

**MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON REVENUE**

**Eighty-Second Session  
May 4, 2023**

The Committee on Revenue was called to order by Chair Shea Backus at 4:08 p.m. on Thursday, May 4, 2023, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda [[Exhibit A](#)], the Attendance Roster [[Exhibit B](#)], and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.state.nv.us/App/NELIS/REL/82nd2023](http://www.state.nv.us/App/NELIS/REL/82nd2023).

**COMMITTEE MEMBERS PRESENT:**

Assemblywoman Shea Backus, Chair  
Assemblywoman Venicia Considine, Vice Chair  
Assemblywoman Natha C. Anderson  
Assemblywoman Lesley E. Cohen  
Assemblywoman Danielle Gallant  
Assemblyman Gregory T. Hafen II  
Assemblywoman Erica Mosca  
Assemblyman Duy Nguyen  
Assemblyman P.K. O'Neill  
Assemblyman David Orentlicher  
Assemblywoman Shondra Summers-Armstrong

**COMMITTEE MEMBERS ABSENT:**

Assemblyman Ken Gray (excused)

**GUEST LEGISLATORS PRESENT:**

Senator Dina Neal, Senate District No. 4  
Senator Julie Pazina, Senate District No. 12

Minutes ID: 1057



**STAFF MEMBERS PRESENT:**

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst  
Susanna Powers, Deputy Fiscal Analyst  
Nick Christie, Committee Manager  
Gina Hall, Committee Secretary  
Cheryl Williams, Committee Assistant

**OTHERS PRESENT:**

Annette Magnus, Executive Director, Battle Born Progress  
Chris Daly, Deputy Executive Director, Government Relations, Nevada State Education Association  
Thomas J. Burns, Executive Director, Office of Economic Development, Office of the Governor  
Madeline Burak, Legislative Director, Office of the Governor  
Tina Quigley, President and Chief Executive Officer, Las Vegas Global Economic Alliance  
Mike Kazmierski, President and Chief Executive Officer, Economic Development Authority of Western Nevada  
Jeff Sutich, Executive Director, Northern Nevada Development Authority  
Warren B. Hardy II, representing Urban Consortium  
Glen Leavitt, Director, Government Affairs, Nevada Contractors Association  
Mary Beth Sewald, President and Chief Executive Officer, Vegas Chamber  
Tom Clark, representing Reno-Sparks Chamber of Commerce  
Mac Bybee, representing Associated Builders and Contractors, Nevada Chapter  
Cheryl Blomstrom, representing Nevada Trucking Association; and Nevada Manufacturers Association  
Elyse Monroy-Marsala, representing Associated General Contractors, Nevada Chapter  
Andrew MacKay, Executive Director, Nevada Franchised Auto Dealers Association  
Sam Anastassatos, representing Nevada Subcontractors Association  
Nick Vassiliadis, representing Nevada Resort Association  
Lindsay Knox, representing Dragonfly Energy  
Mike Draper, representing Nevada Builders Alliance  
Kristina R. Kleist, representing Latin Chamber of Commerce, Las Vegas, Nevada  
Dale A. R. Erquiaga, Acting Chancellor, Nevada System of High Education  
Kanani Espinoza, representing University of Nevada, Las Vegas  
Anthony Ruiz, representing Nevada State College  
Emily Osterberg, Director, Government Affairs, Henderson Chamber of Commerce  
Glenn Christensen, Chairman Emeritus, Las Vegas Global Economic Alliance  
Kerrie Kramer, representing NAIOP  
Sheldon Mudd, Executive Director, Northeastern Nevada Regional Development Authority

Heidi E. Lusby-Angvick, Co-Director, Nevada 95-80 Regional Development Authority  
Michael Brown, Private Citizen, Las Vegas, Nevada  
Cyrus Hojjaty, Private Citizen, Las Vegas, Nevada  
Clark Wood, Private Citizen, Las Vegas, Nevada; and Board Chair, Las Vegas Global Economic Alliance  
Michelle Hammond Allen, Economic Development Officer, Humboldt County and City of Winnemucca; and Co-Director, Nevada 95-80 Regional Development Authority  
Betsy Fretwell, Private Citizen, Las Vegas, Nevada  
Mridul Gautam, Ph.D., Vice President for Research and Innovation, University of Nevada, Reno  
Marcos Lopez, Director, Outreach and Coalitions, Nevada Policy Research Institute  
Amber Stidham, representing Las Vegas Global Economic Alliance  
James M. Humm, Director of Public Policy and Government Affairs, Office of Economic Development, Office of the Governor  
Mendy Elliott, representing Economic Development Authority of Western Nevada  
Nick Vander Poel, representing Northern Nevada Development Authority  
Dylan Keith, Assistant Director, Government Affairs, Vegas Chamber

**Chair Backus:**

[Roll was taken and Committee rules and protocol were reviewed.] To give you the lay of the land tonight, we are going to first hear Senate Bill 394 (1st Reprint), followed by Senate Bill 181. We will then have our work session on Senate Bill 50 (1st Reprint), followed by public comment. With that, I will open the hearing on S.B. 394 (R1).

**Senate Bill 394 (1st Reprint): Revises provisions governing abatements and partial abatements of certain taxes. (BDR 32-603)**

**Senator Dina Neal, Senate District No. 4:**

I want to give some opening comments before I get into my official remarks. This is the first actual bill hearing on Senate Bill 394 (1st Reprint). This bill started off one way, and on deadline day it was a gut and replace to deal with the abatements. It was already anticipated that was supposed to have been part of the language, however it did not come out. Knowing I was not going to move in education tax, I then went with language I wanted to have a conversation about.

I would also like to state I am not here to completely neutralize the Office of Economic Development, Office of the Governor (GOED), and make it an ineffective agency that no longer has a particular tool. I know what the language says, and it says that on purpose, which is that ultimately S.B. 394 (R1) limits the power and the amount in which abatements can be done. I wanted to use this bill more as a vehicle to talk about and perform some kind of analysis and to have a conversation with the Assembly Committee on Revenue on the distribution of power and oversight by the Legislature and, in addition, long-term erosion and sustainability of tax abatements.

I want to start off with the arguments about the power of the Legislature and the delegation of authority that happened in 2011 when we decided we would delegate some of our power in order to create this office. The powers of the State of Nevada under Article 3 in our *Nevada Constitution* establish the separation of powers, that we should have three departments, and that the exercise of powers properly belongs to those departments that shall exercise any function appertaining to those or any other that is expressly or directly permitted in the *Constitution*.

The Legislature has the power to make law. The Legislature also has the power of the purse. I also want to make mention that in the separation of powers, we do have the power, as a Legislature, to delegate our authority; however, I believe that as a Legislature we also have the power to use our lawmaking authority to try to have a conversation and examine if the delegation of powers has gone too far. Does the Legislature still need to engage in oversight over certain authority they may have provided to another branch, and in addition to an Executive Branch agency? I want to cite in *Heller v. Legislature of the State of Nevada*, it stated very eloquently that the separation of powers is probably the most important single principle of government, declaring and guaranteeing the liberties of the people. It is perhaps an act that works to prevent the accumulation of power in any one branch, and in this case S.B. 394 (R1) is opening up the conversation to advance the public policy that maybe too much power has been accumulated not into an Executive Branch, but into an Executive Branch agency in which the Legislature has no oversight.

The question I am proposing for the Assembly Committee on Revenue with S.B. 394 (R1) is has the Legislature divested too much of its lawmaking and financial power to GOED, and what is the right balance that this body should reexamine today? We delegated power to the GOED Board under Chapter 360 of *Nevada Revised Statutes* (NRS), and also under NRS 231.037. What I want this Committee to think about as you are hearing this bill in its form today is if this bill is going to force us to examine whether the legislative powers given to us under Article 9 of the *Nevada Constitution* have been a delegation and accumulation of power that has gone too far.

These are my opinions, that the Legislature, under Article 9 of the *Nevada Constitution*, has the power to appropriate the money needed for all state government expenditures and must provide for an annual tax to defray the state's estimated expenses for fiscal years that include the regular biennial session. I am citing to that power because I looked at all the prior GOED reports and I can only give you an estimate, because actual numbers on abatements are confidential. That is something the Fiscal staff may have, but it is not something we have the privilege of having as a Legislature. As I went through those documents, trying to do the analysis on whether the distribution of powers needs to be reframed or rebalanced, I calculated that there is an estimated \$2.6 billion that has been abated since 2015—and I want to be really clear about estimation. The ultimate question for this Committee today, on S.B. 394 (R1), is should the Legislature have oversight over that power? If we are in the seat of the body that is deciding what the revenue for the State should be, and what should be spent on our needs, should we not also be in the seat of determining how much of our taxes should be abated for economic development purposes?

The bill proposes that this Committee examine the \$330.3 million tax abatement that recently happened and how we were, I would say, a side chick to the conversation, because we were not actually a part of that conversation, nor could we get information, nor could we find out what was going to be the amount of that abatement prior to that conversation. All we could do was sit back and watch it happen. That is when the conversation popped up about, is there a need to have oversight? Should we have a conversation about the reversal of the delegated power to GOED to try to create some balance?

Senate Bill 394 (1st Reprint) came out, and I am sure it was a shock. I am sure people wondered what I was doing, why I was doing it, and did I not believe in economic development? Yes, I do. I actually believe in economic development deeply and understand GOED's role, but I wanted to use this bill as a vehicle to have this conversation about what is now the appropriate balance of power. Even The Pew Charitable Trusts did a report in 2017 that said it is always important to go back, recalibrate, and reexamine your tax abatement system. We are 12 years in, and I think it is appropriate for us to recalibrate, not only power but to reexamine what the oversight is, to relook at those statutes and determine what is the appropriate way we would like to move forward.

Another question I want to pose to this Committee is that in the conversation S.B. 394 (R1) is bringing, what do you want us to look like 50 years from now? What businesses would you like to have here? What would you like the abatement size to be? Who would you like to benefit? Do you want to have a say in that or not? I think those are the questions I am presenting to you with this bill. Lowering their capacity to \$500,000 is absolutely unworkable. We know that to be true. We also know that this Committee, in its wisdom, can decide at the first hearing on this bill what the appropriate number is. Is it really to allow them to continue to have the same exact power, or is it to limit the power and the discretion of the Board to just arbitrarily make that decision, and then we find out about it later? I do not want to be sitting in the seat where I find out about the abatement and I have no say in it.

I think S.B. 394 (R1) is going to force the examination and conversation around whether we delegated too much power away in order to achieve our economic development plan and our diversity. At the time we moved this legislation, did we need to take a risk to create the GOED Board and to then give that power to bring in those big companies? I think we did need to have that conversation. I think we were in a space where we had come off the Great Recession and the State did not have any revenue. We had a chance, at that time, to look at 2000 forward. We only have so many large industries, and it cannot sustain us in the Great Recession. There is not enough revenue being generated in this State for the workforce of our people, or do we have economic development that was sustainable for our people?

Whether we wanted to or not, in the 28th Special Session we all sat at the table Governor Sandoval positioned us in, and we voted. We had floor speeches. We were all scared. We were all worried. We were all very concerned about that level of power, because we had never seen it before. Now we have seen the benefit of it. I would never come to the table and say we have not diversified. I would never come to the table and say we are done diversifying our economy, because neither are true. The question is, Do we still need to go

after the \$330 million tax abatement fish, or do we need to start looking at more midsize, smaller abatements? Do we need to reexamine the oversight and the position of the Legislature? Is it the will of this Committee to have that conversation and think through what the effect of constantly having large abatements is on the state? What is the effect of not having the Legislature in the seat to determine whether, in the wisdom of the 63 members, that is what they want to do?

There is also a conversation to be had about whether the constant abatements can create long-term erosion of the local tax base. There is actually a lot of data out there about that. At the end of the day, when we think about local governments that typically end up being the financial backbone of a state because they are typically providing the direct services of education, police, fire, parks, and other services, can they sustain the abatement of their property taxes long-term, which are their bread and butter to their baseline budget? I think those are appropriate conversations to have because we are now 12 years later.

I know S.B. 394 (R1) got a lot of people riled up and upset, and they told me they were going to oppose it. I told them that was perfectly fine, and here is why. We needed to have a conversation about it, and we were not having a conversation while I was going back and forth and being quoted in the paper. That did not happen. It was very one-sided. I wanted to bring this bill to the Assembly Committee on Revenue because you are larger than the Senate Committee on Revenue and Economic Development, and everyone knows this bill was a gut and replace that happened on the final day, but it was a conversation piece prior to that moment.

The bill is pretty simple. It has a whole lot of pages for no reason. Ultimately, what it does is take the ability to abate and caps it at \$500,000. Why did I do it that way? It was a way to get the Legislature back into the conversation through its lawmaking power, which is our power. Our power is the ability to make law. Our power is to go in and decide that for public policy purposes we are going to make an adjustment, not in violation of separation of powers, but squarely within the powers we have as a Legislature to say, "I am changing the law," and that is what the bill does.

I wanted to say all of this to you because I have not had a chance to really talk to the opposition. I wanted us to have a robust conversation. I also wanted to frame it and then put everyone else on notice on what my intent is—that I know in my 12 years of being in this building that S.B. 394 (R1) would be the effect of neutralizing and eliminating GOED in its current purpose. That is not what I want to do, but I do want to have a conversation about the delegation of power, the distribution of power, oversight, and where we see ourselves as a Legislature in this conversation around tax abatements. With that, I open myself to questions.

**Chair Backus:**

Thank you so much, Senator Neal. I forgot to welcome you back to this Committee. I think there are only two of us currently who had the pleasure of serving with you in 2019. We will begin with Assemblyman Hafen.

**Assemblyman Hafen:**

I appreciate the conversation. I genuinely do, because I do think there are some of the tax abatements that do need to be looked at. Considering Assembly Bill 419 passed out of this Committee at a work session but for some reason did not make it to floor, those are conversations that need to be had, correct? My understanding is the tax abatements we have been doing for film taxes have not seen a return to the state, and they have actually just cost the state money. I do think those aspects need to be discussed. You said your intent is not to end GOED in its current state. Could you explain in a little more detail where this amendment is headed and why the substantial change?

**Senator Neal:**

It really came after Senator Pazina's bill that was heard in the Senate Committee on Revenue and Economic Development, where she was having a conversation with us about GOED being in the place of talking about midsize-to-small businesses, and how the abatement was missing the mark in terms of serving those companies. It also came from a conversation that I had in my office where we were literally talking about economic development and talking about where we want to see the state. I started to have the conversation about if we were to walk down the road 30 years or 50 years, where would we want our children to work, what kind of careers would we like them to have, what kind of businesses would we cater to, and what will we give them in return to be here?

When Tesla II came down, I was not very happy. I did not understand why this company needed a second round of abatements. For Storey County, the first go was probably effective, but there was a lot of conversation about how abatements allowed folks to be on Medicaid, and how the average wage requirement we put in there was not necessarily meeting the goal of serving the individuals who work there. Then there was also the conversation about how the geographical focus was causing this overrun and overburden on adjacent counties. I decided to make a bold move and amend my public education bill. I have been in the paper talking about these abatements, and I am going to have this conversation. That was it, and now we are here.

**Assemblyman Hafen:**

You asked where we want to see the state head for our children, which is a great question because my son is now six. What would your vision be for the direction Nevada should have in regard to economic development?

**Senator Neal:**

I have thought about that. It is a mixture. It is a mixture of professional services, midsize companies, where our college graduates are in alignment with the companies that we bring to the state. That has been a long-term goal, and I am not saying that GOED is not on that track and not in that position. What our gap has been are our mid-level careers where, if you do not want to work for the bank, you do not want to work for a government, you are not a lawyer, you are not a doctor, you are not an engineer, you are not in construction, but you are

more into the social sciences and you are seeking a little bit more on the creative side of a company. I have always looked for the greatest legal research job in the universe, where I could work for a nonlobbying and nongaming company. I think it is that mid-level employee that we are trying to make sure has a career, and there is a range.

I went to an event—around the Regional Development Authority (RDA) and intellectual property—where they would come in and try to figure out how we could be a supplier or figure out how to court more intellectual property companies to the state of Nevada. It made me think—that would be unique. There are some people or students who have chemistry degrees, they have social science degrees, they have public policy degrees, they may even have a business degree, and they are still trying to figure out where they fit in these different places, and if they were to get a master's degree, how could they advance themselves into a corporation, advance their career, and advance their retirement.

I have spent a lot of time since 2017 in the workforce, figuring out where our kids should be. We do not really have those positions for them. I know people have talked a lot about how Haas Automation in Henderson was the next big thing, and a lot of North Las Vegas residents started to work at Haas, but when I talked to a lot of 19- and 20-year-olds, they were not interested in doing manufacturing, although that is one of our tiers.

I asked them what they wanted to do. They wanted a job that would teach them, or they would learn how to be a chemist by getting a certification. I do not think that exists. I think their conversation to me means we have not made the mark on those mid-level companies that will serve our people. I know I am being anecdotal, but I have had Project 354 since 2017 [Assembly Bill 354 of the 79th Session] where I have been working with underprivileged youth, ages 16 to 26, who are GED [general education diploma] or working on their high school diploma, and they are trying to find work. They do not want to work at Taco Bell. They are somewhere in the middle where they do not want to go to college but they want to do anything in between. They want a real job but do not see the horizon for themselves in any company they feel they could live, grow, work, and then retire from. I thought that was interesting. We still do not have a final answer. I am continuing to work with them, trying to align them with companies that will help them, but there just is not a lot in the space to help them.

I want to add one final thing. I know some people say the unemployment rate is super low, but for some groups it is not. For Blacks, it is not. For Native Americans, it is not. For some Latino populations, it is not. It is still above 5 percent. It is like 8 percent, 9 percent, 11 percent, and 12 percent. I think we have to work in the space to figure out how to align the GOED purposes to the actual underbelly of our community and mid-level workers.

**Assemblyman Orentlicher:**

You have raised a couple of concerns. One is the actual incentives that are offered. Did Tesla really need a second one? How is it decided? Why is it the Executive Branch and not the Legislature? I think both of those are important.



The evidence seems to be pretty clear that we overdo it with incentives. I will quote from a Brookings Institution study, "Research suggests that at least 75% of the time, typical incentives do not affect the business's decision on where to locate and create jobs—they're all cost and no benefit. Furthermore, even when incentives do tip a location decision, they do not pay for themselves. They may create new jobs, but frequently they also bring in new workers from outside the city or state, which raises costs to public services that offset at least 90% of any increased revenue." Clearly we are doing unnecessary incentives, and that is good. The Brookings Institution says you just have to do it properly, and they give some suggestions on how you get the right incentives and avoid the bad, so your bill could do some of that. I encourage you to think about that; you may already have. Rather than just having a blunt—only small ones, not big ones; instead of good big ones, good small ones; but not bad ones.

The other thing is on how we make the decisions. You are right. We give too much power to the Executive Branch, not just here. There are other ways to do this. Just let us decide by bills, or the other way we would do it is give authority to the Executive Branch but the regulations come back to the Legislative Commission. I am just throwing out some alternatives.

**Senator Neal:**

I have looked at that. One of the biggest concerns is about the nimbleness of GOED to make decisions. I recognize that they still need to be able to make quick decisions; however, I feel that when it comes to a large abatement—which is when we need to figure out what that balance is—then we need to pull back that power. I have read that Brookings Institution report. What is interesting about the GOED reports they have put out, is they are kind of this weird anomaly. When we look at the tax that has been abated and then look at the tax we have generated from that economic development decision, we have done pretty okay in this particular state. There are some horror stories in other states. I looked through from 2016 to current and it reminded me that we have actually done okay in the small amounts that we gave away per year and what we got back. It is just when it comes to those large ones, we are not talking about the \$6 million ones, we are not talking about \$4 million here and \$2 million there. When we look at those large numbers and if we were ever in a revenue crunch, which currently we are not, how does that abatement affect our ability financially to make decisions for the state? We do not even have a seat at the table to examine, do a comparison and contrast, and say, maybe I do not want to do that amount as a Legislature. Maybe I do not want to just watch that decision be made and say, I can do nothing about it, because you can do nothing about it in the current environment.

I agree with you that it is not the blunt force tool that I did in this bill. I know that, and I hope my opposition is hearing that. I do think that if this bill was amended, it needs to be what this particular body feels is appropriate and right and for the future, so in the next five years or ten years, you want to have a conversation, recalibrate, and reexamine what I did ten years ago, because it may not be appropriate. I think something we must constantly do is reevaluate.

You heard a bill in this Committee, Assembly Bill 261, that dealt with GOED and water. That is a recalibration. That is an assessment; looking at the current state of water in Nevada and determining if this is a heavy water use company, and are you really a part of the landscape of Nevada? Can you be? That is a recalibration. I also think beyond A.B. 261, there needs to be more conversation about the recalibration and reexamination. I think this is the session to have it because in 2025, how do you know what is going to go on? As I said, Assembly Committee on Revenue, I am leaving enough to the wisdom of this very special Committee to tell me what you think is appropriate. I know what I think, and I know what a good balance is, but I want to have that conversation with this Committee.

**Assemblywoman Summers-Armstrong:**

I am always in awe of your grasp of these things. This is my first time on the Assembly Committee on Revenue, and this is new territory for me. We all know that I spent many years in the public works sort of atmosphere. The one thing I learned when I worked at the RTC [Regional Transportation Commission] for many years is that no new development comes without some type of requirement. There is always a fallout from it. In your presentation you said we have done okay with some of the tax abatements that have happened. Is your assessment purely on revenue, or is your comment based on a broader assessment?

I am on the Assembly Committee on Growth and Infrastructure, and one of the things we just learned was when Tesla got their first abatement and they developed this parkway, even though there were many jobs created and there has been some increase in standard of living in this area, the broad spread has been traffic. The parkway people have to use to get into Storey County, into the parkway, is not developed and there is traffic all the time. There is nowhere for them to develop. It is two lanes in each direction, and the cost to fully develop out in order to hopefully handle the traffic is prohibitive. They came to us in the Assembly Committee on Growth and Infrastructure to try to get some solutions.

Is that type of issue in the calculation of direct dollars and cents? When we talk about what Storey County is up against, where their infrastructure is in very poor shape and they are trying to figure out how to replace water pipes that are blowing up every week, and their infrastructure needs, because the taxes were abated and they did not get any money, is that part of the calculation? Are we just looking for a clear exchange of a dollar one to one, or do these calculations of what the benefits are look at the broad spectrum of impact, because every time there is a development and every time there is growth, somebody has to build the roads, somebody has to improve the roads, somebody has to buy the infrastructure. Is that in the calculations that we hear about, or is that not included?

**Senator Neal:**

I am going to answer this a couple of ways, and I think when Director Burns comes up here, he can probably add to this. I think we learned a lot of lessons from TRIC [Tahoe-Reno Industrial Center].

I think Storey County—I will not say it was an experiment, but Storey County took a risk and they gambled, and in hindsight do I believe they would have given away all that they did? No. In hindsight, do I believe that the MOU [memorandum of understanding] provision that allows them to approve or commit to what GOED decides for them, I do not think they would have done that. I also do not think they would have put themselves in the position to have to pay back Google for road development.

Economic development also has planned growth associated with it. I think with TRIC there were theories. I remember being present and asking all my theoretical questions of Steve Hill and everyone, and saying theoretically, you are talking about this high benefit. I challenged that because how did they know it was going to work? It turns out it worked, with some problems. Did we get economic development? Yes. Did we get diversification? Yes. When we asserted what the risk would be, was there a benefit? Yes, there was. Could we handle the benefit? No. Was there an outgrowth of housing that could not be sustained? Absolutely. Did Washoe County and Reno feel the effects? Absolutely. Did they find the new residents were now coming and they did not have enough housing to sustain them? Yes.

There was an overlay of other surrounding counties that had conversations. There were bills that came through the Assembly Committee on Government Affairs at the time, trying to figure out how to redraw the line so that any of the counties that were affected could try to siphon off dollars in order to help themselves deal with the overflow of the new residents that were coming in and the new road challenges.

Those were heavily contentious around what belonged to Storey County, because Storey County did not have and had to wait for their money to drop into the bucket, and whether the surrounding counties and cities should then be able to enforce by redrawing improvement districts in order to siphon money; it was very contentious. At that time—2013, 2015, 2017, and even 2019—we had those conversations around what we needed to adjust. I think the things you mentioned—planned growth along with the economic development and the diversification plan—should go hand in hand. Do I believe that GOED has learned those lessons? Yes, I do. I think that the geographical trend of just focusing on one area and moving in that area is not necessarily their plan for the future. I think they are considering development in a different way. However, I want us to have a seat at the table when that happens. I do not want to learn about it in the paper.

I think the 63 legislators have value to add to that conversation. Why? I think the 63 legislators bring diversity of thought and experience to help examine and rethink about what is good—have you considered this, have you considered that? Some people have said the GOED Board is just a rubber-stamp to a decision that has already been made, but that would not be the case in the Legislature. We do not really rubber-stamp anything. From my understanding, with this new freshman group in the Assembly, you do not rubber-stamp anything. You question the death out of it. That is a positive. I like the fact that you have questions. You have put me through the firing squad, and I appreciate it. It is good to have diversity of thought to examine. It is also good to have balance of power. It is also good to talk about the effect of unplanned growth on a region.

**Assemblywoman Summers-Armstrong:**

Please do not discount the sophomores. We came to slay last session, and we are here with the same energy. We want to make decisions that are going to be beneficial to our diverse communities. Many of us want growth and we want the influx of dollars, but we cannot seem to get attention to some of the things we are interested in because larger players take the air out of the room. This is bold and brave, and I expect nothing less from you.

**Assemblywoman Considine:**

Thank you, Senator Neal, for starting this conversation. One of the initial things you said was that abatements were confidential, and there were several heads behind you saying no, which is one of the things I want to bring up. There are so many abatements that I am wondering how we find a balance and we get the calculations, all of these things that we have talked about; where we have abatements that last ten years, we have abatements that are real property taxes, sales and use tax, and modified business tax; all different amounts, different levels, and different years. Is there a chart that lists these different types of abatements, the different types of entities that are getting them, and how much of those abatements are being used each year versus how much they were given? I know that is even a flux—a lot of these things fluctuate; how many abatements they might take, which ones they take, how they use them, and when they use them in order to balance that effect on local areas as opposed to what these businesses are bringing in to balance those things out. I do not know if that is possible to get.

From my questioning, it seems like there are many different levels and many different areas, that everything has to be pulled. Who is in control of doing these, while also keeping track of the abatements that go through, that chart where this one is ten years, we are five years in; there are seven more that are three years in; and where are we on each line, and whether that would help us to decide if we want larger ones, midsized ones—what areas, and what localities? Is this the line that you are looking at? Are these the conversations that you are also thinking of? Is this information available, and I am just unable to easily find it?

**Senator Neal:**

There are GOED reports that list the data abatements, the aviation abatements, and the others. It is my understanding that what is presented in those charts are estimates, not actual. I was very careful to say estimates versus actual. I do not know if you want to let Mr. Nakamoto address this particular piece, because his advice to me was to please not say it is actual, because it is not. Also, I think he could add to this confidential piece on why I was very careful in saying my words today.

**Chair Backus:**

I recognize you have a lot of experience in this room and have been working on these GOED pieces. We will go ahead and turn to our Fiscal staff to see if we have an answer for Assemblywoman Considine.

**Michael Nakamoto, Chief Principal Deputy Fiscal Analyst:**

Senator Neal is correct. The reports GOED puts out are based on the information that is provided as part of applications for abatements, which are based on the projected or estimated number of abatements at the time the application is made. In terms of the actual abatements that are taken or used by that particular company, that is a completely different matter. It is my understanding that because a lot of these deal with taxes that are paid by the Department of Taxation, actually reporting the amount of abatements that may have been taken by those companies starts running into the confidentiality statutes relating to individual taxpayer information under NRS 360.255, which makes trying to get information based on actual abatements that any individual taxpayer may have received benefit from, at least from the state's standpoint, a little more complicated.

**Chair Backus:**

When we have these conversations it takes me back to the 2019 Session. I believe it was Senator Kieckhefer who actually brought Senate Bill 410 of the 80th Session, to basically put an end to the Faraday deal. I remember us, as a Committee in the Assembly, having a really hard time with that because there were a lot of big asks from cities and communities that wanted to continue to do economic development. By way of S.B. 410 of the 80th Session, the bill got modified wherein there were provisions put in for any of the Faraday deals to come back before the Interim Finance Committee (IFC) for approval. I am not sure if it was the first time we saw it, but the Redwood Materials deal that was made under that came before us just recently with the report. Do you think we are starting to see putting safeguards in, where we are seeing what the deals are, and they are being presented via report with those specifications before the IFC?

**Senator Neal:**

I think my issue is being at the table before the decision is made, not after the decision is made, and then saying okay.

**Chair Backus:**

I also stumbled upon Assembly Bill 444 of the 80th Session, and that was to form a committee to start looking at the abatements and to have conversations around them. Since I did not return in 2021, we had a pandemic, and a lot of funding got stripped, do you have any knowledge whether that committee ever came to fruition?

**Senator Neal:**

I think that was Assemblywoman Benitez-Thompson's bill, and then we ended up in a huge conference committee, and I believe she was threatened with a veto.

**Chair Backus:**

That was 2021.

**Senator Neal:**

Are you sure it was 2021?

**Chair Backus:**

The one I was talking about was from 2019, and it was a Committee on Taxation bill, but it could have been her presentation.

**Senator Neal:**

I do not remember that bill. The one that sticks in my mind is the one she had where she was going after the abatements and then we had to change the bill.

**Chair Backus:**

I am going to defer to our Fiscal staff. They may have more knowledge.

**Michael Nakamoto:**

Assembly Bill 444 of the 80th Session was an Assembly Committee on Taxation bill that proposed to create the Legislative Committee on Tax Expenditures and Incentives for Economic Development. That bill was approved by the Legislature and vetoed by Governor Sisolak.

**Senator Neal:**

That was mine. I am sorry. That is probably why I blanked it out, because it got vetoed. That was the only bill that got vetoed that session. It was actually a pickup from Assemblywoman Bustamante Adams, who had the bill in 2017. I picked it up and carried it again, and then it was vetoed. I remember that because they said to me that I was going a step too far. That version of that bill has passed through this house at least twice.

**Chair Backus:**

I feel bad because I thought I saw it was passed. Thank you, Mr. Nakamoto, for reading the overview better than I read that today.

**Assemblyman Nguyen:**

Thank you, Senator, for bringing this conversation to the Assembly. As a freshman and first-time lawmaker, I appreciate these kinds of conversations as a learning opportunity. There are so many things we are learning about the process, procedures, and protocol. It is like drinking from a fire hose as a first-time legislator. It is also mind-boggling that we are in 2023 and we have 120 days to have 63 legislators do this large work.

The separation of powers you mentioned earlier in your comments, that mirrors our federal level—Judicial Branch, Executive Branch, and Legislative Branch—things are working kind of well on that level, but the crucial difference for them and us is that they meet regularly; we do not. Even outside of the session, with IFC and other things that we put into place, our checks and balances are still a little bit lopsided, and therefore there are certain things that happen with the workflow and how timely certain things can be. Information does not really get to us. Even from a person who is not sitting on any money committee, there is information I do not even get. Sometimes the public or members of outside agencies would know information before I would. That concerns me.

I remember earlier in the session we had another abatement package that was going on, and I remember one of my constituents called me and asked me if I knew anything about it. Sadly, I had to say I had no clue. That is something that creates a strange perspective for me because if we have this separation of powers and we have the ability to define how things work, is this the intention of this legislation, this bill, to maybe redefine how things should work?

The million-dollar question, going back to the topic, that even all the freshmen are questioning is why we are still having part-time sessions. We have so much going on, so much happening, so much to do, and we do not have time or the space to do it. Are we looking at changing how we operate? Those were some of my thoughts when you were talking.

**Senator Neal:**

Yes, to me it is about having that conversation about redefining it. We know that we delegated our power away. This bill takes it back. The question is, What is the balance that needs to happen? We know S.B. 394 (R1), in its current form, is the most extreme form. Is the balance just to deal with how the Board makes decisions? Is it to make some of the larger threshold pieces come back to the Legislature or to IFC? Is it allowing them to continue to be as flexible as possible in the interim, so they can court and have conversations? If there is a \$50 million deal on the table, they are not forced to have to come to IFC, or they are. Those are things I want to talk about, because I do think we need to talk about what is the oversight.

**Assemblyman Nguyen:**

I know this might be controversial coming out, but in terms of the dynamics of the setup of GOED, for example, and I have not read the charter or how that setup works, but in terms of the head of the agency, maybe it should be independent of when the Governor changes. We have positions in our federal government where their appointment is 10 years or 20 years, just so they can go through the entire [unintelligible] changes of whoever is sitting in the elected role, the person to execute that office is the same. Maybe with that there are more guardrails that are set up, that is different from all these folks who are changing every two or four years.

**Senator Neal:**

I am not sure it is the Director who is the issue. It is my understanding that the same members on the Board, since we created it, are still the ones on the Board. Maybe it is about what that looks like and the sharing of information. I think there are some provisions there that the Legislature does not have the power to get. I am not sure that is appropriate or correct. It is acting like the Legislature, in its plenary power, is this side entity that has no capacity to get information, yet we are a body that has the power to subpoena, but we cannot ask an Executive Branch agency for information on an abatement. I know that folks are saying that there is a confidentiality that has to come with the deal, but there is also trying to figure out how to make sure the Legislature is a part of these conversations.

**Assemblyman Nguyen:**

I just wanted to make sure I put that on the record. I was at the same conversation and I was told the same thing, that it is confidential. If I am a member of the Legislature, why is it confidential to me? Thank you for confirming that.

**Assemblyman O'Neill:**

You keep saying you want to have a discussion ongoing, that you want the 63 legislators, or as we often call ourselves "the gang of 63," to have a discussion about abatements and GOED's opportunities. You have even said that the bill you brought before us today, S.B. 394 (R1), is an extreme bill. We have basically 30 days left, including Saturdays and Sundays, where to me, you want to have a very important discussion and a very long discussion. It is discouraging to me that you did not allow the discussion in your Senate Committee on Revenue and Economic Development. If I understand correctly, you said this was changed on the floor.

**Senator Neal:**

It was changed in committee.

**Assemblyman O'Neill:**

So there were discussions. I misunderstood you. I apologize for that misstatement. Going forward with that, I look at what GOED has done and you are right, we did give GOED the ability to take on responsibilities. We abdicated some of our responsibility to GOED. One of the reasons I am involved with multiple private community organizations outside of session, and one of the biggest reasons why I enjoy them and support them so strongly with my time and financials, is they are very nimble and able to adjust to situations quickly.

With government, and hopefully you will agree with me, we meet every other year. I think \$20 million was allocated for the 120 days that we have here, which comes out to about \$166,000 per day we are expending. When I did a little research, the Tesla special session [28th Special Session] cost approximately \$60,000 the first day, with every day thereafter about \$25,000 per day. When I think about these numbers and I think about how we meet every other year and we may have to have special sessions, businesses are more nimble. They want to do business because time is money to them. They do not want to wait for us to call a special session, or wait for us to meet every other year to agree to a tax abatement to something that they may want now. That is why we gave all this power to GOED, to do that.

Why do you want to take that away and restrict the ability for businesses to come to Nevada and our ability to be nimble? It has not just been large companies, such as Tesla, that have come. We have a small business right here in Carson City that benefited from GOED that is growing mushrooms for medical purposes. I think they are about a 10- to 12-employee operation.

I am just confused. Why do you want to take away what has been so successful for the state of Nevada right now? The reason why we have \$251 million in extra income is because of the businesses that GOED has helped bring to Nevada. You have to admit that some of that



money is coming from businesses that GOED has brought. I can agree with you on the discussion. It would be nice to have. We can do it anytime you would like. I will come to your office. You can come to mine. I will meet you afterwards and we will go to Red's, but I just do not understand, with 30 days left including Saturdays and Sundays, why you want to discuss this, push this forward in such a short timeline, when it has been successful. Even you have said that this is a severe bill.

One last thing, for the 18-, 19-, and 20-year-olds who say they are not sure what they want to do with their life, they are not sure if they want to go into chemistry and have a job that will teach them chemistry; they may want to become a pilot; they want a job that will teach them how to fly. I will tell them about a very large corporation that will help them do that, pay them to learn that education, and then give them the training and pay for their training. It is called the Department of Defense—Army, Navy, Air Force, Marines, and the Space Force. Offer that to them. We need youth in there, and they will give them that education and help them. There is hardly a person who comes out of the military who says they did not help me make some decisions and set me on whatever course, it may be good or bad at times.

**Senator Neal:**

I have stated that this bill is extreme and that it was a vehicle to have a conversation about delegation of authority, oversight, and distribution of power. I also stated in this hearing that it was not my intention and that I did not believe that this particular form of the bill should be the form that exits this building. I also said in the hearing that it was not my intention to neutralize and eliminate GOED. I then continued to say that I understood their need for flexibility. The conversation is, in that flexibility and with the Legislature, should we be on the sidelines watching the decision happen when there are large abatements coming through, or should we be trying to figure out how to reexamine that delegation of authority, putting us back into some part of the decision-making process?

In my mind the answer is yes. Am I saying that GOED should potentially come to IFC? Maybe. Do I think that there is a threshold that they should just manage that is not \$500,000? Absolutely. I knew that \$500,000 is super low. That arbitrary number was just placed in order to trigger this conversation. The comment that we are less than 30 days out: my argument is there have been a lot of large pieces of legislation or huge conversations that have been less than 30 days out. There are rumors swirling around in this building that we are supposed to try to do an Oakland A's deal. I do not think that is appropriate in the last 30 days of the session, but apparently we may have a seat at that table whether we want to have it or not.

I recognize that this session has been a strange one, to say the least. Not a lot of bills came over here from the Senate side. I think you only got three of our bills. The majority went to the Senate Committee on Finance because they were tax policy that we know we are not moving, so I think it is appropriate to have this conversation. I understand exactly what you are saying, but why not have the conversation? We had media replay the story on Redwood Materials, Tesla II in February and March. The way that our process went, this was the time where we are now having this conversation, but it was floating through the building. It is not

like we were not having the dialogue around this issue. We just did not have a bill to discuss it and try to figure out if there is a remedy or not. My position is this: you can select to have or not have, and I know there are some people who are super upset and offended, but this is the Assembly Committee on Revenue, and their wisdom can decide what they feel should be the measure because it is not a new conversation on the topic. We have just never had a bill this session that brought it up. I respect your question. Like I said, the goal is not to neutralize this agency and make it defunct or defective.

**Assemblyman O'Neill:**

I appreciate that. Hopefully you will accept my apology for the initial misunderstanding when the bill was changed around. I thought it was on the floor.

How would we deal, whether it is a large multimillion-billion-dollar business or a \$500,000 abatement business coming to the state of Nevada, when we are not in session? To a business, time is money. They want to come. They are also looking at other states. I think about the railroads and what the incentive was for the transcontinental railroad, the Pacific Railway Act of 1862. Congress had given out to the locals the ability; every other section of land would be given to the railroads. That was their incentive. We did not have taxes back then, fortunately. Abatements have been going on for some time, in some form or fashion. The conversation has happened, but it gets back to, please help me understand how would we address, without costing the state \$60,000 initially and \$25,000 a day after that, to deal with these companies that want to come if we did not have GOED right now? It would fall on us. How do we deal with their requirement of time is money?

**Senator Neal:**

Allowing GOED to still be in place but potentially having them come to IFC for some of the much larger ones, if there is something over \$100 million, I think we should have a conversation about that. I do not think it should be an arbitrary decision that is done by the Board, although some people feel the Board is the makeshift and some people are saying the Legislature, Majority Leader, the Senate, and the Assembly get to appoint someone to that Board, so therefore that delegation of authority is streamlined to that Board. I can understand that. At the same time, when you are abating taxes—meaning those taxes will no longer come into the state for the 10 years or 20 years, or whatever that abatement potentially is—and those multiple taxes that are in that package, I think when it comes over a certain threshold, I do not think we should be reading about that in the paper.

**Assemblywoman Anderson:**

Thank you for bringing this language forward. I think we have had a few conversations about abatements and how difficult I find them to be. I am going to ask some specifics, and it goes along with what some of my peers have stated on the only language change, really. It is on page 6 of the bill [section 1, subsection 5, paragraph (c)], and then it continues throughout the bill, that the Office shall not approve a partial abatement pursuant to this section which exceeds \$500,000.

Do you believe there would be a need for a special session? Are you seeing that being IFC? Are you seeing that when the Legislature gets involved? Or would that be another form of a legislative approval process? How do you envision that, so we can start that conversation?

**Senator Neal:**

I am not assuming we are going to have a special session every time there is a big deal. It would be using the IFC mechanism for something that is over a certain threshold, to allow them to at least weigh in on that so that we know about it.

**Assemblywoman Anderson:**

That is what I figured it was, but I wanted to make sure I understood it correctly. Although this is not in the language changes, I am also looking at the language above it that has to do with the different percentages of the taxes that are also being abated, or that has to do with the part of the plan the GOED Office would continue to think about, in particular when it has to do with the unemployment rates, if they are less than 7 percent. Looking at the report that just came out from GOED, currently the unemployment rate, as of July—so this must be last year's—is 4.4, so that is great news. I did not know if that was also something that would be considered as part of this discussion, or if it is only the amount of tax abatement itself that you are considering that the legislative process would be part of those discussions.

**Senator Neal:**

I was only looking at the tax abatement part. If you all noticed, when it came down to the transferable tax credits, they still came to this building.

**Assemblywoman Anderson:**

If you are comfortable with that, I would love to continue this conversation offline.

**Senator Neal:**

Thank you for the indulgence of this Committee. I know you have a second bill, which I am sure will not be as equally entertaining.

**Chair Backus:**

We appreciate your being here. With that, I will open the hearing to testimony in support of S.B. 394 (R1). We will start in Carson City.

**Annette Magnus, Executive Director, Battle Born Progress:**

We stand in support of S.B. 394 (R1) to prevent the property tax abatements exceeding \$500,000 [[Exhibit C](#)]. Nevada continues to offer overgenerous tax abatements to wealthy corporations at the expense of our critical social services and education system in Nevada. This bill would prevent millions from being given away to companies like Tesla, who leave the rest of us taxpayers on the hook to cover the gap they create in our total revenue. This bill will also help give the Legislature oversight on tax abatements rather than letting GOED offer these giveaways unilaterally. This is a separation of powers issue, to restore checks and balances. We are so incredibly tired of having these conversations about giving tax handouts to wealthy people instead of helping actual Nevadans. We desperately need to change the

way we do these abatements in Nevada. This is about transparent government and making sure we stop giving these deals away instead of fixing our social systems like education, mental health, infrastructure, and so much more that will actually draw businesses here, and be done in a responsible way. Thank you, and please support this bill.

**Chair Backus:**

With that, we will go to Las Vegas. Is there anyone in Las Vegas wishing to give testimony in support of S.B. 394 (R1)? [There was no one.] We will go to the phone lines. Is there anyone on the phone lines wishing to give testimony in support of S.B. 394 (R1)?

**Chris Daly, Deputy Executive Director, Government Relations, Nevada State Education Association:**

The Nevada State Education Association is the voice of Nevada educators for over 120 years. We are still in support of S.B. 394 (R1). We were very excited about the original bill language in S.B. 394 (R1), to move a sizeable property tax to properly fund education. If we cannot get that in this session, let us deal with this issue of abatements, these giveaways to multibillion-dollar operations. They do not need the incentives. Nevada is still attractive for their business, and we need to plug the holes so we can start to fill the bucket of service needs in the state.

[[Exhibit D](#) in support was submitted but not discussed and is included as an exhibit of the meeting.]

**Chair Backus:**

Next, we will take testimony in opposition to S.B. 394 (R1) in Carson City.

**Thomas J. Burns, Executive Director, Office of Economic Development, Office of the Governor:**

Thank you for the opportunity to speak to you in opposition to S.B. 394 (R1). I am going to preface my comments here, realizing that we are addressing the bill at hand when it was first heard. I am happy to have a conversation around Senator Neal's comments and proposals as we go forward and will address some of those as I go.

I wanted to let you know that 80 percent of the 266 companies that received abatements since GOED's inception in 2012 have fewer than 100 employees. Fifty-two percent of the abated companies have fewer than 50 employees, and I think we can all agree that those are small businesses. I would like to give you some facts around the abatements as they relate to the legislation as it is presented. Since 2012 there have been 192 companies that would not receive abatements under this. That is 32,000 jobs and \$806 million in annual wages. That is \$8 billion over ten years and almost \$18 billion in capital investment. There was a little over \$1 billion dollars in abated taxes in that period of time, but we received \$2.8 billion in excess of those abated taxes. The economic impact on the state of Nevada during that time period was over \$90 billion. To give you perspective, the GDP [gross domestic product] for the state of Nevada in 2022 was \$165 billion.

These all but go away with this legislation. The legislation would prevent the vast majority of these companies from receiving abatements. I would also like to add that Tesla and others have incredible stories that have benefited our state. Please know, in April 2020, when Las Vegas's unemployment was 31 percent, northern Nevada's was 13 percent lower, as they had received the large benefit of the diversified economy.

Let us be real. Companies of that size have options—nationwide and global options. They can locate to wherever they choose. They picked Nevada because they love the state, but the absence of abatements would not make us competitive. The name brands that we have here have economic opportunities. Are there growing pains? Yes there are, and we are not ignoring them. The passage of this legislation cuts us off before our mission is complete. Let the agency continue to provide the State with exciting opportunities and allow us to grow into and evolve into the future we all want. Our goal is the same—the highest and best use of resources for the state of Nevada and our citizens to thrive. If we remove the tools we have, it will put us at a complete disadvantage. The thought that companies will come to Nevada anyway, without incentives, is mystical, unsubstantiated, reckless, and frankly wrong.

Let us talk about what has already happened in 2023 with the five companies that have received abatements. In the next five years they will add 3,100 jobs. They will pay \$197 million in annual wages and bring \$3.6 billion in capital investment. I want to pose a question to this Committee regarding the 266 companies that have invested in our state in job creation, capital investment, and tax revenue. What happens if these companies, who are happy here and thriving here, are told the incentives and potential incentives we have are no longer available. In most cases they have other opportunities—like Utah, Arizona and Texas—which are offering better deals, and that is where they will head.

Before a company comes before the GOED Board and requests an abatement, it considers other options that are available. They look at how the deal in Nevada compares to Utah, Arizona, and Texas. I can tell you with one hundred percent certainty that the Tesla truck factory, in the latest expansion, was set for Texas, and would not have been here in northern Nevada but for the abatements. Since the inception of GOED in 2012, we have issued \$2.4 billion in incentives for those 266 companies. Those companies have already generated \$5.8 billion in new tax revenue after abatements. The economic impact of these transactions, that are direct spending from all companies and abatements for that period of time and effect the spending throughout the rest of the economy, has resulted in \$204 billion in economic impact. That is a payoff of \$101 for every dollar that was invested.

This legislation will put an abrupt halt to the economic momentum we have experienced over the last decade, and the timing could not be worse. Las Vegas, our economic engine, was hit harder than any other major city in the country during COVID-19. While the overall employment picture has improved in southern Nevada, there are still 22,000 jobs that are absent from the hospitality industry. Meanwhile, northern Nevada quickly recovered and has a bright outlook thanks to the economic diversification.

I want to point out a couple of things that our taxes incentives are:

- They are statutory.
- They are partial abatements.
- They have required sunsets after a specific time frame.
- They are only for companies which meet standard abatement requirements, such as:
  - They have to have a weighted average wage higher than the state's average wage, which is currently about \$28.
  - They have to cover 65 percent of medical insurance.
  - They have to make capital improvements that exceed \$1 million in urban areas and \$250,000 in rural areas.
  - They have to provide more than 50 jobs in urban areas and 10 jobs in rural areas.
  - They must make a case that 51 percent of the revenue is coming in from out of the state, so that we can show that the placement grows our state.

To address one of the issues that came up regarding the estimates of the abatements, clearly there are some items in play there. Mr. Nakamoto pointed out that at the beginning, they are estimates of what the abatements will be throughout the year, and a lot of those are based on the fact of an estimated investment in our economy from a capital standpoint, as well as what estimated revenues would be, so at that point in time they are clearly estimates. There are audits at the two- and five-year levels that true-up those numbers, so as we get to the end of the abatement periods, we have actual numbers and they are available in our records. Also, I wanted to make clear that all our abatement information is public information, and we would be happy to provide this to Senator Neal or any of the members of this Committee as we move forward.

Let me tell you what our incentives are not:

- They are not a complete break from taxes.
- They are not a written check from the State of Nevada.
- They are not negotiated between the state and the company.
- They are not abated in perpetuity.

As we move through this conversation, I want to let you know that we are open for further conversation. We are here for that. That is good governance, good policy, but I am concerned about what the overall message of having this hearing at this point in time sends. All this information has been presented in front of both revenue committees [Senate Committee on Revenue and Economic Development and Assembly Committee on Revenue], yet we sit here again asking the Legislature not to eviscerate our agency. I know Senator Neal has said that is not her goal now, and I will take her at her word. Please know that just having this hearing has devastating and dire consequences. It signals the entire business community—locally, nationally, and internationally—that the legislative body does not support businesses moving here, and the ones that do must in many cases wait for the Governor to call a special session in consideration of the abatement. Additionally, our ability to compete nationally and internationally is inhibited as we go forward. As it happened in California, Nevada businesses will continue to be refugees to other states including Texas, Utah, and Arizona.

Make no mistake, this would be a catastrophic economic development time for the state. As President Biden has led an effort to reshore American business and manufacturing, we can no longer give the impression that we are not open for business. I am concerned we will miss this window. I am concerned we will miss significant business coming in from surrounding states. I am concerned we will lose significant momentum we have built over the last years diversifying this economy. We do not want our economy's diversification to go back to what it was ten years ago, with no path forward to recovering from the highest unemployment and one of the worst economies in the nation at the time. I strongly urge you not to pass this legislation, not to move forward, as the consequences would be catastrophic.

**Chair Backus:**

I appreciate your willingness to share that information with us. I think part of the problem with a lot of us is answering to our constituents. I always tell the Las Vegas Global Economic Alliance (LVGEA), I love their map that shows all of the small businesses they invested in, in my district as well as the Las Vegas area, because it shows we are investing in small businesses. The hard thing is, we get a lot of backlash when those larger deals go out into the press, along with the abatements, and that is when we have to answer.

One thing I have always wanted to see, because I always think the sell on the abatements to our constituents as well as to others is not only the direct revenue the state ultimately receives from these businesses, it is also the indirect revenue we receive. I do not know if your office maintains that information, but I think that would be helpful to us when we are chatting with our constituents as to what the impact is on the community when we do give these abatements. I always like to look on the small business side, and hopefully the \$500,000 abatement is [unintelligible] right around there for those small businesses and we are not doing super large ones.

I hope you do not take any disrespect in our scheduling this hearing. We have three weeks before things have to get out for consideration of passage. It is unfortunate with the 120-day schedule that we have to maintain. Do we have any questions for Director Burns? [There were none.]

**Madeline Burak, Legislative Director, Office of the Governor:**

Thank you for this opportunity to testify in opposition to S.B. 394 (R1). I will keep this brief as I know there is strong opposition to this bill. At a time when the Silver State has a substantial opportunity to compete on a global scale, this bill would significantly hamper our ability to compete for businesses looking to move to a more business-friendly environment. As Governor Lombardo said in his State of the State, our best opportunities for economic growth are providing a pro-business environment for the 350,000 businesses that currently call Nevada home, and offering a pro-development invitation for the expansion of new businesses. This bill does the exact opposite. Removing available tools and limiting the options for businesses to relocate here would make Nevada noncompetitive. Adding preconditions, requirements, and regulations are indeed the antithesis of making businesses feel welcome.

In closing, it is Governor Lombardo's goal to continue to provide diverse economic opportunity to Nevadans. Delaying companies that offer high wages, provide health care, and genuinely care about and want to invest in Nevada would be catastrophic. Thus, on behalf of the Governor's Office, we strongly urge you to vote against the passage of S.B. 394 (R1).

**Tina Quigley, President and Chief Executive Officer, Las Vegas Global Economic Alliance:**

Thank you for the opportunity to share our concerns. Our nonprofit works with GOED, our municipal partners, and several private-sector friends. We are one of eight regional development authorities (RDAs) within the state. I just want to reiterate, to put things in perspective as you are considering this bill, some of the things that Director Burns mentioned. When we are talking with companies and we are talking about incentives, they have to meet certain qualifications:

- They have to be a company that is importing money and exporting stuff.
- They need to have at least 51 percent of their revenues going out of state, so we are not talking about florists, dry cleaners, et cetera; we are talking about companies that are helping us become a more prosperous economy.
- They need to have at least 50 employees, so they are not huge companies, and sometimes they are even smaller, with fewer incentives.
- The average wage needs to be a livable wage, or at least meet the state's average wage or be higher.



- They need to invest at least \$1 million in capital if they are a nonmanufacturing company, and at least \$5 million if they are a manufacturing company.

We are now having conversations about a good-fit company falling within a certain metric, a certain factor of water consumption. Those are the types of companies we are dealing with, just to put it into perspective for you.

Right now, we are working on four projects that would, if this bill does not pass, go on to seek tax incentives. Those four projects would bring in an average of 60 employees, so that is a total of 250 employees, at a job rate of just under \$29 per hour. They will bring with them \$250 million in capital investment into our community. In the pipeline, companies that we are currently courting and trying to attract here, we have ten of them in the near horizon that would bring another 254 jobs with an average wage of over \$30 per hour, with \$302 million in capital investment to our area. We are not talking about huge companies, but these are companies that would be affected by this legislation.

To give you an idea of the industries we are talking with in these companies, it is manufacturing, logistics, financial technology (fintech), and health care. That is kind of a day in the life of the LVGEA and the types of companies we are working with that would be affected by this legislation.

I also want to share with you that the art, the science, and the sales of economic development is becoming a very competitive one, especially as a lot of companies are reshoring from overseas. All 50 states are actively involved in trying to attract these high-skill, high-wage employers of all sizes to their regions. I very much welcome the conversation of reassessing the incentive packages that we have. I also get very excited of having a large conversation where we talk about what we want to look like in 50 years, but this bill, as it is written, does not help us get there.

The conversation we have had today is very different than the bill that has been written, and we do look forward to a very large, expansive conversation to that extent. I also want to share with you the fact that it is a competitive sport. Again, to secure these jobs that will continue to make our regions and our state prosperous does require it to be an active sport. We have been very lucky that a lot of California companies have chosen to relocate to southern Nevada, but now the word is out. California companies are leaving, and all 50 states are engaged in trying to attract the high-skill, high-wage employers to their region. Our ability to be nimble, to have a competitive tax incentive program, the fact that we are open to business, that we are open to tests and pilots, and that we are a risk-forward state as opposed to a risk-averse state have been our competitive advantages. With that, we wanted to let you know we are very concerned, and we urge your opposition to this bill.

**Mike Kazmierski, President and Chief Executive Officer, Economic Development Authority of Western Nevada:**

I am probably the most seasoned economic development professional in the state, which is just another way of saying I am old. I have been doing this for a while. This is my twelfth year in Nevada, with other states before that, and I can tell you that our economy in the north has changed in large part because of GOED and our incentive package.

Most of our growth in the north has been targeting advanced manufacturing, and if you have been through the Tesla facility, you can see why. That whole second floor is full of engineers, and the robots are on the assembly lines. That is manufacturing in the twenty-first century. Those are the jobs of the future. That is where we want our kids to have opportunities.

When we fight for those kinds of jobs, we are fighting against 43 states that do not tax manufacturing equipment. If we were to say, we are going to think about whether we want to abate tax on manufacturing equipment for ten years while other states are abating it forever, we would immediately hear a click on the phone or they would walk out of the room, because they have 43 other great states that want them.

In this state, which is one of the least-incentivized states in the nation, when we talk about abatements, the thing that is most frustrating to economic development professionals is when we say, giveaways, money, we are going to do this, or we are going to do that, we are giving the company money, and corporate giveaways—when the reality is we are just not taxing them on something they would not be taxed on in just about any other state. We are just saying we are going to tax you a little bit, but not the whole thing for ten years, but then we are going to tax you, like Tesla just found out. They are paying the full-meal deal. If they were in another state, they would not be paying that full-meal deal.

We come out ahead on our abatements at 2 to 3 to 1. For every dollar we do not take away from them—and again it is not giving, it is just not taking away from them—our revenue at the state goes up \$2 to \$3, depending on the company. Most of our growth in the north has been advanced manufacturing. This bill would just shut it down. Right now, we have at least a half-dozen advanced manufacturing companies we are working with—biotechnology (biotech), fintech, medical device manufacturing, and obviously clean tech with Redwood Materials and others. They do not come here if they go to another state and they do not have to worry about taxes on their manufacturing equipment. In my mind, that is really the biggest point. A lot of the great items were addressed.

I was here for Tesla I. It would not have happened without the abatements. I was here for Tesla II, in the room, and they were going to Texas. We turned them around by offering the similar kinds of abatements that Tesla I got. I can tell you those two deals were sought after by 50 states and probably other countries, and we got them in our state, and it makes a difference in this region. I can tell you northern Nevada is different because of projects like that.

My final point: it is not small versus big. If you go to Midtown in downtown Reno, and walk around, all those shops are hopping with Tesla and Panasonic manufacturing employees that on average, if you run the numbers—and GOED is running numbers—those employees put \$9,000 into the state economy in tax revenue alone through property tax, sales tax, and other taxes. They are taking the revenue that would not be there if we did not have the abatement, their paycheck from Tesla or Panasonic, and they are going into our community and spending it, and all these small businesses are thriving because of it. I was in Midtown 11 years ago, and it was dead. It is now thriving. I am sure there are other places that are great examples. Those are just a couple of the key points I would like to make. This bill will hurt us—potentially kill us—as a state. I would be open to any questions you have.

**Chair Backus:**

It is hard, as the State of Nevada does not have an income tax revenue structure to pay the bills of our state, provide for education, health care—all those things we have to do—so I know it is hard when we have to look to things like manufacturing equipment for taxes. I know you said 43 out of 50 of the states do not have tax on manufacturing equipment, but do most of those states actually have income taxes to provide for revenue for those states?

**Mike Kazmierski:**

Yes, they do. That is a great point, but it does not matter to the company. They are going to go there because they are not going to be taxed. From the company's perspective, that matters to them. To us, as a state, our revenue model is based on something where we did not have manufacturing when we started our financial planning, and we do now. We need it, because it is really helping us bring in the technology jobs of the future that are really exciting for our state.

**Assemblywoman Summers-Armstrong:**

I would like to continue on the ask about income taxes and other places. This is my second term, and this is the second time I have been here when our state has been in a housing crisis. We do not have money to deal with what is appearing to be a tsunami, where we have this disparate situation between those who have come here to take these advanced manufacturing jobs and are impacting the cost of living and the housing cost in areas like Washoe County and Sparks, and they are pushing people who were in this economy previously out of housing. We are seeing the same thing in southern Nevada.

How do we balance this? We are going after these businesses, and we are all excited about bringing them here; but when we abate taxes, we are not gathering, we are not collecting income that is going to help us deal with the social issues of our communities. How do we balance rampant homelessness, mental health issues, and schools that are falling apart all over the state, but we can hold up and say we have a fabulous advanced manufacturing facility at the end of a road that is not big enough to even handle the traffic that is going out there every day. Where is the balance?

**Mike Kazmierski:**

That is an amazing question that has a lot of subsets. I would first start by saying, according to the Tesla report, 90 percent of the people working out at Tesla are Nevada residents, so 90 percent of those employees are our people, and many of them had lost jobs. We have a very effective upscaling program in northern Nevada that takes somebody who is losing their job at the casino because they are modernizing and putting more automation in and giving them skill sets so they can move into these higher wage jobs and literally double their salaries. Many of the jobs being filled, in fact the numbers say most if not all in some cases, are Nevadans.

The second piece is, a lot of our kids, not just university-level but community college-level and high school-level, are now having opportunities to get quality living-wage jobs in our state, in our region, and not having to go somewhere else for it. If we do not abate at least the manufacturing tax and probably others, those opportunities are in another state. They are not here. Yes, you may not have quite as many social problems because, in theory, you have more people staying in the region, but they are getting paid pretty darn good so you do not have as many social problems with the people actually in the jobs you are abating because they are making pretty good wages in most cases.

Yes, they are paying for houses, but the housing crisis is not due to job growth, it is due to our failure to build enough affordable houses. In all honesty, a lot of things we are putting on top of the poor builders to make the house are unaffordable. I have worked very hard on the housing affordability piece. I would say it is the second-most important problem because I think education is at the top of the list. That is something we can address in different ways, and supporting people building affordable housing is a solution, and it does work in other places. We are starting to develop solutions to that, but the best solution to the problem is education and quality jobs. If you are educated and you have a quality job, you are going to be able to afford to live here.

**Jeff Sutich, Executive Director, Northern Nevada Development Authority:**

The Northern Nevada Development Authority (NNDA) represents a rural region in Nevada which covers Carson, Douglas, Lyon, Mineral, and Storey Counties. I am here today in opposition to S.B. 394 (R1). While we appreciate Senator Neal, her efforts, and her due diligence, S.B. 394 (R1) as written will limit economic development efforts in Nevada and, specifically, rural communities. The reality is, rural communities have more challenges to bring quality companies to our region than urban areas, and S.B. 394 (R1) will limit our ability to diversify rural regions and negatively affect our economic development efforts within these rural communities.

The Northern Nevada Development Authority has worked closely with GOED to bring companies and jobs to Nevada. We pride ourselves on identifying and working with companies that match our rural region. For example, this year we supported a manufacturing company that received partial tax abatements and brought their production back from China to Minden, Nevada. This company is the only manufacturer of this product type in the United States. Under S.B. 394 (R1) as written, we will be losing the opportunity we

currently have to work with companies like this one that are considering our state as a location for their operations, and consequently they may choose a different state. Nevada must remain competitive, and S.B. 394 (R1) takes us out of that competition.

**Warren B. Hardy II, representing Urban Consortium:**

The Urban Consortium is made up of the cities of Las Vegas, Reno, Sparks, North Las Vegas, and Henderson. I found today's conversation very interesting, as I generally do when I have conversations with Senator Neal. She hit on something that I have been growingly concerned about through the years, and that is the Legislature sort of walking away from some of its input and obligation, so I really want to associate myself with her comments about having a conversation.

Two things Director Quigley said that I think are important: One is that the conversation that we had during Senator Neal's presentation is very different than what is represented in the bill. I think that is important to know. The other thing she said that caught my attention was that economic development activity is a competitive sport. That is important to understand with regard to this. I think Senator Neal has made a very important and compelling argument about having a discussion. The only thing I would suggest, on behalf of the cities—because we rely heavily on these types of incentives to bring businesses to create jobs, to create tax revenue, to create other things—is that we have the conversation, and we have it in a way that does not disrupt the economic momentum that is currently taking place in Nevada. Nevada has had a remarkable recovery, and so while we have this conversation, which is an important one to have about the Legislature's involvement in making these types of decisions, I think we need to make sure we have it in a way that does not disrupt the momentum. I appreciate the opportunity to be here.

**Chair Backus:**

Mr. Hardy, we actually have a question for you.

**Assemblywoman Anderson:**

Out of curiosity, has there been discussion amongst the Consortium about when the abatements are helping one county and not a neighboring county, especially the impact—although I did disagree with the statement made earlier—on education, housing in the neighboring counties, as well as other infrastructures? Has your organization had those discussions with GOED and/or are there plans to possibly continue that?

I do take a little offense with your statement of the Legislature choosing to walk away from our responsibility because, quite frankly, that is not a decision made by the lawmakers at this time. The way I read this bill, it is our trying to make sure we are still being held responsible.

**Warren Hardy:**

Absolutely. Let me clarify what I said, because I view this type of discussion as the Legislature walking back towards that, not walking away. If I misled you to believe I was saying this Legislature is walking away, it is exactly the opposite. These types of discussions

are helpful, and many of you have served on other committees and have heard me talk about the Legislature getting back in the copilot's seat on a lot of things. I think there is activity and movement towards that, particularly this session, so my apologies if I was unartful in how I presented that because I do believe this concept, this idea of having these discussions, is moving us back to where we need to be. Thank you for the opportunity to clarify.

With regard to the discussions we have, I will say this. I think largely we have looked at it, except for the point Senator Neal has brought up, and that is the rightful place of the Legislature to be involved. I think we have felt if the process is not broke, do not fix it, so we have had no reason to really sit down and talk with them. We think it is working marvelously well, with the possible exception of the Legislature being involved in those discussions. We have not had those conversations. We would welcome being involved in this conversation because if an economic development program like this is done properly, it is an investment. You can look at it in terms of an investment. It is going to create the kinds of revenue needed for the programs Assemblywoman Summers-Armstrong spoke about. That is the idea. That is the concept. If that is not working, then we really need to have a conversation.

I would argue, as somebody who has watched this for many, many years, that it is working, except for the point that Senator Neal is making that the Legislature needs to be a little more involved in those conversations. I hope that is helpful, because that is the only place where I feel the process needs work. I think we can compare our economic development efforts in Nevada favorably to anywhere in the country, and that was not always the way it was. Some of this started under Governor Sandoval. It was carried forward very successfully under Governor Sisolak, and we are looking to continue it. I just do not want to see us disrupt that momentum that is happening out there in the real world, because I think every state will look at Nevada with envy, with what we have been able to accomplish coming out of COVID-19.

**Glen Leavitt, Director, Government Affairs, Nevada Contractors Association:**

We represent over 450 of the largest and smallest contractors, subcontractors, and industry affiliates, primarily in southern Nevada. The Nevada Contractors Association is in opposition to S.B. 394 (R1). Incentives bring businesses to Nevada. When they come here, they build structures and renovate existing ones, and in many cases it leads to roads being built. As many of you know, that is our business. All of these forms of construction create good-paying jobs for Nevadans. Reducing the number of incentives available to bring people to Nevada will result in less construction and fewer jobs for our state. For these reasons, we are opposed to the bill as written.

**Mary Beth Sewald, President and Chief Executive Officer, Vegas Chamber:**

We do appreciate Senator Neal's desire to have the conversation about the effectiveness of state agencies and the need to evaluate the effectiveness of the programs. However, as Nevada's largest and broadest business association, the Vegas Chamber is in opposition to S.B. 394 (R1) as written, because of the negative impact it would have on the state's economic development efforts and the regional economic development initiatives.

The Vegas Chamber has been supportive of GOED because of the mission and the tools that were given to it by the state Legislature, to bring more employers to our state and to provide good career opportunities to all Nevadans. The Vegas Chamber has worked well with each and every one of the executive directors who have led GOED since its very inception. There has been absolute trust. There has been collaboration and open communication between GOED and Nevada's existing business community. The current process has been efficient. It has been transparent, and that is why GOED has been so successful in bringing new businesses to Nevada and diversifying the state's economy. Those businesses have been small, medium, and large businesses. We know, because we take care of them at the Vegas Chamber.

It is for that reason the Vegas Chamber is opposed to limiting the abatement approval authority of GOED. Requiring each proposal over \$500,000 to be approved by the state Legislature would absolutely require multiple special sessions throughout the year, as was stated before. We believe this proposed cap will severely hinder economic development efforts throughout the entire state and add unnecessary legislative action bogged down in red tape. We will be less competitive on the national level, and we will lose prospective employers to other states. There is no question about that. That is not an outcome any of us would want for the state.

**Tom Clark, representing Reno-Sparks Chamber of Commerce:**

I really do appreciate the sponsor bringing this amendment and this bill forward because what we recognize, and we have always recognized if you have been in Nevada a long time, is that the GOED work is just a tool in the toolbox of economic development. We need to have this conversation and it needs to be a robust conversation. A big part of that is workforce development. We are putting tens of millions of dollars into workforce development, whether it be state money or federal money, and we are doing the best we can to map those jobs to these companies that we are bringing into the state. We have to look at this whole thing as a puzzle, and I think that conversation definitely needs to occur because you bring in education—K-12 and higher education. Those companies are not just looking for a handout. Those companies are looking for the whole package.

I do a lot of work in the arts and culture community. The first thing those executives are looking for is where are places we can go as a family to see live performances. What can my kids do? What are the art and cultural opportunities that are there? These incentive programs, especially when you are talking about the smaller ones, not the billion-dollar companies like we see with Tesla and others, they are looking for the whole package. We do have to have this conversation about the whole package. We oppose this bill as it is written, as it sits, but we definitely support the conversation that I think it will brew.

**Mac Bybee, representing Associated Builders and Contractors, Nevada Chapter:**

I am essentially going to echo my colleague from the Nevada Contractors Association's remarks. These companies that come in, they need to be built, and that is what my members do. They build these facilities—the manufacturing facilities, the commercial space—and for that reason we are opposed to this legislation as written.

**Cheryl Blomstrom, representing Nevada Trucking Association; and Nevada Manufacturers Association:**

I am going to echo the comments of my colleagues pretty much in total. I will add to that, limiting the abatement size to a predetermined number, no matter what that number is, limits the nimbleness that economic development requires. Some are large, some are small, and some are very large. With those companies come, and you heard the numbers from GOED, this many employees, this much capital investment, and the return on investment that these deals bring really make a difference in our state. You could see it clearly after the Tesla special session, and what happened when Tesla came to Nevada. People have talked a little bit about how northern Nevada did pretty well coming out of the pandemic. We had businesses that were able to open safely, maintain their businesses, and maintain their employment. Southern Nevada suffered a little bit because they were so fully engaged in the entertainment and tourism industry.

Another thing I would point out, and I confirmed this this afternoon, Las Vegas is picking up at a really good clip. I think it is partly because of what is going on with economic development abatements down there. In the Nevada Trucking Association, we measure inbound and outbound freight to an area, and where it balances is where an economy is really healthy. In southern Nevada, inbound freight for a lot of years has been stronger than outbound freight because we are serving a service economy, and there is not a lot of stuff made. As one of the economic development authorities says, Money in, stuff outbound. That is what we need to have, and as to the Nevada Trucking Association, these folks are our customers. We bring material in and we take finished product out. When we have customers who are successful, our folks are successful. To that end, we welcome the conversation, and I am happy to participate in it but do not support the bill as it is currently written.

**Elyse Monroy-Marsala, representing Associated General Contractors, Nevada Chapter:**

I am here today to register our opposition to S.B. 394 (R1). For many of the reasons stated by testifiers before me, we urge you to oppose this bill.

**Andrew MacKay, Executive Director, Nevada Franchised Auto Dealers Association:**

Most of what I was going to say has already been covered, but I think it is important to note that our opposition is limited to the bill as drafted and the \$500,000 threshold. We overwhelmingly support the idea of having a discussion. That is healthy, and that is how you build robust economic development. I think it is important and, not to sound cliché, we need to be careful to not let perfect be the enemy of the good. When you look in terms of our industry and as it is going to decarbonization, quite frankly, if it was not for GOED, Economic Development Authority of Western Nevada (EDAWN), and the Northern Nevada Development Authority (NNDA), all of these entities that are working as a cohesive team, Nevada being at the forefront of this just simply would not happen. We are going to be the only state, and frankly the only entity in the entire world, where you are going to ultimately see control with respect to, for lack of a better term, from cradle to grave—lithium battery



production, recycling, and having a complete circular supply chain on that front. Again, we come up in opposition based on the bill as drafted but applaud Senator Neal for at least wanting to have a discussion. That is important, and we respectfully request that we are a part of that.

**Sam Anastassatos, representing Nevada Subcontractors Association:**

We are opposed to S.B. 394 (R1) as currently written. I would just like to echo the comments made by the Nevada Contractors Association.

**Nick Vassiliadis, representing Nevada Resort Association:**

For many of the reasons you have already heard, we will not belabor the point. We are opposed to the bill as written, though we do very much appreciate the intention that the sponsor of the bill has to force a conversation about accountability. Nevertheless, I know I probably sound like a broken record, but as the state's largest taxpayer, we are always extra attentive towards anything that might inhibit or limit economic diversity, because I think a lot of the programs that were talked about in terms of needing additional funding are going to require to increase the diversity of economic input in this state.

**Lindsay Knox, representing Dragonfly Energy:**

As Nevada continues to diversify its economy, S.B. 394 (R1) as written would deter beneficial development within Nevada and would be detrimental to companies with pilot lines that are ready to expand their facilities in Nevada. I have high hopes that we continue this discussion, and we look forward to being at the table.

**Mike Draper, representing Nevada Builders Alliance:**

While I am here in opposition to S.B. 394 (R1), I would like to commend Senator Neal for her always fearless leadership. I do agree that these are conversations that should be had on an ongoing basis and that must be had; however, they should be based on data and well grounded policy decisions. I echo the concerns that you have already heard and would also like to point out that this current proposal would put economic development at the mercy of the uncertainty of political wins. As we have seen more and more, there is significant turnover in the Legislature every two years, and companies would be put squarely at the mercy of politics rather than consistent policy and regulations, two extremely important facets of economic development, and would put the Legislature in a position of consistently picking winners and losers.

Our state has a proven track record of successfully using abatements to generate exponentially greater benefit for all segments of our state. At its core our state has treated abatements truly as investments, with guardrails in place to ensure a significant return on investment that allows for more opportunities for small business, workforce training and development, and higher wages, among many other things. At a time when, more than ever, we are working to diversify our economy, we must be very careful to ensure any conversations about economic development do not deter from a more diverse economy. It is for these reasons that we are opposed to S.B. 394 (R1).

**Kristina R. Kleist, representing Latin Chamber of Commerce, Las Vegas, Nevada:**

Peter Guzman, the president and chief executive officer was on the line but unfortunately had to go to another commitment this evening. He did want to emphasize his prior work with Senator Neal and acknowledge her sincerity with respect to economic development, but also that the role of GOED in economic development and diversifying our economy is critical. We appreciate Senator Neal's statements that the bill, as written, is unworkable. The conversation sought by this bill is important and complex. It should not be restricted to the limited amount of time left in this legislative session. The Latin Chamber is opposed to this bill as written, and we echo many of the comments previously made. We look forward to participating in the conversation moving forward.

**Dale A. R. Erquiaga, Acting Chancellor, Nevada System of High Education:**

In full disclosure, the chancellor sits as a member of the GOED Board. I am not a voting member; however, in further disclosure, I was there when this bill was written 12 years ago. I am not going to talk to you about the bill that was originally written or about tax abatements. The Nevada System of Higher Education (NSHE) is opposed to this bill as drafted, as you have heard from many of the speakers before me, but I will tell you a story very quickly. When the chancellor takes a position on behalf of NSHE, I typically poll the institutions, and my institutions do not always agree. I know that will shock you, given the diversity of my institutions. On this bill they all came back very quickly and said this could harm jobs for our graduates.

I have the care today of about 105,000 students within NSHE, and our primary role is often to help them transfer into a career. Our institutions work with the businesses that have been brought here over the last 12 years, and we will work with those businesses that come in the future. I wanted you to know that side of this.

This is about jobs for the students who attend my institutions, and that is why my institutions and NSHE oppose this bill. I will say that Senator Neal and I have worked together on many economic development bills over the last 12 years. I will see your conversation and I will raise you. In my institutions I have economic centers, policy centers, and think tanks. Do this conversation during the interim and please utilize NSHE to help participate in that.

**Kanani Espinoza, representing University of Nevada, Las Vegas:**

As the chancellor has stated, the University of Nevada, Las Vegas joins our fellow institutions in opposition of this bill as written. The University of Nevada, Las Vegas has Black Fire Innovation with economic development, sees that as a catalyst to development in southern Nevada, and would like to be in further conversations during the interim.

**Anthony Ruiz, representing Nevada State College:**

We are testifying in opposition to the bill as written. I am really looking forward to some of the conversations moving forward, and I will repeat one piece. I will not say it is more important, and I know this is the Assembly Committee on Revenue, but I think the

conversations around education happening in the Assembly Committee on Education, and as was mentioned by Mike Kazmierski from EDAWN, are equally as important to some of these conversations we are having around economic development.

**Chair Backus:**

We will go to Las Vegas for testimony in opposition to S.B. 394 (R1).

**Emily Osterberg, Director, Government Affairs, Henderson Chamber of Commerce:**

I am here on behalf of the Henderson Chamber of Commerce and our more than 1,800 members, most of which are small businesses. I will echo the comments made before me in opposition. We fear this bill, as written, would create substantial hurdles for economic development in the state. But as mentioned prior to my testimony, we are always willing to have a conversation and, in fact, encourage a conversation, between the Legislature and our partners throughout the state.

**Chair Backus:**

Is there anyone else in Las Vegas wishing to give testimony in opposition to S.B. 394 (R1)? [There was no one.] We will go to the phone lines. Is there anyone on the phone wishing to give testimony in opposition to S.B. 394 (R1)?

**Glenn Christensen, Chairman Emeritus, Las Vegas Global Economic Alliance:**

Our 50-member board of directors is composed of many of the most recognized leaders in the public, private, and education sectors in southern Nevada. Today we voted unanimously to strongly oppose S.B. 394 (R1). The provisions of S.B. 394 (R1) will devastate the economic diversification efforts in southern Nevada. The Office of Economic Development, Office of the Governor (GOED), LVGEA, and the municipalities are all working well together to bring more investments and jobs to southern Nevada. While southern Nevada has many advantages for companies to move and expand here, other states have much better incentive packages and significantly more funding, making them more competitive than our state. We are very concerned that adding the additional hurdle of an uncertain and delayed legislative approval process will significantly discourage companies from coming here. The LVGEA urges you to oppose S.B. 394 (R1).

**Kerrie Kramer, representing NAIOP:**

We are here in opposition to S.B. 394 (R1) as written. We thank Senator Neal for starting the conversation on this subject, but echo the concerns previously stated. We look forward to the opportunity to work with Senator Neal and thank the Committee for your time this evening.

**Sheldon Mudd, Executive Director, Northeastern Nevada Regional Development Authority:**

We are responsible for economic development in Lander, Eureka, Elko, and White Pine Counties. We are testifying this evening in opposition to S.B. 394 (R1), primarily due to the time factor that is involved. You see, when we talk to prospective companies in our area, whether we are talking about available workforce, construction capability, or permitting

timeline, it all boils down to one factor, and that is time to market. How fast can they get their product or service to market so they can start seeing a return on investment? For those reasons, we are concerned about the bill as written.

Senator Neal did mention the model so far, in regard to economic development in the state of Nevada, has been effective. I believe that is primarily due to the fact that GOED has been led and staffed by individuals who have experience in the private sector. They know what it means to have to turn a buck and to create value in a timely manner in order to survive. Unfortunately, I think it was somewhat implied that this process or this model has served its purpose and it might be time to scale it back. I just want to remind the Committee that rural Nevada, 90 percent of Nevada's land mass, has not realized the level of growth and diversification that we have seen in the other 10 percent of the landmass. Now, do not get me wrong, we have benefited from this as we see far more exposure and more opportunities than what we have seen in the past. The fact is we need this model to remain in place in order for us, in rural Nevada, to be competitive. I am afraid that removing a model that has proven effective prior to the entire state benefiting from its existence could be a tremendous problem.

I appreciate Senator Dina Neal for wanting to start this conversation. I think there is always room for improvement, but I would say if any government body could be involved in this process, it should be at the local level with city councils and county commissions involved in the process, long before the Legislature gets involved. I appreciate your time tonight. Once again, we are in opposition to S.B. 394 (R1) as it might inhibit our ability to attract new business and industry into rural Nevada.

**Heidi E. Lusby-Angvick, Co-Director, Nevada 95-80 Regional Development Authority:**

The Nevada 95-80 Regional Development Authority (RDA) encompasses Pershing and Humboldt Counties. My home and office are located in Pershing County. I am opposed to S.B. 394 (R1) [unintelligible] of 2022, Nevada 95-80 RDA brought forth an application for tax abatements [unintelligible] GOED board, which is held as [unintelligible] on behalf of West Coast Salmon Nevada. We, as an RDA, and the company are mindful of all the requirements of [unintelligible] office and are proud that we can say we can meet those requirements, if only those tax abatements were approved. The total economic value is projected to be in the amount of over \$200 [unintelligible] million over ten years. Our region is excited for West Coast Salmon Nevada to be a part of our community. Without tax abatements, Pershing County is no longer a viable or competitive location for economic development and growth. Our local government coffers are lean without economic growth. Our yearly operating budget is under \$6 [unintelligible] for the county [unintelligible] dollars for the city of Lovelock. We have no other tools. Opportunities for diversification of our economy will most likely pass us by. Again, I am opposed to S.B. 394 (R1) and implore you to keep this tool available to my community.

**Michael Brown, Private Citizen, Las Vegas, Nevada:**

I am the former executive director for GOED for Governor Sisolak, and this piece of legislation brought me out of retirement. I have filed extensive comments with the

Committee for you to consider [[Exhibit E](#)]. I had the chance to see how other states functioned and met with my fellow economic development directors. There is fierce competition for this investment, and most other states have substantially more resources, more authority, and more generous programs than I had available to me in Nevada. Senator Reid wanted to make Nevada the green energy capital of the world. That is becoming a realization. President Biden's Inflation Reduction Act of 2022 has triggered a massive investment in green energy, and those companies are knocking on our door. We border California to the west, the world's largest economy. We have access to the Pacific Rim and the pacific ports, yet we face the two most competitive states in economic development at our other border with Arizona and Utah. We are in constant competition with Texas. Nevada is not an island. We have to consider the entire impact of this legislation on our competitive position.

I filed extensive comments based on my experience. It is not my job to produce a resolution on this, but if I can provide any input based on my experience for three years as economic development director I am available, and I am testifying today as a private citizen.

**Chair Backus:**

Thank you for your service, Mr. Brown.

**Cyrus Hojjaty, Private Citizen, Las Vegas, Nevada:**

I will ditto many of the comments of the previous callers that our state has to remain economically competitive. We have raised many taxes in the past. Where have we gone from all those measures? It is interesting that we have somebody from support who comes from a state that has very high taxes and many folks and companies are leaving. I wonder his reaction to that.

**Clark Wood, Private Citizen, Las Vegas, Nevada; and Board Chair, Las Vegas Global Economic Alliance:**

I am here as a private citizen, but I am also here as the current board chair of the LVGEA. I cannot add anything that has not been said already in opposition. I strongly oppose this bill as written as a native and lifelong citizen of the state, but I would also add that there are 50-plus board members here on the LVGEA. I have been serving a little over eight years, and I can tell you unequivocally that those board members—and I have been involved a little bit with EDawn and through our investment and my work life with Mike Kazmierski—that the Board and the staff of these agencies are laser focused on the right-fit companies for the state.

I would tell Senator Neal and the rest of the Committee that we share the same concerns you have as far as getting the right companies that do not detract from the benefits of the state, bringing jobs and bringing support for our communities within the state and do not provide a distraction or a deficit for our state and our communities, and we are trying to broaden economic development.

I was talking to a fellow worker today that this is the fourth once-in-a-lifetime event that I have served, with 9/11, the Great Recession, the pandemic, and now this banking crisis. We have to live through these. We have to get better as a community about how we react and be proactive about not having the effects on our community. I yield the rest of my time but strongly oppose this bill as written and offer any sort of communication and building relationships to have a further conversation on this very important topic.

**Michelle Hammond Allen, Economic Development Officer, Humboldt County and City of Winnemucca; and Co-Director, Nevada 95-80 Regional Development Authority:**

I would like to respectfully oppose S.B. 394 (R1) as presented. I do not discount the need for review and discussion as mentioned, but we disagree in the dilution of our process in such a drastic reduction in the amount to be offered through our current incentive structure. Our county and city are not interested in opening the floodgates to just any business or industry that wants to locate here. Instead, we move forward strategically and thoughtfully to diversify our economy and our community in a way that will sustain our quality of life and community values. We actively and openly engage in conversation. We seek out a seat at the decision-making table. We are both the welcoming committee as well as the gatekeeper in our community. The state incentive policy gives our rural communities a tool and a partner in GOED in attracting businesses that we feel would fit our community, rather than taking whatever we can get. We have something that allows us a timely way to compete for those industries that would best serve our community interests, as well as guaranteeing some sort of accountability that we can hold these companies to in things like job creation and capital investment.

The current state incentive policy structure requires companies to engage in conversation with our communities through our RDAs. In fact, these companies must seek our support prior to applying for the state incentive package. We work with GOED and any potential candidate in a very complicated and thorough vetting process prior to issuing our RDA recommendation as our region for any potential incentives. There is a process in place that includes our community in making these important decisions that will directly affect our community. I implore you in whatever decision is made that our local input and consensus is encouraged and part of that process. The two most recent projects receiving abatements in our region include the Nevada Lithium Resources project in Humboldt County and the West Coast Salmon project in Pershing County. I would encourage and invite you to contact us to discuss how the current incentive structure has benefited our rural communities.

**Betsy Fretwell, Private Citizen, Las Vegas, Nevada:**

I am a retired public servant, having served the City of Las Vegas as city manager for almost a decade. I also recently left my employment as an executive with Switch, a local technology company. During my time over the last several years, I have been very engaged in the LVGEA. I think it is important for us to recall that we have gone through several economic downturns, as Clark Wood mentioned. I was the city manager during the Great Recession, and it was not a good time for our community. We were very dependent on primarily one industry, and that was problematic. Then we saw the exact same thing happen again during

the COVID-19 pandemic, which Mr. Brown just referred to. I am sure I am saying much of what you have already heard in the Committee testimony today. I have a tremendous amount of respect for the sponsors of the bill and have had several conversations with them about the importance and vitality of economic development in our community, but I am in opposition to this bill in its current form. There is a lot of work for us to do in this community to continue to develop alternative industries with great strength, take full advantage of an incredibly vibrant tourism and gaming economy here, but we have to do both, and we have to have a strong set of tools to be able to compete.

When I was the chair of the LVGEA, our state was referred to as the "flyover state." A bill like this will keep us in that condition. There are a lot of people who are working very hard throughout the state, not just southern Nevada, to ensure we are in a competitive field for new and growing businesses and businesses that are looking for a more hospitable environment to grow their businesses. Nevada is one of those. We need to keep it that way. To restate my position, I am in opposition to this, and I hope that the Committee will give that consideration.

**Mridul Gautam, Ph.D., Vice President for Research and Innovation, University of Nevada, Reno:**

I am calling in to express my opposition to S.B. 394 (R1) as written. A lot has already been said, and I am not going to repeat it. The long-term objective of anything we all do should be to enhance our innovation-based economic sustainability. We can do that by having a robust partnership between government, industry, and universities; and by empowering our economic development entities. What most states across this nation do not have is that robust incentive strategy to attract industry to the region. I said most, not all; and by industry I mean large, medium, and small enterprises. Fortunately, thanks to the Legislature, GOED has had one for several years. The resulting diversification of our economy, as you have seen, and a successful passage through the pandemic proved that good strategy has worked well.

When I came to Nevada in late 2013 from another state, I witnessed firsthand the outstanding work the GOED strategy has done. Today, thanks to the incentives offered to new technology companies by GOED and the support provided by GOED to higher education, Nevada can be categorized in the growth category, not the have-not category. Today we can compete globally. Thanks to the current construct, our graduates—be they high schools, community colleges, or four-year colleges—they are all getting jobs in Nevada. Just ten years ago, and you know this well, we had an unacceptable brain drain out of Nevada. Further, as you well know, every high-tech job created leads to a creation of 4.2 to 4.3 service sector jobs. Almost every aspect of our economy has benefited from GOED's strategy to attract sustainable businesses to Nevada by offering them incentives. Today our K-12 students are exposed to robotics, thanks to Tesla. That means our K-12 students are involved in real-world problem solving, critical thinking, getting hands-on skills, competing with the best out there in the world, and getting exposed to and learning coding. Is that not what we all want?

The University of Nevada, Reno has created a K-12 robotic center in Reno, the only one of its kind, thanks to Tesla. Large, successful, and sustainable enterprises will relocate when they are presented with incentives and when decisions are made at the speed of industry. The Office of Economic Development, Office of the Governor (GOED) has done that time and time again. Thanks to you and GOED, Nevada is in a very good place today. We do not want to change that. Hence, I would like to reiterate my opposition to S.B. 394 (R1).

[[Exhibit F](#) and [Exhibit G](#) in opposition were submitted but not discussed and are included as exhibits of the meeting.]

**Chair Backus:**

We will go to testimony neutral on S.B. 394 (R1). Is there anyone here in Carson City wishing to give testimony neutral on S.B. 394 (R1)?

**Marcos Lopez, Director, Outreach and Coalitions, Nevada Policy Research Institute:**

I want to start off by saying thank you to Senator Neal for a massive improvement on S.B. 394 (R1), by shifting the conversation towards tax abatements that favor politically-connected businesses rather than creating a new property tax. Senate Bill 394 (1st Reprint) is a step in the right direction. As many of you know, Nevada Policy Research Institute is a 501(c)(3) that has supported low taxes, light-touch regulations, and economic freedom for over 30 years in an effort to ensure Nevada is competitive. Now, let me be clear. Nevada Policy Research Institute is neutral because we do not believe production decisions should be shaped by either unelected bureaucrats or politicians, but rather consumers.

Nevada does not need a candidate-level position to dole out patronage or pick winners and losers. It is important to remember that tax abatements ultimately force higher taxes onto nonprivileged businesses, while potentially directly subsidizing their own competition who have political clout. While GOED argues that these abatements are needed and that business will not come otherwise, we respectfully disagree.

In fiscal year 2020 and fiscal year 2021, GOED granted tax abatements for new locations to Foot Locker, T-Mobile, and Kroger. It is debatable whether these entities would not have installed the new locations without subsidies. Nevada Policy Research Institute can move to support if the Legislature fully retains their power from GOED and/or clarifies and restricts the mission of GOED to identify and recommend government policies and regulations that impede new business formation expansion in the state. Although there is much overlap, there is a difference between being pro-business and pro-market.

As Milton Friedman once noted, the free market typically has two enemies: (1) Intellectuals who want freedoms for themselves and government control for everyone else, and (2) Businessmen who want the free market for everyone else, but special privileges for themselves.



**Chair Backus:**

Next, we will go to Las Vegas. Is there anyone wishing to give testimony neutral on S.B. 394 (R1)? [There was no one.] Do we have anyone on the phone lines wishing to give testimony neutral on S.B. 394 (R1)? [There was no one.] The bill sponsor does not wish to give closing remarks. I will close the hearing on S.B. 394 (R1).

In light of tonight's schedule and some issues with lighting in the parking garage, we will work session Senate Bill 50 (1st Reprint). After that we will recess for those who have cars in the garage downstairs to be able to move them and then come back. I will open the work session on S.B. 50 (R1) and will turn it over to Ms. Powers.

**Senate Bill 50 (1st Reprint): Revises provisions governing the sales tax holiday for certain members of the Nevada National Guard and certain relatives of such members. (BDR 32-253)**

**Susanna Powers, Deputy Fiscal Analyst:**

The work session document [[Exhibit H](#)] for Senate Bill 50 (1st Reprint) is available to the public on the Nevada Electronic Legislative Information System. Senate Bill 50 (1st Reprint) was sponsored by the Senate Committee on Revenue and Economic Development, on behalf of the Department of Taxation. This bill was heard on May 2, 2023, by this Committee.

Senate Bill 50 (1st Reprint) revises the process through which members of the Nevada National Guard who are on active status and who are residents of this State, and certain relatives of such members of the Nevada National Guard, can claim an exemption from sales and use taxes on purchases that occur on a date on which Nevada Day is observed or the immediately following Saturday or Sunday.

Under current law, the claims process requires the respective eligible Nevada National Guard member or his or her relative to claim the exemption via a letter issued by the Department of Taxation from the retailer from whom the member or his or her relative purchases tangible personal property. The retailer is required to retain and present the letter of exemption to the Department of Taxation upon request.

Senate Bill 50 (1st Reprint) revises the process to require the respective eligible member of the Nevada National Guard and his or her relatives to pay the full amount of sales taxes to the retailer and submit a request for refund to the Department of Taxation after the purchase, including a copy of the letter of exemption and a copy of receipts of eligible purchases.

There were no amendments proposed to this bill. Are there any questions about the work session document? [There were none.]

**Chair Backus:**

I will entertain a motion to do pass Senate Bill 50 (1st Reprint).

ASSEMBLYMAN NGUYEN MOVED TO DO PASS SENATE BILL 50  
(1ST REPRINT).

ASSEMBLYWOMAN MOSCA SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMAN GRAY WAS ABSENT FOR  
THE VOTE.)

I will assign the floor statement to Assemblyman Gray. I will close the work session on S.B. 50 (R1). We will take a break. If you have a car in the garage, please move it and get back here as soon as possible. We are in recess [at 6:51 p.m.].

[Meeting reconvened at 7:10 p.m.] I will call the Assembly Committee on Revenue back to order. I will open the bill hearing on Senate Bill 181.

**Senate Bill 181: Revises provisions relating to economic development. (BDR 18-683)**

**Senator Julie Pazina, Senate District No. 12:**

I am here today to present Senate Bill 181. I thank you all for being here this late in the evening. For a little background on the subject, as you know, the state of Nevada, through the Office of Economic Development, Office of the Governor (GOED), which you have heard a lot about today and throughout the session, offers a variety of incentives to entice qualifying companies to come do business in the state, including sales tax abatements on capital equipment purchases, sales and use tax deferrals on capital equipment purchases, and abatements on personal and modified business taxes, among others.

In 2013, with the passage of Assembly Bill 61 of the 77th Session, the Legislature initially approved shifting the authority to approve partial tax abatements from the Director of GOED to the Board of Economic Development for abatements totaling \$250,000 or more. Based on the review of the legislative history, this change clarified who and at what level abatements should be approved. In the last ten years, as more and more businesses sought to do business in Nevada, the threshold for approving tax abatements has created some inefficiencies and red tape in GOED's operations and the work of the Board.

In summary, S.B. 181, before you today, will increase the threshold from \$250,000 to \$500,000. Increasing the executive director's approval threshold will assist GOED in streamlining its processing procedures, while maintaining a deeper focus on larger applicants' projects in the pipeline.

This is a small business bill. It will also shorten the time period in which smaller businesses and targeted industries can proceed with their relocation and expansion plans. As you can see, it is a very short bill. With that, I would like to turn it over to my copresenter, Tina Quigley, to provide additional testimony.

**Tina Quigley, President and Chief Executive Officer, Las Vegas Global Economic Alliance:**

As mentioned by Senator Pazina, the current statute has stayed stagnant for ten years at \$250,000. That threshold number creates some roadblocks in our collective work to bring valuable, unique, smaller businesses and industries here to Nevada in a streamlined way. We combed through the last two years' applications we have assisted our municipal partners and GOED with, and identified that only two of those applicants fit under the \$250,000 abatement threshold. In both circumstances, those smaller businesses could have had the opportunity to establish their businesses and expand jobs to our market in a much quicker fashion, in nearly half the time, if this proposal before you were to be in place.

Additionally, in southern Nevada we are increasingly challenged in successfully competing for diverse employers who can bring quality innovative and high-paying jobs to our region. This is due to several factors—lack of developable land; talent; workforce challenges as perceived by outside companies; and Nevada affords among the least amount of competitive economic development incentives compared to our neighbors in the southwestern U.S., despite our favorable no-personal-income-tax climate.

We are grateful for the Senator's vision in seeing an opportunity to provide a sensible update to the Nevada statute that would largely support economic development for smaller, independently owned and operated businesses, and to do so in a way that does not modify Nevada's state-directed metrics and measurements which applicants must meet to receive consideration for these tax abatements. It also does not change the period of time in which the state is afforded to vet through the applications. It does not change the state-directed clawback provisions in place for applicants who do not meet the state legislative performance milestones, nor does it preclude these businesses from presenting to the State's Economic Development Board during the forthcoming meeting, even if that applicant recently received approval. With that, we are fortunate to have the opportunity to work with Senator Pazina, and we are bipartisan co-sponsors on this bill.

**Senator Pazina:**

We are ready for questions.

**Assemblyman Nguyen:**

As we are trying to create transparency in the process, and as our Chair eloquently said, we have to answer to our constituents about transparency and what is happening in the Legislature. The 120 days goes by so fast that we do not have the opportunity. Can you give us the thought behind removing the "and" and inserting "or," because the current statute is putting an approval with the Board "and" the executive director. This bill is actually going to put in "or," meaning they could be approved by the Board or the executive director. Could you give us the reasoning behind that?

**Amber Stidham, representing Las Vegas Global Economic Alliance:**

The intent behind that is to provide more clarity with regard to the threshold piece. Currently applicants are vetted by the RDAs, vetted further at the state level through GOED, and then

vetted even further for conversation and approval through the GOED Board. With this clarity, what it would do is allow a little bit of independence for the executive director to provide that authorization through the two different phases of vetting processes, but there would still be the transparency aspect of the financial review and the anticipated partial performance-based tax incentives for how long. That would be made available to the public, and these applicants would still go before the GOED Board to present about their business, even if they may have received authorization from the executive director. Does that answer your question?

**Assemblyman Nguyen:**

Sort of. I just want to ensure there is still accountability in the measure. I do not think the intent was for the accountability to exist. The "or" is actually making me a little uncomfortable. Senator Pazina, I am not sure if that was your intent, and if that is the case, I want to see if we can somehow put in that accountability part that the "or" part does not give to me. I just wanted to put that on public record. I am supportive of the amount change, but I am not comfortable with having one or the other, and I would still like to keep it as both entities to be in the same approval process.

**Senator Pazina:**

The goal here was really to cut through red tape. Some of the challenges were we were seeing small businesses waiting for quarterly meetings, and in that three- to four-month wait oftentimes between meetings, they were choosing to go to Arizona, Utah, Texas, Colorado, and to other states instead of coming to Nevada. The goal in this was to give the executive director the authority to change the abatement process from \$250,000 to up to \$500,000, just to help small businesses. Again, the emphasis is on small businesses with this bill.

By saying "or," we are saying "or upon approval by the executive director," but all the same milestones have to be met. I do not know if you want amended additional language, that all those same milestones are being met in order for that approval process to take place. Nothing changes there.

**Assemblyman Nguyen:**

Hypothetically, what if the Board disagrees with the executive director? What happens then?

**Chair Backus:**

Assemblyman Nguyen, please repeat your question. We do have a representative here from GOED.

**Assemblyman Nguyen:**

My question is, if we remove the checks and balances piece, and for some reason the executive director goes through the vetting process and the Board disagrees with the decision, what would happen then?

**James M. Humm, Director of Public Policy and Government Affairs, Office of Economic Development, Office of the Governor:**

If it had already been vetted and put through the statutory process and statutory review, hit all the statutory approvals that were required, under Chapter 231 of *Nevada Revised Statutes* (NRS), he would be able to approve it. He would be able to approve it on his own, as long as it met all statutory requirements. Does that answer your question?

**Assemblyman Nguyen:**

Yes and no. If for some reason the Board disagrees, who wins? Does that mean the executive director is equal to the Board?

**James Humm:**

I believe in this very specific case, I would hate to say win or lose, the executive director, in his role, would just be carrying out the NRS as it is currently written. Let me add something to this as well that I think might help. Since the inception of GOED, what we have always done is that brought every one of them, whether it is executive director's approval or not, because we consider these wins and terrific opportunities for the state, that people like President Quigley bring to us. We think they are absolutely phenomenal. In an effort of full disclosure and transparency, every one that we do, whether executive director approval or not, the rest of course are required to be presented to the Board, we bring forward to the Board, and at that time again, not necessarily that they could oppose it, but in full transparency, they still review all of that. Those then go out as well in the pre-board packets to every member of the Board. Unfortunately, I would have to ask the Legal Division on that, as far as if there was an override or not. I do not believe, as NRS is currently written, there is an override.

**Assemblyman Nguyen:**

Maybe we could have Legal clarify that, because I think that is going to be my comfort zone.

**Chair Backus:**

We do not have Legal here, but we will definitely follow up. I am going to echo Assemblyman Nguyen's concern, and I have expressed it to those whom I have met with in my office about this bill, which is how this is drafted with the "or," we do not need the Board anymore. Literally the Office becomes the director. Anything that the Office is permitted to do, as I read it—I am a lawyer but I am not a specialist in this area—and I would rather get a Legal opinion from the Legislative Counsel Bureau (LCB) on this, as my concerns lie with we have now just changed the whole process where just the executive director can approve it, and with that we could almost be removing the public disclosure that would happen three days before the Board meets, things like that. Since it is \$500,000 or more, and I was going to try to look through the different statutes to see if this would go to the extent of what we call the Faraday deal or the Tesla deal, where would we be? Already, as representatives, we are getting a lot of pushback from our constituents because they see the big deals go through and think there is no transparency. That is where we need to follow up. The amount is one thing, but really that "or" is a huge change in that bill.

**Senator Pazina:**

To add one thing, it is up to \$500,000. It is not more. It is for small businesses. It is \$500,000 or less. The Board would consider anything above \$500,000. When you look at "or upon approval by the Executive Director," because the first is for the Board and the second "or upon approval by the Executive Director for partial tax abatements with a projected value to a single entity of less than \$500,000," we would never ask for anything over \$500,000. This is just changing from \$250,000 to \$500,000, what is already being done by the executive director, who is already approving things up to \$250,000. It is just looking to encourage small business to the state.

**Chair Backus:**

I appreciate that. You are correct; when you look at section 1, subsection 1, paragraph (b), let me phrase it this way to see if this is what your intent is. You have a potential business deal that comes to Nevada and one pathway would be for the executive director to approve tax abatements of \$500,000 or less. The other avenue would be if a business deal included partial tax abatements of \$500,000 or more, then it needs to go to the Board. Is that summary what your intent is with the bill?

**Senator Pazina:**

Yes. That is a hundred percent it. Thank you for summarizing it so eloquently.

**Assemblywoman Considine:**

In section 1, subsection 1, paragraph (a), where it says "or more," if the current language is the Board can approve a single entity of \$250,000 or more, why do you need to up it to \$500,000? I do not see a cap where the "or more" is, when this is an "or." It does not require both. If the Board is doing it and they can approve it without the executive director, what is the cap on that if it says, "or more?"

**Senator Pazina:**

How the statute currently reads is, essentially anything up to \$250,000 or more the Board of GOED approves, and the executive director can currently approve anything up to \$250,000. We were just changing the language to \$500,000, and is really all we were doing in this, because we found that a lot of small businesses were actually right around \$300,000 to \$350,000, at least from my conversations. We were trying to account for that, to bring more small business, and good paying careers into the state. That is the intent of the bill.

**Assemblywoman Considine:**

I wanted to make sure I was reading it correctly. It is not like it is going up to \$500,000. It is any amount over \$250,000, or in this case it could be \$350,000, but there is no cap on that portion because it says, "or more."

**Senator Pazina:**

For what the Board can do, yes. The Board can do anything currently over \$250,000, and this would make it over \$500,000; but you are right, there is no cap. Because the executive

director can currently approve up to \$250,000, this would really be changing what the executive director can approve due to inflation, because this has been in place now for ten years, but only up to \$500,000 and no more.

**Assemblywoman Considine:**

In section 1, subsection 2, where it says, "for the purposes of this section, 'projected value' means the dollar value of the abatement requested by an entity plus the accumulated value of all tax abatements received by that entity for the immediately preceding 2 years," does that mean in these cases this is already an entity that has received tax abatements here, or does this mean this is only for entities from out of state and you are looking at the tax abatements they received in another state?

**Senator Pazina:**

I will leave it to the experts to answer this. I will say, we just left the existing statute in place. The only thing we look to change was that one number of approval, but again the experts will answer that a lot better than I ever could.

**James Humm:**

Let me check with our business development team, but again, whatever is currently happening, that is what we are going to stick with. We did not mean to change that whatsoever. Let me just double-check with our team.

**Assemblywoman Considine:**

I just could not miss the opportunity to ask it.

**Tina Quigley:**

Truly, as summarized by Senator Pazina, the goal was to just increase the existing amount, with the same language and a new number, to keep up with inflation.

**Chair Backus:**

I have looked at this a little more. It is funny how the smallest bills can be so confusing, and we have a lot of lawyers up here so it is funny that we keep looking at this. I realized after chatting with our Fiscal staff, but we can also follow up with our Legal staff, you have two different events that cannot happen at the exact same time. You are going to have an abatement that is in excess or less. The only time that the situation would arise that the "and" would cause both of these situations to have happened under the prior statute would probably have been when it was \$250,000. With that, when you have the situation right now where we have a small business that qualifies to get a tax abatement less than \$250,000, which were just two businesses, for those two businesses though, is that information ever made public? If we expanded to \$500,000, are we going to have a lot more businesses that would normally have to go through the Board for approval, that we would now no longer see?

**Tina Quigley:**

No, the same transparency that exists in the process now would continue on.

**James Humm:**

I can add to that. We are so proud of this. Not only do we notice these—the ones that are going in front of the Board—but we also present those in the Board packets, and those are all available and located on our websites. I would be happy to send any Committee members examples of those, of the smaller ones under \$250,000.

**Chair Backus:**

We appreciate the transparency.

**Assemblywoman Summers-Armstrong:**

Is your process part of the NRS, or is it just your internal policy?

**James Humm:**

It is both. Per NRS, and I am sorry I do not have the full statute in front of me, I believe it is 30 days that we send out the notice of the businesses that are in application. I believe it is five or seven business days. Again, I apologize. Our business development team can answer that better than I could, but there are statutory obligations that we must hit for transparency purposes, and then under the Executive Director, we have really fine-tuned it. Executive Director Brown added the additional compliance piece and obviously Executive Director Burns has furthered that. As we continue to look at these, we will look at everything organically, but that is kind of the way we do it per NRS, per these internal controls that we have set for ourselves, and we are very proud of our transparency and compliance. In front of this Committee back in February, we noted that we were ranked number one in being the most transparent economic development agency. We are very proud of that.

**Assemblywoman Summers-Armstrong:**

In my experience in contracting, limited though it is, what we were always taught to be careful about was stacking. You do not stack contracts just by changing something. If it is an issue, if it is a particular thing, it is what it is and you cannot modify a little bit to add more. How does that work in your agency when you are giving these abatements? Going from \$250,000 to \$500,000, which is a lot of money, how do you make sure you are not inadvertently stacking these types of abatements?

**James Humm:**

Each individual abatement is treated as such. If they came for one, we would not necessarily stack one; they have to reapply for an expansion of that abatement. If the company were to grow, we would do that. As far as the contracts themselves, those have been vetted through multiple DAGS [deputy attorneys general] over the years, and it is a standard tax abatement agreement that we sign with the company that then goes off to the Department of Taxation, who then performs the audit on them. Once we approve an abatement, they would not be able to come back to us without applying for an expansion abatement, and they can only come back once. We would not be able to stack those.



**Assemblywoman Summers-Armstrong:**

In essence, with this change they can actually get \$1 million in abatements because they can have one, file an application for a second one, and then they could have \$1 million. Is that correct? If they are approved for the second one, they could have a total of \$1 million.

**James Humm:**

I need to double-check on that, but in theory, yes, that math is correct—if they applied for a second one, were they vetted and met the additional expansion requirements, yes.

**Tina Quigley:**

They would still have to qualify under all those original metrics we talked about. They have to bring in an additional 50 employees. All those new employees would have to at least meet the state average wage. For manufacturing, they would have to bring in an additional \$5 million worth of capital investment. They would have to come back as an original applicant, meeting all those qualifications.

**Assemblywoman Summers-Armstrong:**

This is not like I am increasing my contribution by 25 percent, and I want another \$500,000. This is, you have to go all the way back and meet the original requirements. Basically, they are only going to double their abatement if they double the intent, which is the 50 employees, \$5 million, and all of that. The executive director does not have any authority over a dollar amount in-between there, or if they come back and say they just need 25 percent more, can the executive director give them \$250,000 or \$150,000? How does that work?

**James Humm:**

Yes, you are spot-on. If they make that initial investment that qualifies them for up to \$500,000, then they would qualify for that, or in this case currently up to \$250,000. If they wanted to do an expansion, they would come back and we would reassess. This time they may only qualify for \$150,000, depending on what the abatement level would be and what their reinvestment in the state would be. Instead of just compounding what was already given, as Ms. Quigley just said, they actually have to reapply, go through the entire process again for this specific expansion, and then based on what their reinvestment is into the state and the citizens, which would be what we would evaluate that one on. They could start at \$500,000, if they qualified for that, and then come back with an expansion that could potentially qualify for much less of that abatement. It is not 1 to 1, if that makes sense, or \$500,000 to \$500,000. It is really what they qualify for which, again, is all statutory.

**Assemblywoman Summers-Armstrong:**

In essence, this increases the executive director's authority from \$500,000 to \$1 million dollars in totality.

**James Humm:**

If they were to qualify for an initial abatement and then an expansion abatement, that is correct. Currently, that would be \$500,000 if they were to do \$250,000 and \$250,000.

**Chair Backus:**

I just wanted to clarify another thing. This statute is amazing for statutory interpretation. There would never be a situation where both situations would have had to occur, because one is the amount or more under section 1, subsection 1, paragraph (a); and under section 1, subsection 1, paragraph (b) is the "less than." I just wanted to make sure that was clear for the record and there is no confusion.

**Assemblywoman Anderson:**

My first question has something to do with what was stated about the timeline. Senator Pazina, you had mentioned that sometimes it takes two to three months for these. I might be comparing the two bills we heard tonight as well, that that seemed to have been a problem, to be able to bring it forward to the Legislative Counsel or to the Interim Finance Committee since that meets every two or three months. I am just wondering: Will this help that timeline? What is the usual timeline for approval?

**Senator Pazina:**

Right now, there are quarterly meetings. I will be completely frank. What I initially wanted to do, working with LVGEA, was to implement monthly meetings. There was a high fiscal note on that, and the experience I have had so far as a freshman is that fiscal notes have gotten me into a lot of trouble. That is how this bill came to be and how it is right now. The challenge was because the meetings are only quarterly, a number of these organizations that wanted to come to the state were having to wait, because a meeting may have just happened two or three weeks ago, and they had to wait four months for the next meeting. That is what I meant when I said two to three months; maybe a meeting happened two months ago, maybe it happened one month ago, and that was the wait. A number of these organizations were choosing to go where they did not necessarily have to make that wait just to find out if they would qualify.

**Assemblywoman Anderson:**

I did a little bit of research and I was looking at the GOED biennial report, the latest one. It looks like if this were to change, there are currently 13 that would have the \$250,000 abatement, and it would only increase it up to 18. It would only make a difference of 5. Do we have any idea of how many, for lack of a better term, lost opportunities we have because of this different number we had, or do we know how many more opportunities this could create? Is there a way to guesstimate it?

**Tina Quigley:**

We have had these conversations internally as well, because inevitably we expect these kinds of conversations. It is really tough to predict. When companies are interested in coming to the state, they are constantly communicating with you. Companies that have decided to move on do not necessarily let you know why they chose to. We really cannot calibrate or count that. It is like getting ghosted. If they are not interested anymore, they move on, and they are not answering your calls. That is a question we have asked ourselves as well.

**Assemblywoman Anderson:**

I continue to have problems with the idea of the executive director having that much power.

**Assemblyman O'Neill:**

How long does it normally take for a business to go through the process to get their abatements, under the current procedure? Would this expedite or speed this up at all?

**Tina Quigley:**

Each company, depending on what they are bringing to the table in terms of how many employees and their average wage, those are things that we have to prove and vet before we can even start the application process. To some extent, that is going to depend on the company and how responsive and knowledgeable they are of all the factors we need before we even vet them. You could have companies that are fully prepared, can answer quickly, and fill out the application. Depending on where you are in the cycle of the existing GOED process, generally that would take about three to four months if it moved quickly, but that is not generally the case. From the very start, when a company comes to us, I would say we are talking about nine months total to get through everything.

**Chair Backus:**

Do we have any other questions from the members of the Committee? [There were none.] I will open the hearing for testimony in support. We will begin in Las Vegas. Is there anyone wishing to give testimony in support of S.B. 181?

**Emily Osterberg, Director, Government Affairs, Henderson Chamber of Commerce:**

I am here on behalf of our more than 1,800 members, most of which are small businesses. We are here in support of S.B. 181. This bill would help streamline tax incentives that would help encourage economic development in Nevada, especially for small businesses. These investments will create quality, good-paying jobs for southern Nevadans. We are in strong support of this bipartisan legislation and urge the Committee to support it as well.

**Chair Backus:**

Is there anyone on the phone lines wishing to give testimony in support of S.B. 181?

**Mendy Elliott, representing Economic Development Authority of Western Nevada:**

I will keep my comments brief. The presentation was excellent. We want to thank Senator Pazina and all the presenters for presenting the bill. We urge your support.

**Chair Backus:**

We will now take testimony from those in Carson City wishing to provide testimony in support of S.B. 181.

**Nick Vander Poel, representing Northern Nevada Development Authority:**

The Northern Nevada Development Authority represents the rural region—Carson, Douglas, Lyon, Mineral, and Storey Counties. We appreciate Senator Pazina for bringing this bill, as well as the LVGEA. We really appreciate the legislation and the tools in the toolbox.

**Kristina R. Kleist, representing Latin Chamber of Commerce, Las Vegas, Nevada:**

In the interest of time, we fully support this bill and think it is a great tool for our small and medium businesses.

**Dylan Keith, Assistant Director, Government Affairs, Vegas Chamber:**

We would like to thank Senator Pazina and the LVEGA for bringing this bill forward. We appreciate the streamlining process that it entails and kindly ask for your support.

[[Exhibit I](#) and [Exhibit J](#) in support were submitted but not discussed and are included as exhibits of the meeting.]

**Chair Backus:**

We will now take testimony in opposition. Is there anyone in Las Vegas wishing to give testimony in opposition to S.B. 181? [There was no one.] Is there anyone on the phone lines wishing to give testimony in opposition to S.B. 181? [There was no one.] Is there anyone in Carson City wishing to give testimony in opposition to S.B. 181? [There was no one.]

We will now move to neutral testimony. Is there anyone in Las Vegas wishing to give testimony neutral on S.B. 181? [There was no one.] Is there anyone on the phone lines wishing to give testimony neutral on S.B. 181? [There was no one.] Is there anyone in Carson City wishing to give testimony neutral on S.B. 181? [There was no one.] I will welcome the bill sponsor back up for closing remarks.

**Senator Pazina:**

I just wanted to thank everyone for staying so late this evening. I would be happy to answer any questions you have.

**Chair Backus:**

I will close the hearing on S.B. 181. Our last item on the agenda is public comment. Do we have anyone here in Carson City wishing to give public comment this evening? [There was no one.] Is there anyone in Las Vegas wishing to give public comment this evening? [There was no one.] Is there anyone on the phone lines wishing to give public comment this evening? [There was no one.] With that, we will close the hearing. We are adjourned [at 7:48 p.m.].

RESPECTFULLY SUBMITTED:

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Gina Hall  
Committee Secretary

APPROVED BY:

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Assemblywoman Shea Backus, Chair

DATE: \_\_\_\_\_

## EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is written testimony submitted by Annette Magnus, Executive Director, Battle Born Progress, in support of Senate Bill 394 (1st Reprint).

[Exhibit D](#) is a letter dated May 4, 2023, submitted by Christine Saunders, Policy Director, Progressive Leadership Alliance of Nevada, in support of Senate Bill 394 (1st Reprint).

[Exhibit E](#) is a written statement dated May 4, 2023, submitted by Michael Brown, Private Citizen, Las Vegas, Nevada, in opposition to Senate Bill 394 (1st Reprint).

[Exhibit F](#) is written testimony submitted by R. Lee Sterrett, Private Citizen, Virginia City, Nevada, in opposition to Senate Bill 394 (1st Reprint).

[Exhibit G](#) is a letter dated May 4, 2023, submitted by Pamela Goynes-Brown, Mayor, City of North Las Vegas, in opposition to Senate Bill 394 (1st Reprint).

[Exhibit H](#) is the Work Session Document for Senate Bill 50 (1st Reprint), dated May 4, 2023, submitted and presented by Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

[Exhibit I](#) is a letter dated April 26, 2023, submitted by Ana Wood, Chair, Government Affairs, Las Vegas Asian Chamber of Commerce, in support of Senate Bill 181.

[Exhibit J](#) is a letter dated May 3, 2023, submitted by Francisco V. Aguilar, Secretary of State, in support of Senate Bill 181.