they do not want an interloper entering their business. Tesla has a lead on the technology, but if they cannot maintain that lead and get to market first, they can fall to the wayside. I think that is part of the reason they are anxious to begin and to begin soon. Storey County is probably the one county in Nevada, and one of the few in the Country, where things get done incredibly fast.

The size of this project has taken the existing incentive program and stretched it out over a longer period of time. The details of that can be answered by Carol Valardo. It is not an unreasonable approach.

The size of this plant is double the size of the current, total global capacity to make these batteries. There is currently no plant in the U.S. that makes these batteries. It is not a situation where we can move in people from a plant in another state to run this plant—they do not exist. That puts the onus on this State to do the training. I believe with what we have done the last few years with the community colleges, if Tesla can define what they need, we can get it done. We will be challenged and stretched to the limit, and there may be a period of time where classes are being run 24 hours a day at one or more of our community colleges or on the weekends.

In the manufacturing sector, we have been using a tool called the National Workplace Readiness Certificate in some of our companies. It is a national certificate that is widely

recognized around the County. It assesses workplace reading, math and problem solving skills and this becomes a baseline for training. Tesla is aware of this certificate, and I suspect they will use it as a tool. It is an interesting tool in that it is not impacted by gender, ethnicity or other factors. It sorts a person by the skillsets brought to an employer. This will make it easy for those who have the skills or are willing to learn the skills to get a job. If this is put in place and we have a testing center in each of the community colleges, which we did not have two years ago, we can do this rapidly and get those without the skills sorted out rapidly. We can then get them online to start taking classes to improve their skills so they can become employees of this project or its supporting companies.

In Clark County, we have some of the best high schools in the State, the CTE high schools. They routinely have graduation rates in the 95-percent range. One thing we do not like to talk about is that a large portion of those students graduate from those high schools and leave the State. I think this stops that. It does not stop it for all of them, but I think it gives them an opportunity. There will be good jobs in the State at the technical level, the technicians level, the middle management level. A lot of those students from those schools in the south and AATC in northern Nevada will wind up at Tesla, be Tesla employees and will move forward. Southwest High School, last year, had 382 students in their graduating class which is a high number. Do we need more CTE schools, Absolutely. Could we do some conversions to some of our existing school, probably. This will bring up a question that needs to be addressed. Do we have the CTE schools in southern Nevada located in the right places? No, but, we have them fairly well scattered. Because they were built in a ring around the valley instead of in the core areas, some of the core areas could be converted. Rancho has converted a magnet school program, and that is a very successful program. There are others.

This will be a huge challenge, but I believe we can do it. Why is it located in northern Nevada rather than southern Nevada, location and logistic? It is close to where they need to be. It is in a place that gets things done. It is on the highway system. It is on the rail system. It is a situation between what Storey County does as far as getting things done rapidly and their location. On this project, northern Nevada had the logistics' advantage. If you review the A.C.R. 30 of the 75th Session study from 2009, sponsored by Speaker Buckley, you will find we are following the plan we put together 4 years ago and did not do much with in 2011.

PAUL J. ENOS (CEO, Nevada Trucking Association):

I am Paul Enos and I am the CEO of the Nevada Trucking Association. I am here to testify in favor of S.B. No. 1. We are excited about this project for the trucking industry. This means many jobs for trucking companies, not only during construction but also when manufacturing has begun. When you think about raw materials that will be required and the number of trucks needed to move them, this is something we love. I often say, the trucking industry has drivers, but we do not drive the economy. Our success is dependent on other people going out and building things, whether it is a casino, a mine, the world's largest battery plant or a giga-factory. We are very excited today. We have only started the site work, and I have already had some of my members from southern Nevada who are bringing up equipment to work on this project. It is beautiful that it is not just a northern Nevada issue. I am seeing my members who are located in southern Nevada, in Senate District 1, being able to get work on this project. That is something I appreciate.

Mr. Bacon mentioned A.C.R. 30 of the 75th Session, sponsored by Speaker Buckley, and then Assemblyman, now Senator Atkinson, who chaired that interim committee. When we began talking about that bill, we talked about the Tahoe-Reno Industrial Center, what this center was and what they were striving to be as the largest industrial park in the world. We talked a little bit about manufacturing, but we were talking about pick-and-pack and light manufacturing, things that did not require a lot of energy or power. Mainly, we were talking about distribution centers because there is a huge Walmart distribution center in that area with a 1-million square foot refrigerated distribution center at the Tahoe-Reno Industrial Center. We discussed how we could grow our logistics in our warehousing industry. Looking at this study, one of the things we discussed was designating a corridor for I-11 to make Nevada the distribution and manufacturing capital of the West. I never dreamed, when we were doing that, we would be talking about a factory of this magnitude.

We also talked about abatements in that bill—the one that did not get passed in 2011. We talked about requiring \$500,000 of investment in the State, at least 80 percent of the State's average wage paid, and we were going to give abatements for property tax, Modified Business Tax and the Local Support Tax portion of the sales tax. Those were some of the things we were discussing back in 2009. It is great to see that here, today, we have a project of a much greater magnitude yet are much smarter about how we apply these abatements and how we move forward. To see how we have progressed is an amazing thing.

Transportation is important to me and my truckers. One of the last things in this study is having this Committee draft a letter to NDOT asking them to fund what they are calling State Route 805, which is the continuation of USA Parkway, to connect Interstate 80 and Highway 50. This is something we were talking about in 2009. I know NDOT has put out a request for proposal for a freight plan for the railroad. We are going to look at our freight needs, how to move things, what makes sense to move by truck, what makes sense to move by rail, how Nevada can operate even better than it is today, and where should we make our best investment? Article 9, Section 9, of the *Nevada Constitution* precludes any revenue from fuel tax or registration going to anything other than highway fund purposes. This is a great thing we have in this State. The user fees we are paying into transportation stay on the road. We will not see the money siphoned off for other uses. This is a great day for Nevada. We have a great opportunity here. One of the things we talked about in the A.C.R. 30 of the 75th Session study was not just northern Nevada, it was how we can expand into other areas. Let us look at Ivanpah, at Apex, at these areas across the State where we have big arteries of commerce that come together and where we can locate factories or distribution centers and start to grow our economy.

SENATOR DENIS:

We will now hear from those against the bill.

JACK MALLORY (Director of Government Affairs, Henderson Council 15, International Union of Painters and Allied Trades):

Thank you, Chairman Denis. I am the Director of Government Affairs for the Henderson Allied Trades District Council 15. I emailed my comments and some conceptual language to the Committee for consideration to complement the comments of Danny Thompson. We are not opposed to smart economic development. We realize diversifying our economy is critical to the State and the stabilization of its revenue stream in the future in order 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.

We do not believe this bill fully protects the people of our great State. Section 24 of this bill proposes adding a new chapter to Title 22 of the NRS. This 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 in private development. There are two provisions we feel should be included as part of this bill, in this new chapter, which will help guarantee the prospective developers contemplated by this bill will be able to meet the requirements contained in it as they relate to hiring.

The first issue not addressed is the ability to obtain the specialized training to operate components at a facility once it is able to begin productions. This is contemplated in NRS 274, which relates to zones for economic development. I have copied this language and inserted it into the document I sent you. I do not believe this is necessarily a perfect model or that State or local governments should be required to pay for the training, but that language could be used as a model. I can read this into the record if you would like. Given the nature of certain businesses that may be attracted to Nevada by the package of bills being considered in this Special Session, at least some of this training may be proprietary. As such, the prospective businesses should also be charged with providing this training. That section is NRS 274.210, Program for training and employment of residents in zone; report to municipality and Legislative Commission.

The second key issue we believe should be addressed in this new chapter is fair competition. As Mr. Thompson said, prospective businesses who choose to relocate to Nevada are required, under the terms of this bill, to hire Nevadans for no less than 50-percent of its construction workforce. To say we would like to see a higher standard would be an understatement. However,

the same can be achieved if all contracting firms were required to compete on level terms. This is not a new concept in other NRS chapters contained in Title 22. We believe the appropriate standard should be applied for the area in which construction work will occur, and as such, believe the provisions contained in NRS 279.500 should be included in this new chapter to ensure Nevada contractors and workers are able to fairly compete for the construction jobs this chapter may create. I have copied and inserted the language for your convenience.

We are also concerned with the way this new potential chapter may interact with other chapters within the Title. It is an issue that was addressed in A.B. 50 of the 77th Session, a bill that addressed redevelopment agencies, during the 2013 Legislative Session. The specific provision to which I refer addresses how redevelopment agencies interact with tourism districts and the application of incentives for special projects where one of each overlaps. Section 5 of that bill prohibited an entity from receiving incentives from both types of agencies at one time. The bill also lifted a prohibition on the overlapping of those two different types of districts. I urge you to consider this while considering creating a new type of economic development district where there is a potential for overlap and a potential for a situation where an entity looking to take advantage of State incentives could, theoretically, apply for those incentives from multiple agencies.

JOHN WAGNER (Independent American Party):

I have heard many good things said today. Now, we are hearing the bad and the ugly. I have a problem when it comes to the Constitution. Are we legal? I have talked to several Senators, and they think they are. I am not sure because I am not a lawyer. If I was living in Texas, I would be looking at what was going on in this Chamber and thinking maybe we should find a lawyer and find someone to challenge it in the courts. The State of Texas is still trying to get Tesla. One thing I dislike is, we are again picking winners and losers. What will happen to the next company that comes along with a good idea and also wants tax breaks? Will they get them or not? I do not think there is level playing field for everyone here. For example, last Session we gave a break to the film industry for tax credits. Now, we are talking about taking that away. I guess the Legislature gives and the Legislature takes away. The film industry is up in arms, and I don't blame them, although I did not agree with giving them a break.

I am also concerned about the highway that is supposed to run over to U.S. 50. We know there are about three people there who will be using that highway going the other way. I think it is a necessary highway and it should be built. I heard from one person, however, it was going to cost us \$43 million for the right-of-way. I do not know if this is true. I read it in the newspaper, and you know how they are. It could be true. This is in addition to actually repaving the highway. I think we may actually be looking at \$100 million instead of \$65 million. Where will this money come from? Carson City has been waiting 30 years for a bypass, and we are almost there. We have one bridge left to go down on Highway 50. Are we going to get that bridge, or will it become a bridge too far? I do not know.

We also have a big problem in Clark County. Each time I go down there, I wonder where all the traffic is coming from. It is coming from people who live there, and they need freeways as well. I do not begrudge them that. Where is the money going to come from? I want to see the bridge in Carson City completed even though it does not directly affect me.

My concern is also about jobs. Will the employees all be legal residents of the State of Nevada or the United States? I do not want these jobs going to people who are here illegally. I have a problem with that. When it comes to government and private businesses getting together, I am always afraid of this happening. I saw what happened in the 1930s with two companies in Europe. I believe this has happened in Argentina on a smaller scale, and their economy is in a shambles. These are concerns of mine.

SENATOR DENIS:

We will now move to those who are neutral.

MATTHEW B. PARKER (Chairman, Nevada Brotherhood of Locomotive Engineers and Trainmen):

There was a question posed earlier about the potential need for transportation funding for the construction of rail spurs to the Tesla plant. Within the Tahoe-Reno Industrial Center, there

currently is a network of railroads constructed to service existing tenants at the center. Those lines were constructed privately and are owned and maintained privately. I have heard nothing to indicate that the addition of rail lines to serve the Tesla plant would be handled any differently. They would be part of the plant construction. This would indicate the answer to that question would be, no. Perhaps a more direct answer, or confirmation of that, could come from Mr. Lance Gilman or a Tesla representative.

SENATOR DENIS:

I believe that question was asked by Senator Manendo. Thank you for the clarification.

GEOFFREY LAWRENCE (Nevada Policy Research Institute):

I am an economist by trade and have graduate degrees in that field. I mention that because I have spent the past day or two reviewing the GOED economic report. The quality of work in this report is impressive. To do that, they have commissioned three different analyses to cross-check against each other using some of the major economic modeling programs which are called input-output models. I want to caution that in using these input-output models, the outputs are only as good as the assumptions put into them. What GOED has done, is looked at previous case studies around the Country to see what the multiplier effect was of putting primarily assembly or manufacturing plants in what seems to be, in the majority of cases, an urban or suburban environment. This particular case may cause a problematic comparison because we are talking about a rural facility that is not an assembly plant but a manufacturing facility for a single component. Typically, these type of plants tend to generate a smaller nexus than an actual assembly plant. This means the assumed multiplier might warrant more conservatism in being smaller.

Because this report has only been publically available for a short time, there has not been a lot of outside analysis or review. In one case, NYU professor and economist, Robert Florida, looked at the report. He is an expert in this particular subfield, which is the economic impact of high-tech manufacturing facilities. He estimated a more appropriate multiplier might be something around 1.5. This is not my area of expertise so I do not know if he is more correct than GOED on this issue. If he is, however, it is worth noting because the amount of incentive-per-job created comes out to somewhere around \$100,000 Even for a job paying \$22 to \$25 per hour, it takes a period of several years to make up that much in wages, even assuming all jobs, the indirect and induced jobs, also pay that much, which is unlikely. They will probably pay slightly lower wages than the directly created jobs.

These points are worth mentioning because there has been so little time for review and alternative analysis of these figures on which we are making a big decision. That is a problematic aspect of this whole thing to me. This report has been cited and has been in existence for at least a week, yet it has been a public document for only 48 hours. This makes it difficult for people to make an informed opinion about this entire package. It is a long, dense and highly technical document. Many of the people who will be asked to vote on it may not have had the time to review it in detail. If a corporate board were asked to make a \$1.3 billion decision, with so little information in such a short time span with such little opportunity to review the calculations, it might be considered a breach of fiduciary responsibility to shareholders. Perhaps, we should take caution and apply a similar standard to public bodies.

KEN EVANS (Urban Chamber of Commerce, Las Vegas):

I come before you to speak out and suggest that, as a general rule, as a Chamber, we are always in favor of economic development and business growth opportunities like the one presented by Tesla. The \$5-billion project should spur a lot of procurement activity and to that end, we would WBEs, women-owned business enterprises; DBEs, disadvantaged-owned business enterprises; and MBEs, minority-owned business enterprises, all be encouraged. By doing this, you ensure you are reaching out and touching local Nevadans and local small business owners, examples of which are Chamber members such as architects, engineers, contractors and subcontractors who would be working on the front end of the project. In addition, once the project is completed, we are aware the Governor suggested in his press release there would be an additional \$100 billion worth of economic activity. We anticipate there would be a lot of economic procurement activity there that once again WBEs, DBEs and MBEs would

also be able to benefit in terms of participation. Will provisions be made to promote or encourage this private entity to use these types of business enterprises?

On the motion of Senator Denis, seconded by Senator Parks, the Committee did rise and report back to the Senate.

SENATE IN SESSION

At 4:00 p.m.

President Krolicki presiding.

Quorum present.

MESSAGES FROM THE ASSEMBLY

ASSEMBLY CHAMBER, Carson City, September 11, 2014

To the Honorable the Senate:

I have the honor to inform your honorable body that the Assembly on this day passed Assembly Bills Nos. 1, 3.

SUSAN FURLONG
Chief Clerk of the Assembly

INTRODUCTION, FIRST READING AND REFERENCE

Assembly Bill No. 1.

Senator Smith moved that the bill be referred to the Committee of the Whole.

Motion carried.

Assembly Bill No. 3.

Senator Smith moved that the bill be referred to the Committee of the Whole.

Motion carried.

REMARKS FROM THE FLOOR

Senator Denis requested that the following remarks be entered in the Journal.

SENATOR DENIS:

We have received a fiscal note on Senate Bill No. 1 and it is available online if you wish to take a look at it.

PRESIDENT KROLICKI:

The fiscal note is zero for the State, correct?

SENATOR DENIS:

There are a few on there so you need to review it.

MOTIONS, RESOLUTIONS AND NOTICES

Senator Denis moved that the Senate resolve itself into a Committee of the Whole for the purpose of considering Assembly Bills Nos. 1 and 3, with Senator Denis serving as Chair and Senator Smith serving as Vice Chair of the Committee of the Whole.

Motion carried.

Senate in recess at 4:03 p.m.

IN COMMITTEE OF THE WHOLE

At 4:04 p.m.

Senator Denis presiding.

Assembly Bill No. 1 considered.

The Committee of the Whole was addressed by Senator Denis; Steve Hill, Director, Governor's Office of Economic Development; Senator Settelmeyer; Senator Atkinson; Tony Sanchez, Senior Vice President of Government and Community Strategy, Nevada Power, Nevada Energy and Sierra Pacific Power; Senator Goicoechea; Senator Kieckhefer; Senator Jones; and Angie Sullivan.

SENATOR DENIS:

We will begin public hearings on Assembly Bill No. 1 and Assembly Bill No. 3 as a Committee of the Whole. We will begin with public comment if there is any. Seeing none, we will begin the testimony on Assembly Bill No. 1 which revises provisions governing Economic Development Electric Rate Rider Program.

MR. HILL:

I will provide background and the purposes of the program and the changes we are requesting. During the last Legislative Session, this body passed A.B. 239 of the 77th Session, the Economic Development Rate Rider Program was part of that, in Sections 10 through 21, I believe. That program allows a reduction of the energy portion of the utility bill, approximately 50-percent of the utility bill, 30-percent in the first year and 20-percent in years 2 and 3, 10-percent in year 4 and 0-percent in year 5. The requirement is that a contract for at least 5 years between the company and the utility provider be entered into. The program only covers the NV Energy service territory, which is split into two rate groups: a northern group, Sierra Nevada, and a southern group. During the regulatory process, and this is a partnership between the Governor's Office of Economic Development and the Public Utilities Commission, 25 of the 50 megawatts were allocated for southern Nevada and 25 megawatts were allocated for northern Nevada. There is an opportunity to shift that allocation through the PUC, but we do not anticipate this shift happening. The request before you today is to extend the timeframe of this incentive period. We would like to double the timeframe. We would go from 1 year of 30-percent to 2 years of 30-percent, 2 years of 20-percent to 4 years of 20-percent, 1 year of 10-percent to 2 years of 10-percent and then a 10-year contract with the utility company required. This does not expand the number of megawatts that are part of the program. It only lengthens the time the incentives are available. The purpose of this program was to attract manufacturers to the State. I am happy to say this purpose has worked. It is an important component of this agreement we have made.

SENATOR SETTELMEYER:

It is important to have on the record there are 25 megawatts in the north and 25 megawatts in the south. If the north is used up, it can access the south. However, the north would still be responsible for those costs. Is that correct?

MR. HILL:

Yes, this is accurate. The program is divided between the two rate bases, both from an incentive standpoint and from the cost of that incentive. It is a very minimal cost and an important incentive, but it is separated into the 25 megawatts to the north and south as well as the added cost of the reduction as a result of the 25 megawatts in each region. If that shift takes place, that rate would also take place along with it.

SENATOR ATKINSON:

You mentioned the 25 megawatts going to each the north and south could be shifted, and that would have to go through the PUC. When you say shifted, I want to make sure you mean shifted to the north for any other project. From my understanding, this company, or any one company,

could not access the other 25 percent at another date. The language is very clear it is for a new company. If we did this years down the line, "Company A" would no longer be a new company. Is that correct?

MR. HILL:

Yes, the agreement we have with Tesla is only for the 25 megawatts. It will not go past that.

TONY SANCHEZ (Senior Vice President of Government and Community Strategy, Nevada Power, NV Energy and Sierra Pacific Power):

I am the Senior Vice President of Government and Community Strategy for NV Energy. We concur with Mr. Hill's comments regarding the extension of the Rate Rider Program. I will summarize the rate impacts the proposed changes to the program will bring. As Mr. Galende indicated, this bill extends the discount approved by A.B. 239 of the 77th Session. Under that legislation, which was passed unanimously by both Houses of the Legislature, there is a discount to the energy portion of the bill for a customer that meets the requirements under the program. The energy portion can best be explained in this way: If you own a car or a truck, the reduction in law and that being proposed to be extended, would not subsidize the cost of the car or truck or its insurance maintenance. It would, however, subsidize the cost of the gas used for the vehicle. We worked with leadership in the Governor's Office of Economic Development last Session to structure this rate so we could attract new commercial and industrial customers to Nevada.

This bill extends the 30-percent discount on the energy rate for the first 2 years of the program, the 20-percent discount in years 3 through 6 and then the 10-percent discount in years 7 and 8. The customer would remain a customer of NV Energy for that 10-year contract period as opposed to the current 5-year period. This means we would be providing their energy needs beyond anything they are able to produce onsite for themselves. The amount of the discount is tied to the customer's energy use or what we refer to as the "load factor." This is a measure of how much power a customer uses. If a customer uses the maximum amount of power, they can, over a 1-year given period, have a 100-percent load factor. High load factor customers are typically large customers such as mining, gaming, data centers and large manufacturers.

Half of the discounted power rate we are examining today is already in effect and will be in effect over the next 5 years. Nevada Energy did an analysis to determine the impact of the proposed extension over the next 5 years. We assumed, for purposes of this analysis, a 90-percent load factor. The result is a customer in the Sierra Pacific service territory, taking all 25 megawatts at a 90-percent load factor, would receive an approximate \$6.9 million discount over the life of the program. This program applies equally to the Nevada Power Service territory in the south as well. For that area, the result would be a discount of \$8.5 million at the 90-percent load factor. We do not know today what the load factor is for any given applicant. The 90-percent scenario is used because we feel it will be the highest load factor anyone could use base on previous customer experience.

The question becomes, what does this mean for our other customers throughout the State who will be subsidizing this program? In the scenario above, the impact to an individual residential customer in Sierra Pacific's territory over an 8-year discounted period would be about \$1.84 per year, or about 15 cents a month. In southern Nevada, it would be about 10 cents a month due to the higher number of customers to spread the subsidy across. This is an approximate increase of from .21 of a percent to .26 of a percent for northern Nevada, and from .10 of a percent to .11 of a percent in southern Nevada. These results are based on the full 25 megawatts being used in any given area. These changes are relatively small in regards to the already approved program, and it is our hope this program fosters greater success in our economic development efforts.

SENATOR DENIS:

Regarding the rates, these are what are currently in the law, is that correct? Are we changing current rates in the law?

MR. SANCHEZ:

The program has already been approved. The PUC passed regulations and created a tariff. Those rates are in effect now; however they are only in effect for the next four subsidized years. This will continue it for another five years.

SENATOR GOICOECHEA:

What is the anticipated number regarding the load that will be coming with the new facility at USA Parkway?

MR. SANCHEZ:

The total load for Tesla is in excess of 300 megawatts. This is capped at 25 megawatts for northern Nevada.

SENATOR GOICOECHEA:

You anticipate a 300 megawatt load from the Tesla facility?

MR. SANCHEZ:

That would be the biggest load from this plant.

SENATOR ATKINSON:

The total load for Tesla is 300 megawatts. Twenty-five megawatts will come from this project, the others will come from things such as wind, solar, geothermal, etc., is that correct?

MR. SANCHEZ:

Tesla indicated at the announcement last week they would be exploring various forms of renewable energy, and we hope to work with them on providing that.

SENATOR ATKINSON:

Is the 25 megawatts coming from inside the grid? I recognize the other 275 will not be, but where will these 25 megawatts come from?

MR. SANCHEZ:

They would come from our existing infrastructure and what we have the capability of producing.

SENATOR ATKINSON:

This facility would have to connect to the grid, which is why the cost?

MR. SANCHEZ:

They will absolutely be connected to the grid because this is coming from NV Energy as the utility.

SENATOR ATKINSON:

The other 275 megawatts will be produced through various sources, by Tesla, and not come through the grid, which would not result in a cost to rate payers. Is that correct?

MR. SANCHEZ:

In northern Nevada, we currently have a green tariff program approved by the Public Utility Commission that allows us to supply any given customer their renewable energy needs if they want to say they are 100-percent green. Companies around the Country are doing this. We are currently building a 15 megawatt solar facility next to our Ft. Churchill plant in Yerington that will supply Apple. What the PUC looks at when we bring a contract to them for review, is that other customers are not subsidizing one company's desire to have 100-percent green energy because there is an added cost component to it. It is our hope to explore renewable resources and how to supply them through our grid using specific plants we would build for them with any applicant. There are a number of different options they would have to do this, including onsite generation for themselves.

SENATOR ATKINSON:

The Rate Rider Bill, passed in the last Session, just had the regulations completed. Are there any other companies interested in taking advantage of this program? If Tesla is going to use the entire 25 megawatts, what might happen to others who are interested in taking advantage of part of this program? It is not required by this legislation that the entire 25 be used by one company. A company could use 5, 3 or 7 megawatts. If there are other companies getting ready to take advantage of this program, and it will all be used by Tesla, we need to know that and they need to know that.

MR. HILL:

Those applications would come to our office, and we have received one application from another company. In northern Nevada, we have reached a cap, so it would not be available to them. We have received expressions of interest from others in both the north and the south. At this point, the interest is more in the south than in the north. We will deal with them with respect to the cap. We will look at the program and see if it is in the best interest of the State to possibly expand it at some point. At this point, we have to deal with the caps that exist.

SENATOR KIECKHEFER:

You indicated an average annual impact of \$1.84 per year for a residential homeowner. Is this also spread out to commercial businesses?

MR. SANCHEZ:

It is. The average for a residential customer is an increase of about a quarter of 1-percent. The average increase for a commercial customer would be a little shy of one-half of 1-percent.

SENATOR KIECKHEFER:

Would these increases exist, absent this legislation, if the 25 megawatts is used over the shorter period of time? Those increases could be utilized now. This extends them for an additional 5 years, is that correct?

MR. SANCHEZ:

Yes, that is correct.

SENATOR JONES:

In Section 5 of the bill, there is reference to contracts entered into pursuant to the Economic Development Rate Rider Program before the effective date. How many of those contracts are currently in existence?

MR. HILL:

There are no contracts in place.

SENATOR JONES:

So, we will not have a situation where a company had one deal before this legislation went into place and would now be asking for a different deal?

MR. HILL:

No, we will not have that situation.

SENATOR ATKINSON:

The amount of \$1.80 does not sound like a lot of money to some people, but if there were multiple companies doing this, and asking for smaller percentages of the total, would the rate payer be at the cap of paying like they are in this scenario since we would not be using all 25 megawatts at once?

MR. SANCHEZ:

That impact number is based on a fully subscribed program. If only 5 megawatts were used in the north, you would cut it by 5.

MR. HILL:

We are pleased to be here and would appreciate your support of this bill.

MR. SANCHEZ:

When we worked with leadership in both Houses last Session, it was our hope we would have some quick success. We did not anticipate it happening this quickly. We appreciate the work on the part of the PUC which expedited the rule-making and tariff-development process. This is terrific news for this program and the State. We hope it continues well into the future.

SENATOR DENIS:

Are there any public comments on Assembly Bill No. 1?

MS. SULLIVAN:

I feel like this is a small amount of money. I do not think anyone would argue it will affect them drastically, but no one pays my electric bill for me. In fact, I have watched my rates increase, and I just paid my summer bill for air conditioning which was very high. I think it is ironic that for a renewable energy, green-energy car company that we are courting to come to our State, one of the things we are giving them is free energy. I am worried we are giving special privileges and considerations to people who have money and could pay for it themselves. I feel they are taking advantage of my State when there are limited funds. As a school teacher, I watch our schools starve. I have sat at this table many times to beg for any scrap I could get. I have been told to wait. I have been told to do not have the money. I feel our community could do better than this deal. I am worried about spending our limited resources to get people here, and I am worried we will not have the return on investment that they are promising.

Senator Denis moved to recess the Committee of the Whole until call of the Chair; seconded by Senator Smith.

Motion carried.

At 4:37 p.m.

Senator Denis presiding.

Assembly Bill No. 3 considered.

The Committee of the Whole was addressed by Senator Denis; Steve Hill, Director, Governor's Office of Economic Development; Scott J. Kipper, Insurance Commissioner, State of Nevada; Senator Hammond; Senator Hutchison; Christopher G. Nielsen, Director, Nevada Department of Taxation; Angie Sullivan; and Senator Smith.

SENATOR DENIS:

We will now open the hearing on Assembly Bill. No. 3.

MR. HILL

Scott Kipper, the Insurance Commissioner for the State and Chris Nielsen who is the Director of the Department of Taxation are here. We have previously discussed aspects of this bill. We have talked about repurposing two tax credit programs, incentives that currently exist. One of these is the Home Office Tax Credit. This is contained in a separate piece of legislation. The program has been in place since 1971 and provides a 50-percent reduction for insurance companies that own and occupy their office here in Nevada. There were approximately 1,200 insurance companies that have a tax liability in 2013. There are approximately 12 companies that qualify for this incentive. We have done calculations on the information we have—the bill as put in place prior to a lot of reporting. This bill has been around for 43 years. The accountability provisions have not been a part of the bill because it was not how things worked then. It is a permanent subsidy at this point. There is no cap to the program. It has increased over the past several years as we have increased the number of insured from \$10 million to \$15 million to about \$26.5 million in 2013. The projection is somewhat more than \$30 million in 2014 based on the first quarters' results. We believe there are approximately 1,400 jobs associated with this, making it an annual subsidy per job of about \$19,000.

The proposal before you now is to gradually sunset this program. This change would start on January 1, 2016. Insurance rates are already in place for 2015 so we do not want to disrupt that process. We will provide one-full year of the current program at that point, then five years of a transition program.

SCOTT J. KIPPER (Insurance Commissioner, State of Nevada):

As Mr. Hill identified, Assembly Bill No. 3 is an initiative that deals with Home Office Tax Credits. The issue that he left us with was the eventual diminishment of this tax credit. Currently, it has no end to it, and there is no cap to it. This bill would put a cap on it, starting with the tax year, instead of calendar year. My colleague from Taxation will answer the real specific questions. This measure puts a cap of \$5 million. This is what the home office tax credit will be in total. That will be divided *pro rata* among those carriers and insurance companies who would be taking advantage of this program. That would be in place for five years, then starting in tax year 2021, this program would go away. There would be no more Home Office Tax Credit.

SENATOR HAMMOND:

We have been hearing about some of the language in this bill for the last couple of days, and yesterday, there was testimony, as you gave it, in the Assembly. I thought I had a reasonable understanding of the amounts we were talking about. Then I heard you mention a number. I want to clarify. When we get into Fiscal Year 2016— and we were talking about those 5 years in which we are doing the \$5 million, is it \$5 million per year over those 5 years, or is it \$5 million total? Once you get to it, do you get to it, whether it is 1, 2 or 3 years?

MR. KIPPER:

It is \$5 million, per year, for five years.

SENATOR HAMMOND:

That is \$25 million to be distributed to those carriers who qualify for that?

MR. KIPPER:

Over that five-year period.

SENATOR HAMMOND:

Then, the year before that, what was that total?

MR. KIPPER:

That year would be 2015. The program would stay in place, as is, currently. That number would be approximately \$28 million to \$30 million based on projections we have been dealing with, with taxation.

SENATOR HAMMOND:

You are talking about \$52 million to \$55 million, altogether?

MR. KIPPER:

Yes.

SENATOR HUTCHISON:

I think it is clear in the record what your intent is. The way the language reads just seems like it is \$5 million. It says in Section 2, subsection 3, "the total aggregate amount of credits that may be applied by all insurers pursuant to subsection 1, must not exceed \$5 million." We are hearing testimony that it is \$5 million annually, from 2016 to 2021? That is the intent.

MR. KIPPER:

That is correct.

SENATOR HUTCHISON:

Then, it is going to be approximately \$28 million to \$30 million during 2015 so we are talking about an aggregate amount of about \$55 million?

MR. KIPPER:
That is correct.

SENATOR HAMMOND:
That is important for the record.

MR. NIELSON:
Currently in Fiscal Year 2013, we are aiming to reach about \$27 million in this credit. We are still finalizing the reconciliation. That is a tax type that is recorded quarterly, then tried up, and then that includes part of the credit. For Calendar Year 2014, we have two quarters that have been reported. Based on those quarters, we believe we will reach \$30 million once the Calendar Year 2014 is reconciled. In 2013, the number of companies that took advantage of this or were eligible was 12 out of 1,200 insurers, or 1 percent. As far as the administrative costs, we were not formally asking for a fiscal note. There will be zero costs to the Department of Taxation.

SENATOR DENIS:
Is there any public comment on Assembly Bill No. 3?

MS. SULLIVAN:
I wanted to make a comment because I participated in the testimony yesterday and found out that there are 12 companies, so this is a limited thing. It is 1 percent of the businesses. What rang my bell was that one of the businesses was United Health Care. They are a provider for the support staff in Clark County. I just wanted to put it on your radar that the support staff is shopping for a new healthcare provider due to some things that happened with that insurance. I thought that was kind of interesting that I am here because I felt there was special privilege given to Tesla but then it kind of brought to mind that we also have this other issue in Clark County where we are trying to find better insurance for our support staff. United Health Care has 80 percent of the tax credits. I know there are other things in there, and Speaker Kirkpatrick mentioned that this bill was sunseting in ten years. It is kind of interesting that two businesses that I am concerned about will be the main ones taking advantage of the tax credit.

SENATOR DENIS:
The amendment for Senate Bill No. 1 is now available. We will take a quick recess so you have a chance to look at it.

Senator Denis moved to recess the Committee of the Whole until call of the Chair; seconded by Senator Smith.

Motion carried.

At 5:12 p.m.
Senator Denis presiding.

Senator Smith moved to amend and do pass Senate Bill No. 1.

Seconded by Senator Kieckhefer.

Remarks by Senator Smith.

First, let me clarify that at the bottom of that first page, the last line on Section 4.6. (a), over to the right, you will see there is an (i) in parenthesis, that should be a (k). It will be correct in the reprint when we vote on it in Floor Session, but we did not think it justified reprinting all the copies for everyone.

The two issues that this amendment addresses are the requirement for the participants to provide health insurance on this project. The way it was described in the original bill refers to an employee being eligible for insurance. This clarifies that the employer is actually required to provide insurance and that documentation has to be provided.

The second issue is regarding the waiver for the 50 percent of Nevada workers. This strengthens that language by requiring that when the Executive Director receives a request the Director shall post that request on the website. It will then receive public comment on the website for no less than five days, and then, the decision will be posted on the website. That

allows the public to see what is happening with this particular waiver process and have the opportunity to be involved. Both of these topics within this amendment have been agreed upon by the Executive Branch and the Governor's Office of Economic Development.

Motion carried.

Senator Smith moved to do pass Assembly Bill No. 1.

Seconded by Senator Roberson.

Motion carried.

Senator Smith moved to do pass Assembly Bill No. 3.

Seconded by Senator Kieckhefer.

Motion carried.

On the motion of Senator Smith, seconded by Senator Roberson, the Committee did rise and report back to the Senate.

SENATE IN SESSION

At 5:39 p.m.

President Krolicki presiding.

Quorum present.

REPORTS OF COMMITTEES

Mr. President:

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: Amend, and do pass as amended.

Also, your Committee of the Whole, to which were referred Assembly Bills Nos. 1, 3, has had the same under consideration, and begs leave to report the same back with the recommendation: Do pass.

MOISES DENIS, *Chair*

GENERAL FILE AND THIRD READING

Senate Bill No. 1.

Bill read third time.

The following amendment was proposed by the Committee of the Whole:

Amendment No. 1.

AN ACT relating to commerce; authorizing a lead participant, on behalf of one or more participants in a project who undertake a common purpose or business endeavor in this State, to apply to the Office of Economic Development for the issuance of transferable tax credits and the abatement of employer excise taxes and certain property taxes and local sales and use taxes; providing that eligibility for such economic development incentives, in part, requires the participants in a qualified project collectively to invest at least \$3.5 billion in this State within the 10-year period immediately following the approval of the application; authorizing the Office to approve and issue a certificate of transferable tax credits to the lead participant in a qualified project; providing for the calculation of the amount of the transferable tax credits; requiring the lead participant in a qualified project to return any portion of transferable tax credits or abatements of taxes to which

the lead participant is not entitled; requiring the Office to prepare and submit to the Legislature certain reports relating to the economic development incentives provided to qualified projects; authorizing the governing body of a city or county to grant abatements of certain permitting and licensing fees imposed or charged by the city or county; authorizing under certain circumstances the pledge of certain sales and use tax proceeds for certain districts for the promotion of economic diversification; revising provisions relating to the issuance of transferable tax credits to a producer who produces a qualified film or other production in this State; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Sections 2-17 of this bill authorize the Office of Economic Development to approve applications for abatements of certain taxes and the issuance of transferable tax credits submitted by the lead participant engaged in a qualified project with other participants for a common purpose or business endeavor and which is located within the geographic boundaries of a single project site in this State. Section 11 authorizes the lead participant in a project to, on behalf of the project, apply to the Office for these economic development incentives. Section 12 requires the Office to approve such an application for a qualified project if, in addition to certain other requirements: (1) the project would promote the economic development of this State and aid the implementation of the State Plan for Economic Development; (2) the participants in the project agree collectively to make a total new capital investment in this State of at least \$3.5 billion during the 10-year period immediately following approval of the application; and (3) at least 50 percent of the employees engaged in the construction of the project and 50 percent of the employees employed at the project are residents of Nevada. Section 12 further provides that any action by the Office concerning an application must be taken at a public meeting.

Upon approval of an application, section 13 requires the Office to issue to the lead participant in the qualified project a certificate of eligibility for transferable tax credits. Section 13 provides that a project is eligible for transferable tax credits: (1) in the amount of \$12,500 for each qualified employee employed by the participants in the project; (2) in the amount of 5 percent of the first \$1 billion of new capital investment in this State made collectively by the participants in the qualified project; and (3) in the amount of 2.8 percent of the next \$2.5 billion of new capital investment in this State made collectively by the participants in the qualified project. Section 13 also sets forth the criteria for determining whether an employee is a qualified employee. Section 14 sets forth limitations on the amount of transferable tax credits which may be approved in any fiscal year and provides that the total amount of transferable tax credits which may be approved pursuant to this bill must not exceed \$195,000,000. Section 14 also prohibits the Office from approving any applications for transferable tax credits for any fiscal year beginning on or after July 1, 2022.

Section 11 provides that the transferable tax credits may be applied to: (1) the excise tax on banks and payroll taxes imposed by chapters 363A and 363B of NRS; (2) the gaming license fees imposed by the provisions of NRS 463.370; (3) the general tax on insurance premiums imposed by chapter 680B of NRS; or (4) any combination of such taxes and fees. Additionally, section 11 requires that the lead participant in a qualified project annually provide the Office with an audit of the qualified project that is certified by an independent certified public accountant in this State who is approved by the Office.

If the Office approves an application, section 15 provides that the lead participant in the qualified project is entitled to the abatement of property taxes and employer excise taxes for a period of not more than 10 years after the date on which the application is submitted and in an amount equal to the property taxes and employer excise taxes that would otherwise be owed for the qualified project. Additionally, section 15 provides that the lead participant is entitled to the abatement of certain local sales and use taxes for a period of not more than 20 years and in an amount equal to those local sales and use taxes that would otherwise be owed in the county in which the qualified project is located.

Section 16 requires the lead participant in a qualified project to repay any portion of transferable tax credits and any portion of an abatement to which the lead participant is not entitled if the Office determines that the lead participant becomes ineligible for the incentives. Section 17 requires the Office to make and submit to the Legislature certain reports concerning any economic development incentives provided to a qualified project pursuant to sections 2-17. Section 17 also requires the Office to, upon request, make available to the Legislature any information concerning a qualified project or a participant in a qualified project.

Section 18 of this bill authorizes the governing body of a city or county to grant to one or more participants in a qualified project an abatement of all or any percentage of the amount of certain permitting fees and licensing fees imposed by the city or county if the governing body provides by ordinance for a pilot project for the abatement of such fees. Section 18 also requires each local government that grants such an abatement to make and submit to the Legislature annual reports concerning the abatements.

Existing law authorizes a producer that produces a film, television or other media production in this State to apply, on or before December 31, 2017, to the Office for a certificate of transferable tax credits. (NRS 360.759) Section 21 of this bill revises from \$80,000,000 to \$10,000,000 the cumulative amount of such transferable tax credits which the Office may approve pursuant to NRS 360.759.

Sections 25-36 of this bill authorize the governing body of a county or city in which a qualified project is or is expected to be located to create an economic diversification district that includes within its boundaries the qualified project. Under section 31, a governing body which creates such an

economic diversification district may pledge an amount equal to the proceeds of all sales and use taxes imposed on or owed by each participant in the qualified project with regard to tangible personal property purchased in the county or city for use in the district, or stored, used or otherwise consumed in the district by a participant, during a fiscal year, other than any local sales and use taxes for which the lead participant is receiving an abatement. Such money would be pledged to the purposes authorized by section 33 and set forth in the agreement entered into by the county or city pursuant to that section. Section 32 requires a governing body which adopts an ordinance creating an economic diversification district and the Department of Taxation to enter into an agreement specifying the dates and procedures for the distribution to the county or city of the money pledged for use in the economic diversification district. Section 33 authorizes the county or city to enter into an agreement, which must terminate after a period of not more than 20 years, with the lead participant in the qualified project located in the district for the cost of acquiring, improving or equipping, or any combination, the qualified project. Section 35 authorizes the governing body of the county or city to enter into an agreement with one or more owners of any interest in property in the district for the payment of amounts to defray, in whole or in part, the costs of local governmental services provided to the district.

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

Section 1. Chapter 360 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 18, inclusive, of this act.

Sec. 2. *As used in sections 2 to 18, inclusive, of this act, unless the context otherwise requires, the words and terms defined in sections 3 to 10, inclusive, of this act have the meanings ascribed to them in those sections.*

Sec. 3. *"Capital investment" means all costs and expenses incurred by the participants in a qualified project in connection with the acquisition, construction, installation and equipping of the qualified project.*

Sec. 4. *"Employer excise taxes" means the taxes imposed on the wages paid by an employer pursuant to chapter 363A or 363B of NRS.*

Sec. 5. *"Lead participant" means the participant designated by the participants in a project as the lead participant in an application submitted pursuant to section 11 of this act.*

Sec. 6. *"Local sales and use taxes" means only the taxes imposed pursuant to chapters 374 and 377 of NRS on the gross receipts of any retailer from the sale of tangible personal property sold at retail, or stored, used or otherwise consumed, in the county in which the qualified project is located. The term does not include the taxes imposed by the Sales and Use Tax Act.*

Sec. 7. *"Participant" means a business which operates within the geographic boundaries of a project site and which contributes to or participates in the project.*

Sec. 8. "Project" means a project undertaken by a business or group of businesses:

1. Located within the geographic boundaries of a single project site in this State; and

2. Engaged in a common purpose or business endeavor.

Sec. 9. "Property taxes" means any taxes levied by the State or a local government pursuant to the provisions of chapter 361 of NRS.

Sec. 10. "Qualified project" means a project which the Office of Economic Development determines meets all the requirements set forth in subsections 2, 3 and 4 of section 11 of this act.

Sec. 11. 1. On behalf of a project, the lead participant in the project may apply to the Office of Economic Development for:

(a) A certificate of eligibility for transferable tax credits which may be applied to:

(1) Any tax imposed by chapters 363A and 363B of NRS;

(2) The gaming license fees imposed by the provisions of NRS 463.370;

(3) Any tax imposed by chapter 680B of NRS; or

(4) Any combination of the fees and taxes described in subparagraphs (1), (2) and (3).

(b) An abatement of property taxes, employer excise taxes or local sales and use taxes, or any combination of any of those taxes.

2. For a project to be eligible for the transferable tax credits described in paragraph (a) of subsection 1 and abatement of the taxes described in paragraph (b) of subsection 1, the lead participant in the project must, on behalf of the project:

(a) Submit an application that meets the requirements of subsection 3;

(b) Provide documentation satisfactory to the Office that approval of the application would promote the economic development of this State and aid the implementation of the State Plan for Economic Development developed by the Executive Director of the Office pursuant to subsection 2 of NRS 231.053;

(c) 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 within the 10-year period immediately following approval of the application;

(d) Provide documentation satisfactory to the Office that the participants in the project are engaged in a common purpose or business endeavor;

(e) Provide documentation satisfactory to the Office that the place of business of each participant is or will be located within the geographic boundaries of the project site;

(f) Provide documentation satisfactory to the Office that each participant in the project is registered pursuant to the laws of this State or commits to obtaining a valid business license and all other permits required by the county, city or town in which the project operates;

(g) Provide documentation satisfactory to the Office of the number of employees engaged or anticipated to be engaged in the construction of the project;

(h) Provide documentation satisfactory to the Office of the number of qualified employees employed or anticipated to be employed at the project by the participants;

(i) Provide documentation satisfactory to the Office that each employer engaged in the construction of the project provides a plan of health insurance and that each employee engaged in the construction of the project is offered coverage under the plan of health insurance provided by his or her employer;

(j) Provide documentation satisfactory to the Office that each participant in the project provides a plan of health insurance and that each employee employed at the project by each participant is offered coverage under the plan of health insurance provided by his or her employer;

(k) Provide documentation satisfactory to the Office that at least 50 percent of the employees engaged or anticipated to be engaged in construction of the project and 50 percent of the employees employed at the project are residents of Nevada, unless waived by the Executive Director of the Office upon proof satisfactory to the Executive Director of the Office that there is an insufficient number of Nevada residents available and qualified for such employment;

~~4.~~ (l) Agree to provide the Office with a full compliance audit of the participants in the project at the end of each fiscal year which:

(1) Shows the amount of money invested in this State by each participant in the project;

(2) Shows the number of employees engaged in the construction of the project and the number of those employees who are residents of Nevada;

(3) Shows the number of employees employed at the project by each participant and the number of those employees who are residents of Nevada; and

(4) Is certified by an independent certified public accountant in this State who is approved by the Office;

~~4.~~ (m) Pay the cost of the audit required by paragraph ~~4.~~ (l); and

~~4.~~ (n) Meet any other requirements prescribed by the Office.

3. An application submitted pursuant to subsection 2 must include:

(a) A detailed description of the project, including a description of the common purpose or business endeavor in which the participants in the project are engaged;

(b) A detailed description of the location of the project, including a precise description of the geographic boundaries of the project site;

(c) The name and business address of each participant in the project, which must be an address in this State;

(d) A detailed description of the plan by which the participants in the project intend to comply with the requirement that the participants

collectively make a total new capital investment of at least \$3.5 billion in this State in the 10-year period immediately following approval of the application;

(e) If the application includes one or more abatements, an agreement executed by the Office with the lead participant in the project which:

(1) Complies with the requirements of NRS 360.755;

(2) States that the project will, after the date on which a certificate of eligibility for the abatement is approved pursuant to section 15 of this act, continue in operation in this State for a period specified by the Office; and

(3) Binds successors in interest of the lead participant for the specified period; and

(f) Any other information required by the Office.

4. For an employee to be considered a resident of Nevada for the purposes of this section, each participant in the project must maintain the following documents in the personnel file of the employee:

(a) A copy of the current and valid Nevada driver's license of the employee or a current and valid identification card for the employee issued by the Department of Motor Vehicles;

(b) If the employee is a registered owner of one or more motor vehicles in Nevada, a copy of the current motor vehicle registration of at least one of those vehicles;

(c) Proof that the employee is employed full-time and scheduled to work for an average minimum of 30 hours per week; and

(d) Proof that the employee is ~~eligible for~~ offered coverage under a plan ~~for~~ of health insurance ~~+~~ provided by his or her employer.

5. For the purpose of obtaining from the Executive Director of the Office any waiver of the requirement set forth in paragraph ~~(c)~~ (k) of subsection 2, the lead participant in the project must submit to the Executive Director of the Office written documentation of the efforts to meet the requirement and documented proof that an insufficient number of Nevada residents is available and qualified for employment.

6. The Executive Director of the Office of shall make available to the public and post on the Internet website for the Office:

(a) Any request for a waiver of the requirements set forth in paragraph (k) of subsection 2; and

(b) Any approval of such a request for a waiver that is granted by the Executive Director of the Office.

7. The Executive Director of the Office shall post a request for a waiver of the requirements set forth in paragraph (k) of subsection 2 on the Internet website of the Office within 3 days after receiving the request and shall keep the request posted on the Internet website for not less than 5 days. The Executive Director of the Office shall ensure that the Internet website allows members of the public to post comments regarding the request.

8. The Executive Director of the Office shall consider any comments posted on the Internet website concerning any request for a waiver of the

requirements set forth in paragraph (k) of subsection 2 before making a decision regarding whether to approve the request. If the Executive Director of the Office approves the request for a waiver, the Executive Director of the Office must post the approval on the Internet website of the Office within 3 days and ensure that the Internet website allows members of the public to post comments regarding the approval.

Sec. 12. 1. If the Office of Economic Development receives an application pursuant to section 11 of this act, the Office:

(a) Shall not consider the application unless the Office has requested a letter of acknowledgment of the request for an abatement from any county, school district, city or town which the Office determines may experience a direct economic effect as a result of the abatement.

(b) Shall not take any action on the application unless the Office takes that action at a public meeting conducted for that purpose.

(c) Shall, at least 30 days before any public meeting conducted for the purpose of taking any action on the application, provide notice of the application and the date, time and location of the public meeting at which the Office will consider the application to:

(1) Each participant in the project;

(2) The Department;

(3) The State Gaming Control Board;

(4) The governing body of the county, the board of trustees of the school district and the governing body of the city or town, if any, in which the project will be located;

(5) The governing body of any other political subdivision that the Office determines could experience a direct economic effect as a result of the abatement; and

(6) The general public.

2. The date of the public meeting to consider an application submitted pursuant to section 11 of this act must be not later than 60 days after the date on which the Office receives the completed application.

3. The Office shall approve an application submitted pursuant to section 11 of this act if the Office finds that the project is a qualified project. The Office shall issue a decision on the application not later than 30 days after the conclusion of the public meeting on the application.

4. The lead participant in a qualified project shall submit all accountings and other required information to the Office and the Department not later than 30 days after a date specified in the decision issued by the Office. If the Office or the Department determines that information submitted pursuant to this subsection is incomplete, the lead participant shall, not later than 30 days after receiving notice that the information is incomplete, provide to the Office or the Department, as applicable, all additional information required by the Office or the Department.

5. Until the Office of Economic Development provides notice of the application and the public meeting pursuant to paragraph (c) of

subsection 1, the information contained in the application provided to the Office of Economic Development:

- (a) Is confidential proprietary information of the business;*
- (b) Is not a public record; and*
- (c) Must not be disclosed to any person who is not an officer or employee of the Office of Economic Development unless the lead participant consents to the disclosure.*

6. After the Office provides notice of the application and the public meeting pursuant to paragraph (c) of subsection 1:

- (a) The application is a public record; and*
- (b) Upon request by any person, the Executive Director of the Office shall disclose the application to the person who made the request, except for any information in the application that is protected from disclosure pursuant to subsection 7.*

7. Before the Executive Director of the Office discloses the application to the public, the lead participant may submit a request to the Executive Director of the Office to protect from disclosure any information in the application which, under generally accepted business practices, would be considered a trade secret or other confidential proprietary information of the business. After consulting with the business, the Executive Director of the Office shall determine whether to protect the information from disclosure. The decision of the Executive Director of the Office is final and is not subject to judicial review. If the Executive Director of the Office determines to protect the information from disclosure, the protected information:

- (a) Is confidential proprietary information of the business;*
- (b) Is not a public record;*
- (c) Must be redacted by the Executive Director of the Office from any copy of the application that is disclosed to the public; and*
- (d) Must not be disclosed to any person who is not an officer or employee of the Office of Economic Development unless the lead participant consents to the disclosure.*

Sec. 13. 1. If the Office of Economic Development approves an application for a certificate of eligibility for transferable tax credits submitted pursuant to paragraph (a) of subsection 1 of section 11 of this act, the Office shall immediately forward a copy of the certificate of eligibility which identifies the estimated amount of the tax credits available pursuant to this section to:

- (a) The lead participant in the qualified project;*
- (b) The Department; and*
- (c) The State Gaming Control Board.*

2. Within 14 business days after receipt of an audit provided by the lead participant in the qualified project pursuant to paragraph ~~+(+)~~ (1) of subsection 2 of section 11 of this act and any other accountings or other information required by the Office, the Office shall determine whether to certify the audit and make a final determination of whether a certificate of

transferable tax credits will be issued. If the Office certifies the audit and determines that all other requirements for the transferable tax credits have been met, the Office shall notify the lead participant in the qualified project that the transferable tax credits will be issued. Within 30 days after the receipt of the notice, the lead participant in the qualified project shall make an irrevocable declaration of the amount of transferable tax credits that will be applied to each fee or tax set forth in subparagraphs (1), (2) and (3) of paragraph (a) of subsection 1 of section 11 of this act, thereby accounting for all of the credits which will be issued. Upon receipt of the declaration, the Office shall issue to the lead participant a certificate of transferable tax credits in the amount approved by the Office for the fees or taxes included in the declaration. The lead participant shall notify the Department upon transferring any of the transferable tax credits. The Office shall notify the Department and the State Gaming Control Board of all transferable tax credits issued, segregated by each fee or tax set forth in subparagraphs (1), (2) and (3) of paragraph (a) of subsection 1 of section 11 of this act. The Department shall notify the Office and the State Gaming Control Board of the amount of any transferable tax credits transferred.

3. A qualified project may be approved for a certificate of eligibility for transferable tax credits:

(a) In the amount of \$12,500 for each qualified employee, up to a maximum of 6,000 qualified employees.

(b) In an amount equal to 5 percent of the first \$1 billion of new capital investment in this State made collectively by the participants in the qualified project.

(c) In an amount equal to 2.8 percent of the next \$2.5 billion of new capital investment in this State made collectively by the participants in the qualified project.

4. For the purpose of computing the amount of transferable tax credits for which a qualified project is eligible pursuant to paragraph (a) of subsection 3:

(a) Each qualified employee must be:

(1) Employed by a participant at the site of the qualified project.

(2) Employed full-time and scheduled to work for an average minimum of 30 hours per week.

(3) Employed for at least the last 3 consecutive months of the fiscal year.

(4) ~~Eligible for~~ Offered coverage under a plan ~~for~~ of health insurance ~~if~~ provided by his or her employer.

(b) The wages for federal income tax purposes reported or required to be reported on Form W-2 of the qualified employees of the qualified project must be paid at an average rate of \$22 per hour.

(c) An employee engaged solely in the construction of the qualified project is deemed not to be a qualified employee.

Sec. 14. 1. *Except as otherwise provided in this section, the Office of Economic Development shall not approve transferable tax credits:*

(a) *For Fiscal Year 2015-2016, 2016-2017, 2017-2018, 2018-2019, 2019-2020, 2020-2021 or 2021-2022, if approval of the transferable tax credits would cause the total amount of transferable tax credits issued pursuant to sections 2 to 17, inclusive, of this act in that Fiscal Year to exceed \$45,000,000.*

(b) *For a fiscal year beginning on or after July 1, 2022.*

2. *The total amount of transferable tax credits issued pursuant to sections 2 to 17, inclusive, of this act to all qualified projects in this State must not exceed \$195,000,000.*

3. *If in any fiscal year the Office does not approve an amount of transferable tax credits equal to the total amount authorized by paragraph (a) or (b) of subsection 1, the remaining amount of transferable tax credits must be carried forward and made available for approval during subsequent fiscal years ending on or before June 30, 2022.*

4. *Each transferable tax credit issued pursuant to sections 2 to 17, inclusive, of this act expires 4 years after the date on which the transferable tax credit is issued to the lead participant. A transferable tax credit issued pursuant to sections 2 to 17, inclusive, of this act may be transferred only once.*

Sec. 15. 1. *If the Office of Economic Development approves an application for an abatement of property taxes, employer excise taxes or local sales and use taxes submitted pursuant to paragraph (b) of subsection 1 of section 11 of this act, the Office shall immediately forward a certificate of eligibility for the abatement of the taxes described in that paragraph to:*

(a) *The Department;*

(b) *The Nevada Tax Commission; and*

(c) *The county treasurer of the county in which the qualified project will be located.*

2. *The abatement for the lead participant in the qualified project must:*

(a) *For property taxes, be for a duration of not more than 10 years after the date on which the application is submitted and in an amount that equals the amount of the property taxes that would otherwise be owed by each participant for the qualified project;*

(b) *For employer excise taxes, be for a duration of not more than 10 years after the date on which the application is submitted and in an amount that equals the amount of the employer excise taxes that would otherwise be owed by each participant for employees employed by the participant for the qualified project; and*

(c) *For local sales and use tax, be for a duration of not more than 20 years after the date on which the application is submitted and in an amount that equals the amount of the local sales and use taxes that would otherwise be owed by each participant in the qualified project.*

3. If the Office approves an abatement of local sales and use taxes, the Office shall issue to the lead participant in the qualified project a document certifying the abatement which can be presented to retailers at the time of sale. The document must clearly state the rate of sales and use taxes which the purchaser is required to pay in the county in which the abatement is effective.

Sec. 16. 1. The lead participant in a qualified project shall, upon the request of the Office of Economic Development, furnish the Office with copies of all records necessary to verify that the qualified project meets the eligibility requirements for any transferable tax credits issued pursuant to section 13 of this act and the abatement of any taxes pursuant to section 15 of this act.

2. The lead participant shall repay to the Department or the State Gaming Control Board, as applicable, any portion of the transferable tax credits to which the lead participant is not entitled if:

(a) The participants in the qualified project collectively fail to make the investment in this State necessary to support the determination by the Executive Director of the Office of Economic Development that the project is a qualified project;

(b) The participants in the qualified project collectively fail to employ the number of qualified employees identified in the certificate of eligibility approved for the qualified project;

(c) The lead participant submits any false statement, representation or certification in any document submitted for the purpose of obtaining transferable tax credits; or

(d) The lead participant otherwise becomes ineligible for transferable tax credits after receiving the transferable tax credits pursuant to sections 2 to 17, inclusive, of this act.

3. Transferable tax credits purchased in good faith are not subject to forfeiture unless the transferee submitted fraudulent information in connection with the purchase.

4. Notwithstanding any provision of this chapter or chapter 361 of NRS, if the lead participant in a qualified project for which an abatement has been approved pursuant to section 15 of this act and is in effect:

(a) Fails to meet the requirements for eligibility pursuant to that section; or

(b) Ceases operation before the time specified in the agreement described in paragraph (e) of subsection 3 of section 11 of this act,

the lead participant shall repay to the Department or, if the abatement is from the property tax imposed by chapter 361 of NRS, to the appropriate county treasurer, the amount of the abatement that was allowed to the lead participant pursuant to section 15 of this act before the failure of the lead participant to meet the requirements for eligibility. Except as otherwise provided in NRS 360.232 and 360.320, the lead participant shall, in addition to the amount of the abatement required to be repaid by the lead participant

pursuant to this subsection, pay interest on the amount due from the lead participant at the rate most recently established pursuant to NRS 99.040 for each month, or portion thereof, from the last day of the month following the period for which the payment would have been made had the abatement not been approved until the date of payment of the tax.

5. The Secretary of State may, upon application by the Executive Director of the Office, revoke or suspend the state business license of the lead participant in a qualified project which is required to repay any portion of transferable tax credits pursuant to subsection 2 or the amount of any abatement pursuant to subsection 4 and which the Office determines is not in compliance with the provisions of this section governing repayment. If the state business license of the lead participant in a qualified project is suspended or revoked pursuant to this subsection, the Secretary of State shall provide written notice of the action to the lead participant. The Secretary of State shall not reinstate a state business license suspended pursuant to this subsection or issue a new state business license to the lead participant whose state business license has been revoked pursuant to this subsection unless the Executive Director of the Office provides proof satisfactory to the Secretary of State that the lead participant is in compliance with the requirements of this section governing repayment.

Sec. 17. 1. The Office of Economic Development shall, on or before October 1 of each year, prepare and submit to the Governor and to the Director of the Legislative Counsel Bureau for transmittal to the Legislature an annual report which includes:

(a) For the immediately preceding fiscal year:

(1) The number of applications submitted pursuant to section 11 of this act;

(2) The number of qualified projects for which an application was approved;

(3) The amount of transferable tax credits approved;

(4) The amount of transferable tax credits used;

(5) The amount of transferable tax credits transferred;

(6) The amount of transferable tax credits taken against each allowable fee or tax, including the actual amount used and outstanding, in total and for each qualified project;

(7) The number of abatements approved;

(8) The dollar amount of the abatements;

(9) The number of employees engaged in construction of each qualified project who are residents of Nevada and the number of employees employed by each participant in a qualified project who are residents of Nevada;

(10) The number of qualified employees employed by each participant in a qualified project and the total amount of wages paid to those persons; and

(11) For each qualified project, an assessment of whether the participants in the qualified project are making satisfactory progress

towards meeting the investment requirements necessary to support the determination by the Office that the project is a qualified project.

(b) For each abatement from taxation that the Office approved during the fiscal years which are 3 fiscal years, 6 fiscal years, 10 fiscal years and 20 fiscal years immediately preceding the submission of the report:

(1) The dollar amount of the abatement;

(2) The value of infrastructure included as an incentive for the qualified project;

(3) The economic sector in which each participant in the qualified project operates, the number of primary jobs related to the qualified project, the average wage paid to employees employed by the participants in the qualified project and the assessed values of personal property and real property of the qualified project; and

(4) Any other information that the Office determines to be useful.

2. In addition to the annual reports required to be prepared and submitted pursuant to subsection 1, for the period beginning on the effective date of this act and ending on July 1, 2016, the Office shall, not less frequently than every calendar quarter, prepare and submit to the Governor and the Director of the Legislative Counsel Bureau for transmittal to the Legislature a report which includes, for the immediately preceding calendar quarter:

(a) The dollar amount of the abatements approved for the lead participant in each qualified project;

(b) The number of employees engaged in construction of each qualified project who are residents of Nevada and the number of employees employed by each participant in each qualified project who are residents of Nevada;

(c) The number of qualified employees employed by each participant in each qualified project and the total amount of wages paid to those persons;

(d) For each qualified project an assessment of whether the participants in the qualified project are making satisfactory progress towards meeting the investment requirements necessary to support the determination by the Office that the project is a qualified project; and

(e) Any other information requested by the Legislature.

3. In addition to the reports required to be prepared and submitted pursuant to subsections 1 and 2, the Office shall, upon request, make available to the Legislature any information concerning a qualified project or any participant in a qualified project. The Office shall make available any information requested pursuant to this subsection within the period specified in the request.

4. The Office shall provide to the Fiscal Analysis Division of the Legislative Counsel Bureau a copy of any agreement entered into by the Office and the lead participant not later than 30 days after the agreement is executed.

5. Notwithstanding the provisions of any other specific statute, the information requested by the Legislature pursuant to this section may include

information considered confidential for other purposes. If such confidential information is requested, the Office shall make the information available to the Fiscal Analysis Division of the Legislative Counsel Bureau for confidential examination.

Sec. 18. 1. For the purpose of encouraging local economic development, the governing body of a city or county in which a qualified project is located may grant to any participant in a qualified project an abatement of all or any percentage of the amount of any permitting fee or licensing fee which the local government is authorized to impose or charge pursuant to chapter 244 or 268 of NRS.

2. Before granting any abatement pursuant to subsection 1, the governing body of the city or county must provide by ordinance for a pilot project for granting abatements to participants in a qualified project.

3. A governing body of a city or county that grants an abatement pursuant to subsection 1 shall, on or before October 1 of each year in which such an abatement is granted, prepare and submit to the Governor and to the Director of the Legislative Counsel Bureau for transmittal to the Legislature an annual report which includes, for the immediately preceding fiscal year:

(a) The number of qualified projects located within the jurisdiction of the governing body for which a certificate of eligibility for transferable tax credits was approved;

(b) If applicable, the number and dollar amount of the abatements granted by the governing body pursuant to subsection 1; and

(c) The number of persons within the jurisdiction of the governing body that were employed by each participant in a qualified project and the amount of wages paid to those persons.

Sec. 19. NRS 360.225 is hereby amended to read as follows:

360.225 1. During the course of an investigation undertaken pursuant to NRS 360.130 of a person claiming:

(a) A partial abatement of property taxes pursuant to NRS 361.0687;

(b) An exemption from taxes pursuant to NRS 363B.120;

(c) A deferral of the payment of taxes on the sale of eligible property pursuant to NRS 372.397 or 374.402;

(d) An abatement of taxes on the gross receipts from the sale, storage, use or other consumption of eligible machinery or equipment pursuant to NRS 374.357; ~~to~~

(e) A partial abatement of taxes pursuant to NRS 360.752 ~~to~~; or

(f) An abatement of taxes pursuant to section 12 of this act,

the Department shall investigate whether the person meets the eligibility requirements for the abatement, partial abatement, exemption or deferral that the person is claiming.

2. If the Department finds that the person does not meet the eligibility requirements for the abatement, exemption or deferral which the person is claiming, the Department shall report its findings to the Office of Economic Development and take any other necessary actions.

Sec. 20. NRS 360.755 is hereby amended to read as follows:

360.755 1. If the Office of Economic Development approves an application by a business for *an abatement of taxes pursuant to section 12 of this act* or a partial abatement pursuant to NRS 360.750 or 360.752, the agreement with the Office must provide that the business:

(a) Agrees to allow the Department to conduct audits of the business to determine whether the business is in *full* compliance with the requirements for the *abatement or* partial abatement; and

(b) Consents to the disclosure of the audit reports in the manner set forth in this section.

2. If the Department conducts an audit of the business to determine whether the business is in *full* compliance with the requirements for the *abatement or* partial abatement, the Department shall, upon request, provide the audit report to the Office of Economic Development.

3. Until the business has exhausted all appeals to the Department and the Nevada Tax Commission relating to the audit, the information contained in the audit report provided to the Office of Economic Development:

(a) Is confidential proprietary information of the business;

(b) Is not a public record; and

(c) Must not be disclosed to any person who is not an officer or employee of the Office of Economic Development unless the business consents to the disclosure.

4. After the business has exhausted all appeals to the Department and the Nevada Tax Commission relating to the audit:

(a) The audit report provided to the Office of Economic Development is a public record; and

(b) Upon request by any person, the Executive Director of the Office of Economic Development shall disclose the audit report to the person who made the request, except for any information in the audit report that is protected from disclosure pursuant to subsection 5.

5. Before the Executive Director of the Office of Economic Development discloses the audit report to the public, the business may submit a request to the Executive Director to protect from disclosure any information in the audit report which, under generally accepted business practices, would be considered a trade secret or other confidential proprietary information of the business. After consulting with the business, the Executive Director shall determine whether to protect the information from disclosure. The decision of the Executive Director is final and is not subject to judicial review. If the Executive Director determines to protect the information from disclosure, the protected information:

(a) Is confidential proprietary information of the business;

(b) Is not a public record;

(c) Must be redacted by the Executive Director from any audit report that is disclosed to the public; and

(d) Must not be disclosed to any person who is not an officer or employee of the Office of Economic Development unless the business consents to the disclosure.

Sec. 21. NRS 360.7594 is hereby amended to read as follows:

360.7594 1. Except as otherwise provided in this subsection, the Office of Economic Development shall not approve any application for transferable tax credits ~~that~~ *submitted pursuant to NRS 360.759:*

(a) If approval of the application would cause the total amount of transferable tax credits approved pursuant to NRS 360.759 ~~for the current fiscal year~~ to exceed ~~[\$20,000,000. If the Office does not approve \$20,000,000 of transferable tax credits during any fiscal year, the remaining amount of transferable tax credits must be carried forward and made available for approval during the immediately following 2 fiscal years.]~~ *\$10,000,000.*

(b) Received on or after January 1, 2018.

2. The transferable tax credits issued to any producer for any qualified production pursuant to NRS 360.759:

(a) Must not exceed a total amount of \$6,000,000; and

(b) Expire 4 years after the date on which the transferable tax credits are issued to the producer.

3. For the purposes of calculating qualified expenditures and production costs:

(a) The compensation payable to all producers who are Nevada residents must not exceed 10 percent of the portion of the total budget of the qualified production that was expended in or attributable to any expenses incurred in this State.

(b) The compensation payable to all producers who are not Nevada residents must not exceed 5 percent of the portion of the total budget of the qualified production that was expended in or attributable to any expenses incurred in this State.

(c) The compensation payable to any employee, independent contractor or any other person paid a wage or salary as compensation for providing labor services on the production of the qualified production must not exceed \$750,000.

Sec. 22. NRS 360.7598 is hereby amended to read as follows:

360.7598 The Office of Economic Development shall, on or before October 1 of each year, prepare and submit to the Governor and to the Director of the Legislative Counsel Bureau for transmittal to the Legislature an annual report which includes, for the immediately preceding fiscal year:

1. The number of applications submitted for transferable tax credits ~~that~~ *pursuant to NRS 360.759;*

2. The number of qualified productions for which transferable tax credits were approved;

3. The amount of transferable tax credits approved;

4. The amount of transferable tax credits used;

5. The amount of transferable tax credits transferred;
6. The amount of transferable tax credits taken against each allowable fee or tax, including the actual amount used and outstanding, in total and for each qualified production;
7. The total amount of the qualified expenses and production costs incurred by each qualified production and the portion of those expenses and costs that were incurred in Nevada;
8. The number of persons in Nevada employed by each qualified production and the amount of wages paid to those persons; and
9. The period during which each qualified production was in Nevada and employed persons in Nevada.

Sec. 23. NRS 218D.355 is hereby amended to read as follows:

218D.355 1. ~~Any~~ *Except as otherwise provided in section 15 of this act, any state legislation enacted on or after July 1, 2012, which authorizes or requires the Office of Economic Development to approve any abatement of taxes or increases the amount of any abatement of taxes which the Office is authorized or required to approve:*

(a) Expires by limitation 10 years after the effective date of that legislation.

(b) Does not apply to:

(1) Any taxes imposed pursuant to NRS 374.110 or 374.190; or

(2) Any entity that receives:

(I) Any funding from a governmental entity, other than any private activity bonds as defined in 26 U.S.C. § 141; or

(II) Any real or personal property from a governmental entity at no cost or at a reduced cost.

(c) Requires each recipient of the abatement to submit to the Department of Taxation, on or before the last day of each even-numbered year, a report on whether the recipient is in compliance with the terms of the abatement. The Department of Taxation shall establish a form for the report and may adopt such regulations as it determines to be appropriate to carry out this paragraph. The report must include, without limitation:

(1) The date the recipient commenced operation in this State;

(2) The number of employees actually employed by the recipient and the average hourly wage of those employees;

(3) An accounting of any fees paid by the recipient to the State and to local governmental entities;

(4) An accounting of the property taxes paid by the recipient and the amount of those taxes that would have been due if not for the abatement;

(5) An accounting of the sales and use taxes paid by the recipient and the amount of those taxes that would have been due if not for the abatement;

(6) An accounting of the total capital investment made in connection with the project to which the abatement applies; and

(7) An accounting of the total investment in personal property made in connection with the project to which the abatement applies.

2. On or before January 15 of each odd-numbered year, the Department of Taxation shall:

(a) Based upon the information submitted to the Department of Taxation pursuant to paragraph (c) of subsection 1, prepare a written report of its findings regarding whether the costs of the abatement exceed the benefits of the abatement; and

(b) Submit the report to the Director for transmittal to the Legislature.

Sec. 24. Title 22 of NRS is hereby amended by adding thereto a new chapter to consist of the provisions set forth as sections 25 to 36, inclusive, of this act.

Sec. 25. *As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 26 to 30, inclusive, of this act have the meanings ascribed to them in those sections.*

Sec. 26. *"District" means an economic diversification district created pursuant to section 31 of this act.*

Sec. 27. *"Lead participant" has the meaning ascribed to it in section 5 of this act.*

Sec. 28. *"Municipality" means any county or city in this State.*

Sec. 29. *"Participant" has the meaning ascribed to it in section 7 of this act.*

Sec. 30. *"Qualified project" has the meaning ascribed to it in section 10 of this act.*

Sec. 31. 1. *Except as otherwise provided in this section, if a qualified project is located within the jurisdiction of a municipality, the governing body of the municipality may:*

(a) *Create an economic diversification district for the purposes of carrying out this chapter by adopting an ordinance describing the boundaries of the district, which must be the geographic boundaries of the qualified project, and generally describing the purposes within the district for which money pledged pursuant to this chapter may be used; and*

(b) *For the purposes of carrying out paragraph (a), include in an ordinance adopted pursuant to that paragraph the pledge of an amount equal to the proceeds of all sales and use taxes imposed on or owed by each participant in the qualified project with regard to tangible personal property purchased in the municipality for use in the district, or stored, used or otherwise consumed in the district by the participant, during a fiscal year other than the amount of any local sales and use taxes for which the lead participant has received an abatement pursuant to an application approved by the Office of Economic Development pursuant to section 12 of this act.*

2. *The governing body of a municipality may not include in an ordinance adopted to create a district pursuant to paragraph (a) of subsection 1 on or after the effective date of this act, the pledge of any proceeds of the taxes imposed pursuant to NRS 374.110 and 374.190 with regard to tangible personal property sold at retail, or stored, used or otherwise consumed, if the governing body obtains an opinion from independent bond counsel stating*

that the applicability of this provision would impair an existing contract for the sale of bonds which were issued before the effective date of this act.

3. A district created pursuant to this section by:

(a) A city must be located entirely within the boundaries of that city.

(b) A county must be located entirely within the boundaries of that county and, when the district is created, entirely outside of the boundaries of any city.

Sec. 32. After the adoption of an ordinance pursuant to section 31 of this act, the governing body of the municipality and the Department of Taxation shall enter into an agreement specifying the dates and procedure for distribution to the municipality of any money pledged pursuant to section 31 of this act. The distributions must:

1. Be made not less frequently than monthly; and

2. Cease at the end of the fiscal year in which the 20th anniversary of the adoption of the ordinance creating the district occurs.

Sec. 33. 1. Except as otherwise provided in this section, if the governing body of a municipality adopts an ordinance pursuant to section 31 of this act, the municipality may enter into an agreement with the lead participant in the qualified project for the cost of acquiring, improving or equipping, or any combination thereof, the qualified project, which may contain such terms as are determined to be desirable by the governing body of the municipality, including the payment of reasonable interest and other financing costs for the qualified project. Any such reimbursements may be secured by a pledge of, and be payable from, any money pledged pursuant to section 31 of this act and received by the municipality with respect to the district. If such an agreement is entered into, the agreement must provide for the payment to the lead participant of the money pledged pursuant to section 31 of this act and received by the municipality not later than 15 days after the date on which such money is distributed to the municipality pursuant to section 32 of this act. An agreement entered into pursuant to this section is not subject to the limitations of subsection 1 of NRS 354.626 and may, at the option of the governing body, be binding on the municipality beyond the fiscal year in which it was made, only if the agreement pertains solely to one or more participants in the qualified project.

2. No agreement entered into pursuant to this section may be secured by or payable from the general fund of the municipality, the power of the municipality to levy ad valorem property taxes, or any source other than any money pledged pursuant to section 31 of this act and received by the municipality with respect to the district, or any combination thereof. No bond, note or other agreement issued or entered into pursuant to this section may ever become a general obligation of the municipality or a charge against its general credit or taxing powers, nor may any such bond, note or other agreement become a debt of the municipality for purposes of any limitation on indebtedness.

3. Any agreement entered pursuant to this section must automatically terminate on or before the end of the fiscal year in which the 20th anniversary of the adoption of the ordinance creating the district occurs.

Sec. 34. On or before September 1 of each year, the governing body of a municipality that adopts an ordinance pursuant to section 31 of this act shall prepare and submit to the Director of the Legislative Counsel Bureau for submission to the Legislature, or to the Legislative Commission when the Legislature is not in regular session, an annual report containing:

1. A statement of the status of the qualified project located or expected to be located in the district, and of any changes in that status since the last annual report.

2. An assessment of the financial impact of the district on the provision of local governmental services, including, without limitation, services for police protection and fire protection.

Sec. 35. The governing body of a municipality may enter into an agreement with one or more of the owners of any interest in property within a district, pursuant to which that owner would agree to make payments to the municipality or to another local government that provides services in the district, or to both, to defray, in whole or in part, the cost of local governmental services during the term of the use of any money pledged pursuant to section 31 of this act. Such an agreement must specify the amount to be paid by the owner of the property interest, which may be stated as a specified amount per year or as an amount based upon any formula upon which the municipality and owner agree.

Sec. 36. The governing body of a municipality:

1. Shall require the review of each claim submitted pursuant to any contract or other agreement made with the governing body to provide any financing or reimbursement pursuant to section 33 of this act, by an independent auditor.

2. Shall not provide any financing or reimbursement pursuant to section 33 of this act from the proceeds of the taxes described in subsection 2 of section 31 of this act, if the governing body obtains an opinion from independent bond counsel stating that the applicability of this subsection would impair an existing contract for the sale of bonds that were issued before the effective date of this act.

Sec. 37. NRS 353.207 is hereby amended to read as follows:

353.207 1. The Chief shall:

(a) Require the Office of Economic Development and the Office of Energy each periodically to conduct an analysis of the relative costs and benefits of each incentive for economic development previously approved by the respective office and in effect during the immediately preceding 2 fiscal years, including, without limitation, any abatement of taxes approved by the Office of Economic Development pursuant to NRS 274.310, 274.320, 274.330, 360.750, 360.752, 361.0687, 374.357 or 701A.210, or section 12 of

this act, to assist the Governor and the Legislature in determining whether the economic benefits of the incentive have accomplished the purposes of the statute pursuant to which the incentive was approved and warrant additional incentives of that kind;

(b) Require each office to report in writing to the Chief the results of the analysis conducted by the office pursuant to paragraph (a); and

(c) Establish a schedule for performing and reporting the results of the analysis required by paragraph (a) which ensures that the results of the analysis reported by each office are included in the proposed budget prepared pursuant to NRS 353.205, as required by that section.

2. Each report prepared for the Chief pursuant to this section is a public record and is open to inspection pursuant to the provisions of NRS 239.010.

Sec. 38. Notwithstanding the provisions of NRS 231.0695, for the purpose of any abatement of taxes authorized by section 11 of this act, the Office of Economic Development shall be deemed to have approved the abatement pursuant to section 12 of this act upon approval by the Executive Director of the Office of Economic Development.

Sec. 39. The Executive Director of the Office of Economic Development, the Nevada Gaming Commission and the Nevada Tax Commission may each adopt such regulations as are respectively required to implement the provisions of sections 2 to 18, inclusive, of this act.

Sec. 40. The Legislature hereby finds that each abatement provided by this act from any ad valorem tax on property or excise tax on the sale, storage, use or other consumption of tangible personal property sold at retail:

1. Will achieve a bona fide social or economic purpose and the benefits of the abatement are expected to exceed any adverse effect of the abatement on the provision of services to the public by the State or a local government that would otherwise receive revenue from the tax from which the abatement would be granted; and

2. Will not impair adversely the ability of the State or a local government to pay, when due, all interest and principal on any outstanding bonds or any other obligations for which revenue from the tax from which the abatement would be granted was pledged.

Sec. 41. 1. This act becomes effective upon passage and approval.

2. Section 38 of this act expires by limitation on December 31, 2014.

3. Sections 21 and 22 of this act expire by limitation on June 30, 2023.

4. Sections 2 to 20, inclusive, 23 to 37, inclusive, 39 and 40 of this act expire by limitation on June 30, 2036.

Senator Smith moved the adoption of the amendment.

Remarks by Senator Smith.

Amendment No. 1 deals with two issues: one, the requirement of health insurance by the participants in the project, and two, it outlines the provisions that the GOED Director will follow regarding waivers of the 50-percent Nevada resident-requirement.

Amendment adopted.

Bill ordered reprinted, engrossed and to third reading.

Assembly Bill No. 1.

Bill read third time

Remarks by Senator Atkinson.

Thank you, Mr. President. Assembly Bill No. 1 revises provisions in the Economic Development Electric Rate Rider Program by extending the term of the discounts from four to eight years and extending the required term of associated contracts from five to ten years. The limits on the allowable discounted electric rates are adjusted to account for the extension of the program.

As an additional criteria of eligibility, the measure adds a requirement for the Governor's Office on Economic Development to determine whether the approval of an application is in the best interests of the State.

Finally, the bill provides that the amendments apply prospectively and do not affect any existing contracts. The bill is effective upon passage and approval.

Roll call on Assembly Bill No. 1:

YEAS—21.

NAYS—None.

Assembly Bill No. 1 having received a constitutional majority, Mr. President declared it passed.

Bill ordered transmitted to Assembly.

Assembly Bill No. 3.

Bill read third time.

Remarks by Senator Hutchison.

Thank you, Mr. President. Assembly Bill No. 3 limits the aggregate amount of insurance premium tax credits available to insurers with a home office or regional home office in this State to \$5 million annually. The credits shall be allocated on a *pro rata* basis to insurers based upon the percentage of the total amount calculated for all insurers under the current method.

Effective in 2021, the bill repeals the insurance premium tax credits for insurers with a home office or regional home office in this State.

The provision setting a cap on the credit is effective on January 1, 2016, and the repeal of the insurance premium tax credit is effective on January 1, 2021.

Roll call on Assembly Bill No. 3:

YEAS—21.

NAYS—None.

Assembly Bill No. 3 having received a two-thirds majority, Mr. President declared it passed.

Bill ordered transmitted to Assembly.

Senate Bill No. 1.

Bill read third time.

Remarks by Senator Denis.

Thank you, Mr. President. Senate Bill No. 1 authorizes the granting of transferable tax credits and abatement of certain taxes to certain participants of a qualified project. To qualify, the lead participant must make an application to the Governor's Office on Economic Development (GOED) and demonstrate, among other things: (1) that the participants in the project will make a collective minimum investment of \$3.5 billion within 10 years of approval of the application; and (2) that at least 50 percent of the employees engaged in construction of the project and 50 percent of the persons employed at the project are Nevada residents. These requirements may

be waived by GOED if there are insufficient qualified and available Nevada residents and notice of the waiver is made public and posted on GOED's website. To be considered a Nevada resident, each project participant must document that the person: (1) has a Nevada driver's license or identification card; (2) is employed fulltime for an average minimum of 30 hours per week; and (3) is offered coverage under a health insurance plan.

If qualified, the lead participant of the project may be approved for transferable tax credits as follows: (1) \$12,500 for each qualified employee up to a maximum of 6,000 employees, for a potential total of \$75 million; (2) an amount equal to 5 percent of the first \$1 billion of new capital investments, or \$50 million; (3) an amount equal to 2.8 percent of the next \$2.5 billion of new capital investment, or \$70 million. The bill provides that no more than \$45 million in transferable tax credits may be issued in any of the first 7 fiscal years, and caps the total credits which may be approved at \$195 million. Property taxes and employer excise taxes, Modified Business Tax, may be abated for qualified projects for up to 10 years and local sales and use taxes may be abated for up to 20 years.

The bill also sets forth requirements for public notice of action on the application, verification of eligibility audits, and notification of affected local governments. The measure 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.

Local governments are also authorized to abate licensing or permitting fees for qualified projects pursuant to an ordinance allowing for a pilot project regarding abatements. Local governments are empowered to create economic diversification districts (EDDs), by ordinance, within which sales and use taxes owed by participants for personal property purchased in the jurisdiction for use, storage or to be otherwise consumed within the qualified project area, may be pledged to pay for costs of acquiring, improving or equipping the qualified project. Any such agreement between a local government and the lead participant must automatically terminate on or before the end of the fiscal year in which the 20th anniversary of the creation of the district occurs.

Reports are required to be submitted to the Governor and Legislature: (1) annually by GOED on the number of qualified projects submitted and approved, along with related matters; (2) quarterly by GOED on the dollar amount of the abatements, number of qualified employees and their wages, and investment amounts; (3) 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 the qualified project and their wages; and (4) 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.

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 bill is effective upon passage and approval. The provisions relating to the transferable tax credits for film production expire by limitation on June 30, 2023, and the other provisions of the bill expire by limitation on June 30, 2036.

Roll call on Senate Bill No. 1:

YEAS—21.

NAYS—None.

Senate Bill No. 1 having received a constitutional majority, Mr. President declared it passed, as amended.

Bill ordered transmitted to Assembly.

REMARKS FROM THE FLOOR

Senator Manendo requested that his remarks be entered in the Journal.

When we opened this 28th Special Session, we talked about 9-11 and how special a day it is today remembering folks who died and the families who lost their loved ones. One of my dear

friends, Deborah Borza, actually lost her daughter on Flight 93. I wanted to mention that because several sessions ago Nevada was the second state ever to donate money to the Flight 93 Memorial in Shanksville, Pennsylvania. Obviously, Pennsylvania was the first state to donate, but Nevada was the second state to allocate dollars from our State General Fund to that particular memorial that is being built right now. Sometimes, there are a lot of negatives that happen in our State, but this is one where we did something good. It wasn't a lot of money, but it was a nominal contribution from the People of the State of Nevada in memory of the people on Flight 93, who in my opinion, were absolute heroes. I wanted to recognize my friend, Ms. Borza, and my thoughts and prayers today are with her and all the families of all the victims of 9-11.

Senator Denis moved that the Senate recess subject to the call of the Chair.
Motion carried.

Senate in recess at 5:59 p.m.

SENATE IN SESSION

At 7:37 p.m.

President Krolicki presiding.

Quorum present.

MESSAGES FROM THE ASSEMBLY

ASSEMBLY CHAMBER, Carson City, September 11, 2014

To the Honorable the Senate:

I have the honor to inform your honorable body that the Assembly on this day passed Assembly Bill No. 2.

SUSAN FURLONG
Chief Clerk of the Assembly

INTRODUCTION, FIRST READING AND REFERENCE

Assembly Bill No. 2.

Senator Smith moved that the bill be referred to the Committee of the Whole.

Motion carried.

MOTIONS, RESOLUTIONS, AND NOTICES

Senator Denis moved that the Senate resolve itself into a Committee of the Whole for the purpose of considering Assembly Bill No. 2 with Senator Denis serving as Chair and Senator Smith serving as Vice Chair of the Committee of the Whole.

Motion carried.

Senate in recess at 7:39 p.m.

IN COMMITTEE OF THE WHOLE

At 7:40 p.m.

Senator Denis presiding.

Assembly Bill No. 2 considered.

The Committee of the Whole was addressed by Senator Denis; Troy L. Dillard, Director, Nevada Department of Motor Vehicles; Senator Kieckhefer; Senator Settelmeyer; Senator Cegavske.

SENATOR DENIS:

Assembly Bill No. 2 exempts certain manufacturers of electric passenger cars from the statutory requirements related to franchises for the sale of new vehicles and repairs and maintenance on motor vehicles. We have with us Troy Dillard, the Director of the Department of Motor Vehicles, to walk us through this.

TROY L. DILLARD (Director, Nevada Department of Motor Vehicles):

Assembly Bill No. 2 is a fairly straightforward bill that clearly delineates automobile manufacturers that exclusively manufacture electric vehicles may choose to sell those vehicles at retail through the traditional means of utilizing the services of a franchise dealer, or they may forego the franchise agreement and sell to the general public only new and used vehicles, which they have manufactured.

To attract new industries with modernized business practices and forward thinking initiatives, as Nevada continues to be in the forefront of emerging technologies such as autonomous vehicles, unmanned aerial vehicles and renewable energy, it only makes sense to position itself in the best possible light. Assembly Bill No. 2 is one way in which to further that mission. Electric vehicles are a significant up-and-coming technology and industry. As we look to the future, electric vehicles will clearly play a part in the transportation picture. Electric vehicles are zero emission vehicles. In the current market, electric vehicle purchases make up approximately 0.005 percent of total market sales. In a time when light-duty vehicles account for in excess of 60 percent of the Nation's transportation emissions, and modern automobiles account for one-third of all carbon dioxide emissions produced in the United States, electric vehicles are one technology that can help to reduce that overall percentage. In addition, electric vehicles, in the United States, are powered with domestically produced energy sources. Nevada has a great advantage, through our climate and local resources, to maximize clean, renewable sources of energy, which in turn can be used to power electric vehicles and keep harmful emissions to a minimum. Assembly Bill No. 2 targets this next leap in the marriage of transportation and technology and positions Nevada at the front of innovative thinking. It provides an inviting environment for economic growth and investment while protecting existing and established structures.

Section 1 exempts manufacturers who manufacture purely electric-drive vehicles from being required to utilize franchise dealers to sell the vehicles on the retail market. The bill still allows manufacturers who choose to utilize the franchise network to do so in the traditional sense. It also restricts those manufacturers who choose to directly retail their vehicles from being authorized to sell any other brand of new or used vehicles. The Assembly agreed to an amendment proposed by the manufacturers and franchise dealers to include a window of time for electric-vehicle manufacturers to take advantage of this exception. The intent is to give the program some time to establish itself and further assess the impact upon the existing business environment. This section allows manufacturers that qualify under these guidelines to provide service and maintenance for the vehicles owned by members of the public and to clarify that there were several questions in the Assembly regarding this particular issue. The existing structure of the franchise agreement prohibits a manufacturer from owning a service center to service their vehicles because it puts them in direct competition with the dealers for the franchise agreement. What this bill does is provide an exemption from that for a manufacturer of purely electrical vehicles allowing them to be able to provide service for those vehicles and those vehicles only.

Section 2 of the bill clarifies that manufacturers that meet the requirements under Section 1, are then considered as a new vehicle dealer for legal and regulatory purposes, thereby maintaining all consumer protections that exist in law today.

Sections 3 through 7 provide for technical changes to enact Sections 1 and 2. The final section, Section 8, simply provides that the bill becomes effective upon passage and approval.

SENATOR KIECKHEFER:

I watched the testimony during the Assembly hearing. Mr. Dillard, for the record, I want to make sure you can confirm that the Dealer's Association and the Manufacturers' Association, your office and the Governor's Office of Economic Development are all on board with this bill as it sits before us today?

MR. DILLARD:

That is correct. All the interested parties are in agreement with the bill as it is presented before you.

SENATOR SETTELMEYER:

I was curious about Section 1, subsection 3. How many manufacturers is that? What does it narrow down to with that restriction? How many are available

MR. DILLARD:

The restriction does not specify a limit of manufacturers. What it specifies is that they have to be taking advantage of the loophole, prior to January 1, 2016. It expires after that date.

SENATOR SETTELMEYER:

How many manufacturers do you think currently exist in the United States that will be able to take advantage of this?

MR. DILLARD:

I do not know the answer to that. I know that we already have another manufacturer in Nevada that manufactures electrical vehicles. They may or may not qualify for passenger vehicles. We also have had an inquiry from another company that manufactures electric vehicles that may or may not fit under this because they are special purpose-vehicles, but they could potentially be used for passenger vehicles and retail to the public if, in fact, the vehicles themselves meet the definition.

SENATOR CEGAVSKE:

Could I have an overview of the amendment placed on the bill? What the reason was for the change?

MR. DILLARD:

The amendment added the window of opportunity. As the bill was originally drafted, it did not have an end date. The amendment placed, the date of January 1, 2016, that manufacturers must be in the business of selling by that date in 2016.

SENATOR DENIS:

Do we have any public comment on the bill? We will close the hearing on Assembly Bill No. 2.

Senator Hardy moved to do pass Assembly Bill No. 2.
Seconded by Senator Atkinson.

Motion carried.

On the motion of Senator Smith, seconded by Senator Hardy, the Committee did rise and report back to the Senate.

SENATE IN SESSION

At 7:55 p.m.

President Krolicki presiding.

Quorum present.

REPORTS OF COMMITTEES

Mr. President:

Your Committee of the Whole, to which was referred Assembly Bill No. 2, has had the same under consideration, and begs leave to report the same back with the recommendation: Do pass.

MOISES DENIS, *Chair*

GENERAL FILE AND THIRD READING

Assembly Bill No. 2.

Bill read third time.

Remarks by Senator Manendo.

Thank you, Mr. President. Assembly Bill No. 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. The bill is effective upon passage and approval.

Mr. President announced that if there were no objections, the Senate would recess subject to the call of the Chair.

Senate in recess at 7:57 p.m.

SENATE IN SESSION

At 8:00 p.m.

President Krolicki presiding.

Quorum present.

Roll call on Assembly Bill No. 2:

YEAS—21.

NAYS—None.

Assembly Bill No. 2 having received constitutional majority, Mr. President declared it passed.

Bill ordered transmitted to Assembly.

REMARKS FROM THE FLOOR

Senator Denis requested that the following remarks be entered in to the Journal.

SENATOR JONES:

This is obviously an historic and exciting day for our great State; to have the opportunity to work with a company as innovative and forward thinking as Tesla. I am sure we can all agree this relationship has the potential to significantly change the economic landscape of our State, and the job potential is truly amazing. However, in order to make sure that Nevada truly gains the long-term benefits we have facilitated during this Session, I would like to address some specific areas where we can maximize the benefits most. First, Nevada continues to lag behind when our students are evaluated against their counterparts in other states. With an innovative force like Tesla in our State, we have the opportunity to make a tremendous leap forward in this changing technological economy, but without an education system that develops a well-trained workforce, our constituents will not have the opportunity to participate in this competitive market. We do have bright spots, like the Southwest Career and Technical Academy which was mentioned earlier today by Mr. Bacon. The Southwest Career and Technical Academy lies in Senate District 9 and is preparing the next generation of high-tech workers, but more students need access to these programs throughout our State.

I want to circle back on what my colleagues and I talked about earlier in committee today. School construction is a dire circumstance in our State. This is not a Republican or Democratic issue. It is not a northern or southern issue. It is not an urban versus rural issue. Even if our high schools and higher education institutions successfully team up with Tesla and create the best career development and high-tech job training programs for Nevada's students, it will do no good if we do not have enough school buildings to meet student capacity. As I mentioned earlier,

we are already over capacity and our schools are busting at the seams. One school district official, earlier this week, reported there were more than 670 students who registered on one day this week—enough to fill an entire school. I am disappointed there was not a larger effort made in this Special Session to fast track school construction in the Clark and Washoe County school districts where they are desperately needed. I am taking the Governor's Office and my legislative colleagues at their word that this will be at the top of the priority list for the 2015 Session. I want to thank the Governor's Office of Economic Development. I want to thank their staff, the Governor's Office, the Legislative Committee members and my colleagues here for doing something truly historic; moving the State forward to a place where it needs to be in terms of diversification.

SENATOR WOODHOUSE:

I want to thank my colleague from Senate District 9 for sharing his passionate words on what this project means to economic development in our State and on the importance of improving our educational system. Both of these are near and dear to my heart, and I know that they are to you all as well. As a former educator of over 40 years, I recognize that economic development only works when there is a strong partnership between the corporate business community and the local school districts. The formula is simple. Our schools educate our children on cutting edge technology to give them the skills that they need to compete in the high-tech work environment of our world today. These new companies hire them to fill the available and much needed job positions, thus keeping our qualified workforce in Nevada. This is a win-win situation for our entire State. This formula will only work, however, if our schools have the funding and the resources necessary to provide the best education possible for our students. This summer, several members of this body were on the Legislative Committee on Education with me. We heard from school districts how dire the situation is in our schools as far as school construction, maintenance of those buildings and the renovations that are needed. This need is not just in Clark County. It is not just in Washoe County. It is in every corner of this State, across the State. I urge all of you to be part of solving this problem. While I am thrilled we are taking the first steps to diversify our economy in such a wonderful way and also to create new jobs for today and the future, I want all of us to remember our focus for the next Session of the Legislature, in just a few months, needs to be improving our schools. I hope the Governor and my legislative colleagues will employ the same level of urgency we did these past couple of days toward making this project a reality, toward funding education. I thank you all for everything you have done and look forward to working with you as we do what is right and what our students deserve in the future.

SENATOR HARDY:

There is a \$1.3 billion tax cut; 6,500 jobs; 3,000 construction jobs; a \$3.5 investment in Nevada; economic diversity; technology innovation; an anchor tenant for more growth; transportation improvement; trucking benefits; real-estate worth enhanced; growth in higher education and technical education; manufacturing growth hiring Nevadans; medical coverage offerings and minimal wage virtual elevation. Mining in Nevada is enhanced, home rule is allowed and critical, and it is green.

SENATOR SMITH:

Mr. President. Since this big announcement came, and we knew we were being called into a Special Session, it has been a bit of a stressful week. There have been a lot of press reports, lot of input from constituents. Certainly, those of us who live in northern Nevada, I think, heard from our community about what was good and what was concerning. This is a big deal. It is a game changer. For myself, we have put all of our concerns on the table. We all know what we need to do in the coming months. We wanted to come...being excited, positive and working together to ensure success because the world is watching. We must do everything to work together to make this a success. My colleagues know this was tough for so many people. We showed great north-south work and bi-partisan work, and that is a great thing to be taking out of this building tonight. Let's continue doing that as we help. As Mr. Hill said earlier, that what keeps him up at night is the idea of having to implement all of this and make it all work. We

need to continue that partnership to make sure it does work because certainly there will be more to come if we do that. I want to thank everyone for working together and making this possible.

SENATOR SEGERBLOM:

First, I want to congratulate and thank the Governor, but I also want to thank Senator Reid. I know he played an instrumental part in this process, and without him, we would not be here today. I do support this bill. I support what we are doing. I think it is going to be great for Nevada. I think it is actually a Democratic idea to pick favorites, to give them money, to make sure that they do well. That is what we do. We decide where we want to go in the future, and the government jumps in and helps to get that accomplished. However, what Democrats do and what has not happened today, is we also fund what we are doing. We are giving away \$1.3 billion, but we are not supplementing that, filling those holes or actually even trying to address the problems that this is going to cause. That is why I have real concerns here. The reality is, and this Session proved once and for all, this body is incapable of raising taxes which this State desperately needs. This two-day Special Session has really proven why the Education Initiative, which is going to be on the ballot in November, is critical to the future of the State of Nevada. Without the Education Initiative passing, we are going to be in the same hole, year after year after year. We have already been told we are \$250 million in the hole, starting next February. We just gave away \$1.3 billion. We cannot continue with this on and on and on. We had to gut the initiative for films which we just passed last Session. We had to pull the rug out from under all those people who spent all that money. We are going to burden Washoe County incredibly with students that do not have schools to attend. We have proven in southern Nevada that growth does not pay for itself. To pay for growth, you have to force companies to pay, and that is what this body is incapable of doing. I think that has been proven. When we want to spend \$1 billion on three-days' notice, we rush up here, we give it away like it is candy. When it comes to funding schools, we will not raise a nickel. The only way it is ever going to happen is if we pass the Education Initiative. I hope the people of the State of Nevada are hearing what I am saying, and that, in November, they vote for Question 3 because that is the critical factor in the future of this State. It will show, once and for all, that we have something to make Nevada better.

SENATOR KIECKHEFER:

It is always nice to be back here. I think this is a great body of work and that it was very deliberative. Over the past 2 years, we have done tremendous work for the people of Nevada. Today is definitely no exception. We talk a lot about what we are "giving away" today, but I would like to reiterate that over the next 20 years, this project, and the economic benefits of this project, are going to generate, in tax revenue, \$1.9 billion. This is a net positive over the term of this agreement for government, state, local, and school districts in the State of Nevada. This is not us giving away the farm by any stretch of the imagination. This is a net positive in terms of tax revenue for our governments that we can use to service the people of our State. That has not been laid out here, today, and it is important to point out. I do not think it is picking winners and losers. Everyone here, today, is winning, and the State of Nevada is winning today. We have taken a dramatic step forward in the economic diversification of this State. We have taken a dramatic step forward in the creation of employment in this State, which people desperately need. If we all go back and look at our campaign fliers, we will see those are things we care about. It is always good to remember that. I appreciate everyone coming up here, today, and doing the State's work—the people's work—of the great State of Nevada.

SENATOR SPEARMAN:

I wanted to rise and echo some of the comments of my colleagues. We started the day remembering the bravery of the many women who rushed into the face of danger, into burning buildings and also those who were lost between the Twin Towers and with a personal memory of those who were lost at the Pentagon. Those were brave people. I also want us to remember, as we move forward, the bravery of the people who worked tirelessly, every day, to educate our children, who work tirelessly without the proper funding, who work tirelessly without having adequate buildings. In the next Session of this body, we need to seriously consider the revenue structure, one that will make sure that we have the funds necessary to have a world-class education system. We also need to keep in mind that the revenue structure we have right now is

antiquated and cannot, it cannot, serve us well in the 21st Century. I thank my colleagues for all of us working together today. I want to echo what my colleague from Senate District 3 said and thank Senator Reid for his foresight in helping us get to this point. I also thank Governor Sandoval and his staff and all those worked on the bill up to this point. I also want us to remember those brave soldiers who are working tirelessly to help educate our children. We owe them more.

SENATOR SETTELMEYER:

As a representative for District 17, that actually includes Storey County where some of this economic activity is going to occur, I have to say something. When the search for a project site came about, I contacted the Storey County Manager because I was worried what the effects would be. I sat down with him, and we talked at length. As indicated, we are in a transformative event here. If you look back in time, as he said, Storey County led the way at the inception and the creation of the State because of the gold and silver from the Comstock. That brought us into statehood. The second transformative event in the State of Nevada, as he said, was legalized gaming. We are likely on the verge of the next transformative event with the technological revolution, potentially, because of what is ahead of us and what we have done. We have all gotten tons of emails about picking winners and losers, but in that respect, that is what we do every day. We pick and choose what laws are bills, for example, whether or not you have to wear a helmet or whether renewables are a good idea or bad. Even within that, we have a fight about whether hydro is better than solar or geothermal or wind, or whether they should even be considered renewables. We have these discussions. The thing to remember is that this company chose Nevada. We need to remember why it chose Nevada and realize it could also choose to leave if we create a hostile environment. In the respect that they picked us as a winner, I think we, the Nevada Legislature, today, decided to pick Nevada and Nevadans as winners overall.

SENATOR HAMMOND:

I was not going to rise, but I feel that I have to say something. I hope we would recognize the historic moment that we are in. I have been in Nevada for several years. I got here in 1993. I have had an opportunity to teach for many of those years. I have taught at the University of Nevada, Las Vegas, and I have taught in the public school system in Las Vegas in the Clark County School District. There is one thing we talk quite a bit about. First of all, I thank my colleague from District 1. I do not consider myself one of those soldiers, but every day, I go to work and try to make a difference in the lives of the children in my class. I try to make sure that they have a great education.

We talk about the economy—the diversification of the economy—something that has not happened in many years. We can go back through the history of Nevada, and we can see little dots along the road where we have actually tried to make a difference and tried to find jobs or tried to find ways to make a living in this State. I always thought if I ever got to the Legislature, that is one of the things we must do. That it is one of the things I want to be part of. That is what we are part of today. We are part of a transformational difference. That happened today. I want to be able to say to my kids, my grandchildren, my great-grandchildren and all those I would have the opportunity to speak to, that I was there that day, those last couple of days. I am happy to have been here to do that.

We can dwell on all the issues. We can dwell on the negatives, I suppose. I tend to try to think about the positives, and the positives are that we are now going to be able to teach these children. We are going to let them go to some of these high-tech schools and some of the other schools. We will teach them a lot of skills which will allow them to work in places that exist here in Nevada. We are creating a place, and I believe Mr. Bacon talked about it, where we have a reason now for these kids to stay in the State. We have been losing too many of them for too long. Now, we have a place for them to stay. That is a positive. I am happy to have been a part of that. I thank my colleagues for the lively discussion, but I also thank them for seeing how important this event was and that we got this measure out.

SENATOR CEGAVSKE:

Thank you for my second, last time, before you all. I had the pleasure of going to Storey County and talking to some people there. They told me an analogy I wanted to share it with you

because I thought it was pretty basic. They showed me a glass and said, this is Storey County, and it is empty. Right now, it is empty. In 10 years, it is going to be half full. In 20 years, it will be full. That is what Storey County means to me. That really said a lot to me from what they told me. They have become good friends. I am happy about that analogy, and it is something that we should all look at and talk about. I wanted to thank you and everybody here for the work that we do together, how we work together, the work across the aisles and with the other house. It is always a pleasure to be with each and every one of you, so thank you. God bless you and keep up the good work.

SENATOR ROBERSON:

I am not going to give a political speech tonight because I think actions speak louder than words. This is a great and historic day for all of Nevada. First, I want to thank Governor Brian Sandoval, for years of hard work and his vision for a new Nevada, which under his leadership is becoming a reality. We are blessed to have him leading the State. I want to thank Steve Hill, who has worked harder than most people in the State will ever know, to help Governor Sandoval make this a reality. I want to thank some of the other important people in Governor Sandoval's office. Mike Willden, Jackie Bryant, Michon Martin. I do not think they have slept in days, working hard to get this done. I want to thank the incomparable Brenda Erdoes for what she has done for this great State the last several days. I want to thank Rick Combs. I want to thank David Byerman. I want to thank the Senate Front Desk staff and Legislative Counsel Bureau staff, like the Legal Division. I want to thank my good friend, Lt. Governor Brian Krolicki, who came out of retirement to make sure we got through this. I want to thank my colleagues, especially my colleagues in my caucus, who have consistently supported this from day one. Finally, I want to give a big thanks to my good friend Marilyn Kirkpatrick, whose leadership made all the difference this week.

PRESIDENT KROLICKI:

This is a sequel to my farewell from the last Legislative Session. But, it will be brief. It was so good last time, and I got a beautiful table as a gift and a Keurig coffeemaker that changed my life. It is a profound privilege to be able to come back and do this, probably, one of the most prolific things that I will have done, certainly as part of this building and for someone who chaired Economic Development for six years and still sits on the Governor's Office for Economic Development—we have watched these things. I cannot imagine a bigger way to leave this legislative stage, if you will. I am not quite retired. I still have another quarter to go in that other building.

You have all been extraordinary to me. I feel like I am friends with everyone in this room. Senator Denis, Senator Smith, and your caucus, thank you so very much. Mike Roberson, Ben Kieckhefer, and my Senator, James Settlemeyer, and all my other Republican friends, I thank you. It truly has been a journey that I will always savor, and I will always treasure.

Welcome to Tesla. This legislation is built for all those who wish to make this commitment to our State, which would be a wise one to make. If Tesla was looking for a big hug, to come here and feel loved as they made their processes, they got it. The Governor has done an extraordinary job in his leadership. I have watched him make this transaction, not just over months, but over years. Thanks to Steve Hill and the Governor's Office of Economic Development and the Governor's entire crew and cabinet as well as the folks here in this building. So many people made this happen—our friends in Storey County as well as the private sector, the public sector and throughout the State. It is an exciting time.

Did you know it is Nevada's Sesquicentennial? What a way to celebrate Nevada's birthday with a \$5-billion ribbon on it, as we look forward. I will be excited to watch my good friend Mark Hutchison or Lucy Flores be called Mr. or Madam President in your next Session. I wish you well. This is a sacred position where you carry out the rules of this body, not a partisan one. I have no doubt either of them will do an extraordinary job. I will be excited to watch who wields the gavel in the future.

To the Front Desk, I was teasing the Secretary of the Senate about the last great couple at the Legislature—Mouryne Landring and Joe Dini. But, I do not think we will have the same result, David, but it has been an absolute pleasure working with you. Thank you to the Desk and all the folks who are behind the walls and people like Brenda Erdoes. Again, it has been an

extraordinary privilege to serve with you and be your friend. I am not going away, just a different view of the room. I thank you so much for that opportunity.

SENATOR DENIS:

Any time you speak last, everybody has already said everything you want to say. I, too, wanted to take this moment to thank some folks and maybe reflect a little bit about what others have said today. This truly is a great day for Nevada. I, too, want to thank our staff. We got a chance to clap for Brenda Erdoes earlier, but that is not sufficient for all the work that LCB does. You come to them a week and half before we are doing something like this and say, "By the way, we need all this stuff, and it has to be ready." They work tirelessly, day in and day out, to make sure that we could do this. Rick Combs, we went to him. They had scaffolding in the Chamber. They were not quite ready and wanted to make sure all this happened. David Byerman, in trying to get all of this ready, also had to get staff and all that. I appreciate all the work. It is not easy. We do notice it. And, it's not just them, but all of their staff and all of those that have to work with them.

I want to thank Steve Hill and his staff. They did a yeoman's job in working to make this happen, and they are continually out there trying to bring new businesses to the State. I thank the Governor's Office and the Governor for his desire to truly make Nevada the kind of place where we want to raise our families. I also want to thank all of you, my colleagues and legislative leadership—Senator Roberson, the Speaker and Minority Leader Hickey. They all worked with the Governor to make sure that this would work.

It is a great day. I think of it as a catalyst. Perhaps the beginning of a new era, from where we have been working towards this goal of diversifying our economy for many years. I hope that it is a beginning in trying to do all the things we need to do to make this a better state, which includes schools and businesses and the economy and even the way we do revenue and all those things, as we move forward. I hope that this is a new beginning that we can do that.

We have had a rough time for the last few years. I do not have to remind everyone how badly our State suffered through the Great Recession. I hope this project is a sign we are turning a page to a brighter future for the great Silver State. While we are optimistic and excited about the potential job growth and economic impact of this project, we are also going to make sure that we are holding corporations accountable, and everyone here appreciated that piece. We are not just giving something away, but we are making sure that they can do what needs to be done. That is great, and we making sure that we are accountable for the taxpayer dollars through this whole process. I also want to remind all Nevadans that the entire premise of attracting Tesla to our State, and businesses like it, was so that our local economies would be improved by that companies presence. It would be futile to bring a company within our borders that was not encouraged to utilize our highly capable workforce. I think we have done that. We want our Nevadans to be working. I know we all look forward to seeing our workers get back on the job and help build this cutting-edge plant. By encouraging Tesla to use our qualified workforce, we can hopefully establish a precedent that leads to job growth and economic expansions in all regions of our State.

We have to acknowledge one more way that this project is good for our State. This is proof that we are capitalizing on Nevada's abundance of clean energy, such as geothermal, solar and wind. This is exactly the direction our State should be taking, and I am excited to see what the future holds for renewable energy in Nevada.

Finally, I want to take a moment to thank the person who helped lay the groundwork to make this project a reality. We owe him a great deal of thanks and credit for encouraging Tesla to consider a move to Nevada and for his incredible leadership throughout this process. He proved once again his commitment to improving our State and bringing State leaders together. I am, of course, speaking of U.S. Senator Harry Reid.

When we think of this day, years from now, we will take pride in knowing that we were a part of this, that we made a difference in the future of our children, that we made Nevada a better place. We will remember that we worked together to make Nevada a better place to raise our families. Thank you to all, who made this a reality. Thank you for being here today. Thank you, Mr. President.

Senator Denis moved that the Senate recess subject to the call of the Chair.
Motion carried.

Senate in recess at 8:34 p.m.

SENATE IN SESSION

At 9:24 p.m.
President Krolicki presiding.
Quorum present.

Mr. President appointed Senators Ford, Jones and Gustavson as a committee of three to wait upon the Assembly and to inform that honorable body that the Senate is ready to adjourn *sine die*.

Mr. President appointed Senators Atkinson, Segerblom and Settlemeyer as a committee of three to wait upon His Excellency, Brian Sandoval, Governor of the State of Nevada, and to inform him that the Senate is ready to adjourn *sine die*.

A committee from the Assembly, consisting of Assemblymen Horne, Diaz and Kirner appeared before the bar of the Senate and announced that the Assembly is ready to adjourn *sine die*.

Mr. President announced that if there were no objections, the Senate would recess subject to the call of the Chair.

Senate in recess at 9:25 p.m.

SENATE IN SESSION

At 9:46 p.m.
President Krolicki presiding.
Quorum present.

Senator Ford reported that his committee had informed the Assembly that the Senate is ready to adjourn *sine die*.

Senator Atkinson reported that his committee had informed the Governor that the Senate is ready to adjourn *sine die*.

MESSAGES FROM THE ASSEMBLY

ASSEMBLY CHAMBER, Carson City, September 11, 2014

To the Honorable the Senate:

I have the honor to inform your honorable body that the Assembly on this day passed Senate Bill No. 1.

SUSAN FURLONG
Chief Clerk of the Assembly

UNFINISHED BUSINESS
SIGNING OF BILLS AND RESOLUTIONS

There being no objections, the President and Secretary signed Senate Bill No. 1; Senate Resolutions Nos. 1, 2, 3; Assembly Bills Nos. 1, 2, 3; Assembly Concurrent Resolution No. 1.

REMARKS FROM THE FLOOR

Senator Denis requested that the following remarks be entered in to the Journal.

SENATOR HUTCHISON:

It has been a pleasure, and it has been an honor. I remember Elan Musk, at the press conference at the Capitol, looking at me and saying, "Nevada is agile and a place to come and do business." The last two days we got our business done in 48 hours. I remember last Session, we kept Nevada as the gold standard on internet poker. We got that done in one day. This body and the Assembly, got all this work done in two days. We are agile. We have proven this a place to come and do business, and we are serious about putting Nevadans back to work and moving the State forward. Again, I want thank all my colleagues. I consider you my friends and my colleagues. It has been an honor to be with you, again, for the last 48 hours. Thank you.

SENATOR MANENDO:

We would be remiss if we did not say a little something for Don Williams, who, after 36 years, serving LCB and the Texas Legislature, is going to be retiring in October. As you know, Mr. Williams is retiring as our Research Director. We wish him well in his retirement, and we thank him for all the hard work he has done for all of us over the years. We will miss Mr. Williams who is one class act. Thank you, Mr. Williams, for your service to the people of the State of Nevada.

SENATOR DENIS:

I have one last comment I need to make before we *sine die*. We have had a wonderful person working for us, working in the office of the Secretary of the Senate, Alysia Peters. I remember when you came to work here a couple of years ago, and we appreciate so much of the hard work that you have done. I know you are going on to bigger and better things, and we wish you success in your business endeavors. We always talk about economic diversification, and you are one of those who is going to do that. Thank you so much for all the work you do and that you have done for the Senate.

Senator Denis moved that the 28th Special Session of the Senate of the Legislature of the State of Nevada adjourn *sine die*.

Motion carried

Senate adjourned *sine die* at 9:51 p.m.

Approved:

BRIAN K. KROLICKI
President of the Senate

Attest: DAVID A. BYERMAN
Secretary of the Senate