

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-Seventh Session
May 28, 2013**

The Senate Committee on Revenue and Economic Development was called to order by Chair Ruben J. Kihuen at 2:57 p.m. on Tuesday, May 28, 2013, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Ruben J. Kihuen, Chair
Senator David R. Parks, Vice Chair
Senator Moises (Mo) Denis
Senator Debbie Smith
Senator Ben Kieckhefer
Senator Michael Roberson
Senator Greg Brower

GUEST LEGISLATORS PRESENT:

Assemblywoman Dina Neal, Assembly District No. 7

STAFF MEMBERS PRESENT:

Joe Reel, Deputy Fiscal Analyst
Bryan Fernley-Gonzalez, Counsel
Mike Wiley, Committee Secretary

OTHERS PRESENT:

Brian Bonnenfant, Project Manager, Center for Regional Studies, College of Business, University of Nevada, Reno
Lee Bonner
Steven D. Hill, Director, Office of Economic Development
Mendy Elliott, Northern Nevada Development Authority
Pat Sanderson

Chair Kihuen:

I will open the hearing on Assembly Bill (A.B.) 410.

ASSEMBLY BILL 410 (1st Reprint): Directs the Office of Economic Development to create a pilot program to encourage the growth of existing businesses in this State. (BDR S-33)

Assemblywoman Dina Neal (Assembly District No. 7):

I want to give an overview of the pilot program. Over the interim, I attended an economic development committee meeting hosted by Chris Gibbons, who in 1987 created the economic gardening concept in Littleton, Colorado. He started a technical assistance program looking for high-growth businesses in the second stage, known as gazelles. A high-growth gazelle company increases its revenue by a least 20 percent annually for 4 or more years, starting from a revenue base of at least \$1 million. This growth pace means that the company has effectively doubled its revenue over a 4-year period. Gazelle companies are characterized by their rapid growth pace, rather than their absolute size, and can range in size from small companies to large enterprises.

Gibbons' business model of 20 years was utilized throughout the United States. He also produced a white paper on economic gardening and is now a business consultant working with other states. Economic gardening in Nevada is a pilot program designed to stimulate investment in the State's economy by providing technical assistance to expanding businesses. The technical resources offer access to informational services, including information on consulting services, markets, consumers, competitors, geographic information systems (GIS) and search engine marketing. These components exist in Nevada but have never been pulled together. Getting the pilot started is due to the centralization of a data system by the Governor's Office on Economic Development (GOED). The Bureau of Business and Economic Research located at the University of Nevada, Reno (UNR), has played a role in letting us know what data layers are available.

In northern Nevada, we discovered the infrastructure in place for the pilot program with technical assistance, but southern Nevada needed to develop its infrastructure. The bill creates a relationship between the north and south to develop the technical assistance program, which will be housed in the College of Southern Nevada (CSN). The College has been running a business incubator program for 5 years, and the professor has helped grow 20 student businesses.

I have shared my presentation on economic gardening ([Exhibit C](#)) with businesses in my district.

Brian Bonnenfant (Project Manager, Center for Regional Studies, College of Business, University of Nevada, Reno):

The Bureau of Business and Economic Research is rolled together with the Nevada Small Business Development Center in a statewide program which includes the Bureau of Business and Economic Research, the Office of the State Demographer, the Center for Regional Studies and networks across the State. We also just opened in the Urban Chamber Business Development Center in Las Vegas. We are already providing these counseling, consulting and information services on a limited scale. The economic gardening information is commercially generated, heavily estimated and varied 10,000-foot data. States pay a lot of money to buy into the economic gardening tool.

We will have better data and a better tool in the State if we have access to the information. We put it on the map and work with the GIS, which we used in northern Nevada to give us better data. We can use the session border controller network and the Nevada System of Higher Education (NSHE) entities, but we need assistance with developing the data layers. In 2011, S.B. No. 400 of the 76th Session mandated that each county assessor provide the fiscal year-end parcel base map and dataset every year that gives the base for the whole State to the State Demographer. With the addresses, we can layer in employment, sales tax, retail sales, demographic information, traffic counts and specific fiscal-located entities to make decisions off a 1-, 3- or 5-mile radius or regions. Our mission for many years is building these excellent data layers on a GIS system across the State to help businesses like start-ups, midmarket retailers, major retailers and local governments. Just today, the City of Las Vegas requested information on the downtown districts: number of employed, number of residents and number of residents employed in each district. This bill would provide immediate access to this data.

Lee Bonner:

I serve on the Board of County Commissioners in Douglas County, but I am here today in a private capacity. The Board has not taken a position on [A.B. 410](#).

When the economy in 2007 went into a recession, Douglas County lost 3,000 jobs. With the help of the Governor's Office of Economic Development and the Northern Nevada Development Authority (NNDA), we have seen an

average of one new business come to Douglas County every month for the last couple of years. Coming out of the private sector, we look at data because we make data-driven decisions. We saw a decline in our workforce, which means as we bring business in, business leaves at the same time.

When you look at economic development, there are four aspects: relocation, expansion, start-ups and business retention. The important part of economic development is relocations. How do we keep businesses in Nevada that have already made the decision to relocate? This bill will supply data to help keep businesses from leaving the State. We have three development organizations in northern Nevada: Economic Development Authority of Western Nevada (EDAWN), NNDA and the Western Nevada Development District. The Western Nevada Development District is funded by the federal government; EDAWN and NNDA are funded by the State. The Western Nevada Development District encompasses nine counties, so looking at the GIS data and having it all in one area will allow us to combine the maps into a central point.

Assemblywoman Neal:

Section 1 of A.B. 410 is an overall purpose statement. Section 2 is the infrastructure of how the pilot program will be set up. The GOED will be a consultant for the data each of the Centers develop, providing data oversight to make sure it fits into the overall economic development scheme. Page 2, line 17 highlights the involvement of the CSN and what it will do in cooperation with the GIS specialist. The College will mentor and track businesses in Clark County and also work in conjunction with the Clark County Department of Business License to provide real-time data for businesses in Clark County. The Nevada Small Business Development Center in Washoe County will also be involved.

The Bureau of Business and Economic Research will coordinate with the Development Center to provide necessary data. The Development Center in Washoe County will mentor and track business decisions to evaluate the results. The evaluation will look at the use of data received under the pilot program to see how the decisions have affected change in the businesses' growth in revenue and employment. The College of Southern Nevada and the Nevada Small Business Development Center, in Clark and Washoe Counties, will assist businesses that are participating in the pilot.

There will be constant collaboration, north and south, and at the end there will be a report. The pilot program will include the identification of skilled labor that

exists in Nevada and the potential growth; the targeting of business sectors; a focus on the utilization of existing resources; and the harnessing of the academic expertise that exists at CSN and UNR. The bill allows other entities—like Douglas County—outside of the Centers to be part of the pilot.

The pilot program will make the resources and expertise of the Centers available to businesses in the State for the purpose of exchanging data; creating and facilitating peer-to-peer mentoring sessions; and providing business sectors data generated through the system. The pilot program will select ten businesses, five in Clark County and five in Washoe County. We picked businesses with gross incomes over \$100,000 but not more than \$700,000 because we are targeting growth companies, not start-ups. The Centers will analyze data—by mentoring those businesses on their business decisions—and track the growth of each business over the period of the pilot program. The GOED will serve as the Centers consultant. Section 3 shows the appropriation of \$300,000 to pay for two GIS specialists, one at UNR and one at CSN, and the purchase of the geographic information software. Any remaining balance of the appropriation not committed after June 30, 2017, will not be spent on any other purpose after September 15, 2017. The pilot program must begin operation on or before January 1, 2014.

Senator Kieckhefer:

The intent of the \$300,000 appropriation goes to the Nevada System of Higher Education as the hub of these different institutions.

Assemblywoman Neal:

It will go to the Center for Business and Economic Research for the GIS specialist at CSN. When we were drafting this, the University of Nevada, Las Vegas (UNLV), was part of it, but the Legal Division thought it should be the Nevada System of Higher Education. The pilot is set up for CSN, the Bureau of Business and Economic Research at UNR and the Nevada Small Business Development Center because they already mentor businesses. The business plans are in their current budget, so we may only be adding software. The GIS specialists will serve the Bureau of Business and Economic Research and CSN to help do the direct business data application.

Senator Kieckhefer:

Where is the Bureau of Business and Economic Research housed?

Assemblywoman Neal:

It is at UNR.

Mr. Bonnenfant:

It is administered by the Nevada Small Business Development Center. Although the Bureau of Business and Economic Research's funding was pulled last Session, it is still a formal program funded by the Nevada Small Business Development Center.

Assemblywoman Neal:

They report to you.

Mr. Bonnenfant:

We are all under the Nevada Small Business Development Center.

Senator Kieckhefer:

Is the appropriation within the Nevada Small Business Development Center in both locations?

Mr. Bonnenfant:

It goes to the Office of Economic Development first and then to the Nevada Small Business Development Center.

Senator Kieckhefer:

It goes directly to Nevada Small Business Development Center? Do you have to purchase all of the data from different entities, or is it publicly available?

Mr. Bonnenfant:

It depends on the county and the layer of data, but there are data costs and annual licensing costs for the GIS software. We have a good network structure in place in the north. If we could add the south site license on the north, it would allow us to trim back the costs by using the NSHE model to afford the data and licensing.

Senator Kieckhefer:

In terms of the pilot program, is there an estimate for the ongoing costs if we deem it a success?

Assemblywoman Neal:

We intend to identify the cost after we see how the pilot program works over the next 2 years.

Senator Kieckhefer:

How do we judge the success of the program?

Assemblywoman Neal:

We are going to track the kinds of businesses; measure the business connections and exchange of data; look at peer relationships; and track the business data given to our ten businesses. To be successful, the businesses have to generate \$100,000 to \$700,000 just to be part of the program, and we need to see growth. Each business has to have a business plan, and we have a model to follow with the GrowFL Florida example ([Exhibit D](#)).

Chair Kihuen:

Is the \$300,000 a one-time deal from now until fiscal year (FY) 2016-2017? If the program were a success, would you need additional money?

Assemblywoman Neal:

That is correct. During our hearing in the Assembly Committee on Ways and Means, we talked about a 2-year deal.

Chair Kihuen:

Will there be a specific recruiting effort in Clark and Washoe Counties to find the ten participants?

Assemblywoman Neal:

We plan to use the Nevada Small Business Development Center—because it is part of the State's makeup—as the marketing center to recruit. The CSN will also be doing some marketing because of the College's success with student businesses.

Mr. Bonnenfant:

This will be a statewide effort, not just Washoe and Clark Counties.

Chair Kihuen:

Are the GIS positions already in existence, or will they be created because of these funds?

Assemblywoman Neal:

They will be created.

Chair Kihuen:

You said UNLV decided not to participate.

Assemblywoman Neal:

It is more focused on macroeconomics.

Senator Kieckhefer:

How do you intend to identify the ten businesses?

Mr. Bonnenfant:

We will work with counselors and ask to see the performance from these companies and how much income they generate. Each company will have to prove it is doing between \$100,000 and \$700,000 and show how many jobs it is producing.

Senator Kieckhefer:

If you have 50 companies come in, how will you determine the candidates?

Mr. Bonnenfant:

We will consider the companies that have the best chances of growing revenue and creating jobs. We will generate data and maps that will allow us to work with GOED to update the Website. We will work with other entities, in addition to the five pilots in the south, to show what the Centers can provide to other businesses.

Assemblywoman Neal:

Part of the vision was to include businesses within the GOED sectors because there needed to be an alignment with our economic development plan. We recognize other businesses that fall out of the sectors may fit into the pilot program. We plan to discuss this with all of the entities after the Session. We want two sectors represented to show the relationship, but they need to fall within a second-stage high-growth business so we can monitor the changes. If we were to find an agriculture business from rural Nevada, we could highlight this sector showing a business with growth and change using the data application. I have a handout ([Exhibit E](#)) which highlights technology use among rural Nevada businesses. Table 2 on page 5 of [Exhibit E](#) shows how businesses

apply Internet information. It is important to evaluate places like Douglas County or Elko to see how they use information on marketing and advertising of products and services.

Mr. Bonnenfant:

We will start with the seven GOED industries in A.B. 410, but as we review the other businesses, we want to find ten businesses that supply primary jobs and export and import new money into the State. All of these factors will be taken into consideration as we evaluate these companies.

Mr. Bonner:

Even though this is a pilot program, we need to take data mining and gathering of data into consideration and discover areas unknown to us. For example, we have the pilot program with ten businesses and discover one principle that is transferable to another 100 businesses in the State—that is a big win because we have identified the principle through data mining and metrics.

Steven D. Hill (Director, Governor's Office of Economic Development):

We support A.B. 410. We think this bill can be helpful to more businesses than the ten in the pilot program. In response to Senator Kieckhefer's question about performance metrics, our Office has talked with Mr. Bonnenfant and a representative from CSN about responsibilities and how to address performance measures. We will receive quarterly reports outlining progress with the data element of the law and with identifying and assisting the ten pilot businesses, which would include job expansion, financial performance and client activity of all Nevada businesses using the data. Targeting sectors is important because exporting businesses help expand the economy. Nonexporting businesses compete with each other within the State, and we do not want to start programs that incent or aid similar businesses. Incentives, abatements and the assistance must be for the primary companies. It also allows our sector specialists to work with these businesses, which will be important.

Chair Kihuen:

Have you seen this type of program established in any other state?

Mr. Hill:

We have seen this to be successful on a broader basis. We first looked at Colorado, but this type of data is the foundation for the economic gardening concept of helping businesses grow.

Mendy Elliott (Northern Nevada Development Authority):

It is important to understand the businesses being identified throughout the State, how they align with the sector strategies and how they are to be selected. The NNDA covers the Sierra Nevada region, and we are interested in working with Assemblywoman Neal and Mr. Bonnenfant to identify one or two companies within our region that would qualify. We are especially interested in agriculture, and we have many exporters in the Carson City area. The alignment with the sector strategies is important for moving forward. As programs for abatements and investments are developing, we need strategies that have a correlation, with someone pooling, reviewing and analyzing information. The Nevada Small Business Development Center is the perfect alignment for this program. The information it provides is specific, targeted and relevant. This bill is important because it can be replicated.

Pat Sanderson:

This is a commonsense economic development bill because it provides the companies that are located in Nevada with mentoring services to help them grow. It gives companies all the tools needed to grow and develop jobs.

Senate Committee on Revenue and Economic Development
May 28, 2013
Page 11

Chair Kihuen:

With no further business to come before the Senate Committee on Revenue and Economic Development, the meeting is adjourned at 3:44 p.m.

RESPECTFULLY SUBMITTED:

Mike Wiley,
Committee Secretary

APPROVED BY:

Senator Ruben J. Kihuen, Chair

DATE: _____

<u>EXHIBITS</u>				
Bill	Exhibit		Witness / Agency	Description
	A	1		Agenda
	B	1		Attendance Roster
A.B. 410	C	34	Assemblywoman Dina Neal	Economic Development
A.B. 410	D	11	Assemblywoman Dina Neal	The Economic Impact of GrowFL
A.B. 410	E	10	Assemblywoman Dina Neal	Technology Use among Rural Nevada Businesses