

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

**Eighty-Second Session
February 23, 2023**

The Committee on Revenue was called to order by Chair Shea Backus at 4:08 p.m. on Thursday, February 23, 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.leg.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 Ken Gray
Assemblyman Gregory T. Hafen II
Assemblywoman Erica Mosca
Assemblyman Duy Nguyen
Assemblyman P.K. O'Neill
Assemblywoman Shondra Summers-Armstrong

COMMITTEE MEMBERS ABSENT:

Assemblyman David Orentlicher (excused)

GUEST LEGISLATORS PRESENT:

None

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:

Thomas J. Burns, Executive Director, Office of Economic Development, Office of the Governor
Stacey Bostwick, Director of Workforce Development, Office of Economic Development, Office of the Governor
Mary Beth Sewald, President and Chief Executive Officer, Vegas Chamber
Amber D. Stidham, Chief Strategy Officer, Las Vegas Global Economic Alliance
Karsten Heise, Senior Director of Strategic Programs and Innovation, Office of Economic Development, Office of the Governor
Heather Brown, President and Co-Founder, StartUp Vegas, Las Vegas, Nevada
Kanani Espinoza, representing Nevada State College; and University of Nevada, Las Vegas
Austin J. Brown, Coordinator, Government & Community Engagement, University of Nevada, Reno
Jeff Saling, Executive Director and Co-Founder, StartUpNV, Las Vegas, Nevada
Quinton Singleton, Founding Principal, Zero Labs, Las Vegas, Nevada
Jared Byer, Managing Director, gener8tor Reno-Tahoe Accelerator, Reno, Nevada
Joshua Leavitt, Private Citizen, Las Vegas, Nevada

Chair Backus:

[Roll was taken and Committee rules and protocol were reviewed.] Welcome to our audience members. Those wishing to testify today, we are going to try to limit testimony to two minutes as the weather is getting pretty bad here in Carson City and people have to drive up to Reno.

Today we have two bills on our agenda. The first bill we will hear is Assembly Bill 38, which revises provisions relating to the Workforce Innovations for a New Nevada Account. The second bill is Assembly Bill 41, which establishes the Nevada Innovation Account. I will open the hearing on A.B. 38.

Assembly Bill 38: Revises provisions relating to the Workforce Innovations for a New Nevada Account. (BDR 18-214)

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

I am pleased to be here today to present Assembly Bill 38. I am going to ask our subject matter expert on this, Stacey Bostwick, Director of Workforce Development, to take the lead.

Stacey Bostwick, Director of Workforce Development, Office of Economic Development, Office of the Governor:

Thank you for the opportunity to testify on Assembly Bill 38. I have several colleagues here today—Deputy Director Bob Potts; Michele Lynn, Director of Administration; and

James Humm, our Director of Public Policy and Government Affairs. I want to give you a little bit of background on this program. We are adjusting here because our room was not available at Grant Sawyer.

The Workforce Innovations for a New Nevada (WINN), otherwise known as the WINN fund [page 2, [Exhibit C](#)], was established in the 2015 Legislative Session through the passage of Assembly Bill 1 of the 29th Special Session, and is managed by the Office of Economic Development, Office of the Governor (GOED). We use this fund to address the business needs in industry as they relate to workforce development. We do that by accelerating the creation, customization, or expansion of workforce training programs—all of those with the intent to impart the skills needed by employers. We have utilized the WINN fund to catalyze and accelerate new workforce training programs, to develop talent pipelines for new and growing industry—we are laser-focused on that particular issue—and the opportunity to gain the skills necessary for new job opportunities. Although our acronym is not exactly aligned, we like to call it a win-win proposition.

The next slide [page 3] shows you a high-level visual of the work we have done. Since 2016 GOED's board and leadership has approved over \$13 million in project funding, shaping new workforce training options that have had over 60 employers directly connected with projects. The most important piece is that to date over 2,000 Nevadans have been able to access 23 new or expanded training programs developed to meet new, or growing demand, high-skill, high-wage sector jobs. Our focus has predominantly been in advanced manufacturing, health care, technology, mining, and logistics and operations. Education providers across the state have benefited from investments through the WINN fund, including universities, community colleges, labor organizations, and private post-secondary schools.

Turning to the bill [page 4], this is pretty straightforward. It is a singular amendment that adds nonreversion language to the statute. The Office of Economic Development is seeking to remove the reversion requirement that is in existing statute with the WINN fund to enable appropriate timelines for the development of workforce training programs needed by industry, giving us the flexibility to be responsive and the time it takes to build these programs. This helps our agency better align and respond to businesses and their workforce needs over periods that will endure across multiple biennia. Thank you for your time. We welcome any questions you might have.

Chair Backus:

Thank you for your presentation. We will start with Assemblywoman Anderson.

Assemblywoman Anderson:

If this were to pass, how much is currently in this fund that would not be reverting to the State General Fund, and instead stay with the department?

Stacey Bostwick:

Our allocation in the current biennium is \$1.5 million. At this time, we only have about \$200,000 that is unobligated in funds, meaning we expect these programs or projects we have in hand right now to spend nearly all of that. We obviously have the flexibility to continue those obligations and expenditures through June 30, 2023. We try to get as close to zero as possible where it makes sense.

Assemblywoman Anderson:

I think you said this has been in existence since 2015. Has this been the consistent funding and practice of this account?

Stacey Bostwick:

I do not know the exact number. I would be happy to get you that information. We have had reversions that were a little bit larger. We have had reversions of over \$1 million during the pandemic. That, of course, was a very challenging time to build workforce training programs as we did not have in-person training happening quite a bit. There has been the flexibility. In terms of the response, the reason we are asking for the nonreversion, and oftentimes why reversion happens, is because we are not able to deploy those dollars. That basically means we have to wait until our hopeful next allocation to entertain a project that then can have the full continuity of two years to be able to get off the ground. A lot of institutions, and rightfully so, are nervous about accepting funds for a short period of time when the actual development timeline takes much longer. So, in fairness, reversion happens in the case of the WINN fund, generally speaking, because we are not able to deploy it with the reversion requirement.

Assemblywoman Anderson:

Thank you for that clarification.

Assemblywoman Considine:

This was created not very long ago, in 2015. Do you know the reason why, when this was created, the money would be put into the General Fund? I am just trying to compare the reasoning.

Stacey Bostwick:

I was not around at that time so I do not have that historical knowledge. What I can tell you for context is that they used existing statute because it was a special session. It was a quick adjustment to an existing statute with quite a bit of rethinking about how best to make this work. We are unique. Within GOED the WINN fund is the only tool that is required to revert back to the General Fund. That does not give us continuity across biennia.

Assemblyman Hafen:

Are there any provisions in here that before these funds rolled over would require coming in front of the Interim Finance Committee (IFC) for any kind of approval or denial?

Stacey Bostwick:

There is nothing in the provisions currently to put us in front of the IFC. Changes to the budget, bringing money in, special agreements like we have with the Department of Employment, Training and Rehabilitation (DETR), or if we do a partnership or grant agreement, we are going to end up in front of the IFC. In terms of transparency, and in the work that we do, we do submit a biennial report. That does come through to the Legislature every two years.

Assemblyman Nguyen:

Are you anticipating a cap, where after the fund gets to a certain amount it will stop accruing and then go back to the General Fund? I do not want this to be perceived as a type of rainy day fund in terms of this particular department.

Stacey Bostwick:

Historically the WINN fund typically has received funding of less than \$8 million per biennium, and the vast majority of that gets expended within the biennium. In terms of discussion, we would be open to a cap, but it is not a problem we have run into, to be perfectly honest. The reversion issue for us is more about giving us the time and continuity to build particularly larger projects. One of the challenges with the reversion, in terms of spending, is that that reversion looks at dollars spent at the end of the biennium, so we cannot obligate the dollars in terms of an agreement or a contract that says we understand you are going to need 18 months that is going to cross the biennium for us to be able to fund this project. We cannot obligate the money in that way. If it is not spent by June 30 [of an odd-numbered year], it goes back. Each biennium we have to come back and hope, and with the generosity of the Legislature, we are often funded. It is difficult for us to provide support to an education provider, telling them we can give you six months of funding but we do not know what is going to happen after that. We hope we will have funding. We anticipate getting funding. We have often been blessed with the support of the Legislature, but that is no guarantee. That is what it is really about.

Assemblyman Nguyen:

That addresses my concerns, that eventually we could look at putting in something to ensure there are some guardrails. I do not want to open a can of worms into other projects across the board. I want to ensure we put in some guardrails so it is not automatic in setting a precedent that is going to be hard for us to keep up with.

Stacey Bostwick:

We anticipate we will still come back in terms of funding. We will be reporting to the Legislature what our progress is and what our obligations are, at the same time we are saying do we or do we not need additional funding for future projects.

Assemblyman Nguyen:

Thank you for clarifying that.

Chair Backus:

We do not have any further questions from the members of the Committee. Thank you for your presentation. We will now take testimony in support of Assembly Bill 38.

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

As the largest and broadest-based business organization in Nevada, the Vegas Chamber is in support of A.B. 38. This bill will provide GOED with additional flexibility and support in order to achieve its mission statement. The Chamber believes that by allowing unused funds to carry into the next fiscal year that will provide GOED the opportunity to further support new workforce training programs, which we desperately need. The reality is that there should be flexibility within the system. As all of us know, the needs of our workforce are constantly changing and evolving every single day. The Office of Economic Development needs these types of financial tools to be flexible and nimble in order to be competitive and to meet the needs of our ever-growing and ever-changing workforce. Thank you for your time and consideration today in supporting A.B. 38 and Nevada's workers.

Chair Backus:

Is there anyone else in Carson City who wishes to give testimony in support of the bill? [There was no one.] Is there anyone on the phone lines who wishes to give testimony in support of A.B. 38? [There was no one.] Is there anyone in Las Vegas who wishes to give testimony in support of A.B. 38?

Amber D. Stidham, Chief Strategy Officer, Las Vegas Global Economic Alliance:

We would like to testify in support of A.B. 38. As a state designated Regional Development Authority for greater Las Vegas we know very well about the importance of workforce investments and workforce development. As has already been discussed, I think resolving the technical piece and the ability to properly deploy funds to support workforce development is something we would strongly encourage your support of, so for that reason we are here in support [[Exhibit D](#)]. There is no one else here to testify in support.

Chair Backus:

I appreciate that. Next, we will move on to testimony in opposition to A.B. 38. Is there anyone here in Carson City who wishes to give testimony in opposition? [There was no one.] Is there anyone in Las Vegas who wishes to give testimony via the Zoom app? [There was no one.] Is there anyone on the phone lines who wishes to give testimony in opposition to A.B. 38? [There was no one.]

We will move to those who are neutral to A.B. 38. Is there anyone in Carson City wishing to give testimony neutral to A.B. 38? [There was no one.] Is there anyone on the phone lines or the Zoom app who wishes to give testimony neutral to A.B. 38? [There was no one.] Do the presenters have any closing remarks?

Tom Burns:

Thank you for your time and allowing us to present today. Assemblyman Nguyen, we are happy to work with you on your suggestion. I understand the spirit of what you are looking

at and certainly agree with where you are coming from. We will reach out to you and find some ground on that.

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

Chair Backus:

I will officially close the hearing on [A.B. 38](#) and open the hearing on [Assembly Bill 41](#). Whenever you are ready, please proceed.

[Assembly Bill 41](#): Establishes the Nevada Innovation Account. (BDR 18-213)

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

We are here to present [Assembly Bill 41](#). We will have Karsten Heise, our subject matter expert, present that to you.

Karsten Heise, Senior Director of Strategic Programs and Innovation, Office of Economic Development, Office of the Governor:

Thank you for this opportunity to testify in support of [Assembly Bill 41](#). I would like to give you a brief background as to why this bill is needed and why it matters to Nevada. I will then highlight the components and goals of the bill. The goals with [A.B. 41](#) are to strengthen the formation and growth of technology-based small businesses in our state, and particularly those which are being formed or have been formed recently—very young companies. In other words, Nevada startups, early-stage, high-growth, and highly scalable small businesses, will be the beneficiaries of this bill.

Let me give you two quotes to set up the explanation of the rationale even further. Steve Blank, the grandfather of the Lean StartUp movement, stated that a startup is a temporary organization formed to search for a repeatable and scalable business model. Brad Felt, author of *The Startup Community Way* adds "this temporary phase tests and validates a business model before a shift in strategy to achieve high rates of growth and market share," which is basically scaling up, "or conversely failing and seizing operations." Because of this stage in their development these very small companies have very limited resources and therefore are crucially dependent on an external environment in order to secure those resources, which are essential to their business, but simultaneously are out of their direct control, so these resources are not within the company. They are getting those resources from outside. You often hear the term "entrepreneurial" or "startup ecosystem." Hence, in order to strengthen startups, we need to strengthen the environment in which they operate, and that is addressing weaknesses in their support structures that we find. If they are unlucky to have those weaknesses, we need to address them. If there are no weaknesses, we can move further ahead.

This is the rationale of this bill. With [A.B. 41](#) we are targeting gaps in these essential support structures with dedicated programs to fill those shortcomings. As a side benefit, we will also

be able to align or catch up with other states where such programs have been in operation for a much longer period of time.

On your screen you should see two slides [pages 2 and 3, [Exhibit F](#)]. They are basically identical. I will try to depict what I am talking about graphically. I know it might be overwhelming but let me take you through it. The slide you are currently looking at [page 2] shows six incremental stages of young technology-based companies and their progression from a very early stage right through to scale up. When I was talking about temporary, this shows what I was talking about—the different stages really stress this temporary nature. This slide also identifies the crucial gaps in the support fabric that unfortunately exist today, and those are basically the round circles. There are basically three gaps we are highlighting here and one gap, which the bill addresses, is sort of cutting across. We did not want to overwhelm that slide [page 2]. The next slide [page 3] is basically identical to the previous one. It shows exactly the positions where we are superimposing the proposed remedies, addressing those respective gaps from the previous slide [page 2]. Those four remedies are really the core of [A.B. 41](#).

I will now take you through what we believe are the main sections of the bill. I will not be taking you through the entire bill. Section 2 sets out to define the terminologies used in the bill, so that is fairly straightforward. Section 3, subsection 4 allows for gifts, grants, donations, and federal allocations to be deposited into the hopefully to be created Nevada Innovation Account. That would mean we would have a vehicle in place that can actively seek federal grants comprising technology startups and development of entrepreneurial ecosystems objectives. A recent example would be, the National Science Foundation released a request for proposal for a major program which is called Regional Innovation Engines. Had we gotten this in place we would have been able to go after that money.

Section 4 allows for utilization of GOED's nonprofit corporation, which is a corporation for public benefit. This would be the entity that would operate most of those components of this bill. That would be Nevada Battle Born Growth Escalator, Inc., which was created by the Legislature in 2015 through [Assembly Bill 17 of the 78th Session](#). If you were here yesterday, during the Joint Meeting of the Senate Committee on Finance and Assembly Committee on Ways and Means, you would have heard me saying this is the entity that currently operates our State Small Business Credit Initiative (SSBCI) program, therefore it would be the organization of choice given the objectives of this bill.

Moving to section 5, subsection 1, paragraph (a), we are really getting into the components of the bill, the remedies. This allows for establishing a competitive research and development grant program, which would support startups and early-stage, high-growth companies in Nevada to develop technologies with strong market potential in addressing market gaps in our state. Of importance here is that these are eligible companies that are very small: only those companies that do not have more than \$2 million in combined financing, grant funding, or revenue within the three years immediately preceding the application to a competitive grant program. In addition, they must not have more than ten full-time equivalent employees. You may wonder why we chose ten. We basically

adopted the federal definition of very small businesses that the federal government uses for the SSBCI program. Furthermore, to qualify, there is a minimum requirement of technology readiness. We are using the widely used technology readiness level (TRL) scale that was originally developed by the National Aeronautics and Space Administration. Eligible companies would be from 3 to 5. Just to illustrate, TRL 3 constitutes an experimental proof of concept stage, TRL 4 would constitute technology validated in a laboratory, and TRL 5 would be a technology that is validated in a relevant environment. This would be the 3 to 5 level that would be eligible for companies to apply for a competitive grant program under this bill.

Section 5, subsection 1, paragraph (b) allows for the establishment of a small business innovation research matching program. A Small Business Innovation Research (SBIR) is often called America's seed fund, and that would be a matching program that would really amplify this highly successful federal program. Such programs exist in many other states. If you would like to look at a best practice example, I would recommend you look at North Carolina. It is a program that dates back to 2005.

The proposed program here, under this bill, would match SBIR Phase I, and that would be grant awards or contracts, depending on the federal agency that is involved in the SBIR, which is, by the way, administered by the Small Business Administration. Then we would match up to \$100,000 per award or contract. It would also be linked to the success of that phase, so it would be in two stages. The subsequent stage would only be awarded if the company shows progress.

Section 5, subsection 1, paragraph (c) allows for the systematic support of support organizations that are operating accelerators and incubators in the state. Currently you may have seen our press releases and are aware that the SSBCI, under the broader concept of the SSBCI venture capital program GOED is supporting through its nonprofit StartUpNV and gener8tors accelerators, but this bill would provide a more systematic mechanism and a much broader scope to support such organizations.

Finally, section 5, subsection 1, paragraph (d) allows for the creation of an internship program for the Nevada System of Higher Education (NSHE) students in the fields of computer science, business, engineering, or science, so really STEM [science, technology, engineering, and mathematics] fields. The intent here is to build upon GOED's recently launched talent retention program for University of Nevada, Las Vegas (UNLV) and University of Nevada, Reno (UNR)—so this is broadening it—where through our program students are supported by the Attorney General's Office settlement funds, and this program is running for three years. The intent here through this bill is to broaden such a program and provide a path to sustainability. Thank you for your time and we welcome any questions you may have on this bill.

Chair Backus:

Thank you for your presentation. We will start with Assemblywoman Cohen.

Assemblywoman Cohen:

I think I missed a little bit of what you were saying about the internship. I heard you say it was coming from an existing program through the Attorney General's Office. Is the internship a paid internship?

Karsten Heise:

Yes, that is correct. We presented this to the Interim Finance Committee (IFC) last year. With the spring semester, UNR and UNLV are starting to recruit students for this internship program. This is very specific for minorities and/or women students in those STEM fields, from those two universities, to be placed with technology companies and startups. In internships we called it a talent retention program, so the objective there is that this talent, these graduates, are not leaving the state after graduation. We are paying, with those funds, \$18 per hour. The runway we have is for about three years. The intent with this bill is that it is enshrined in the *Nevada Revised Statutes* (NRS) to have a program in perpetuity.

Assemblywoman Cohen:

I also have a question about section 6, with the data that is being reported. Is that purposefully aggregate data, because there is no information in the report that is coming to the Legislature about which businesses these are, just some information about them in general?

Karsten Heise:

It would depend on the program that is being operated. I would expect that we would report within the competitive research and development grant program those businesses, what they are, and which technologies they were awarded with that grant. The same would hold true for the SBIR matching program. This is fairly general because we have on the one hand very specific support for businesses, and on the other hand we have programs that support the operation of incubators and accelerators, or the talent/internship program. If you would require that information, we would be happy to accommodate that to define that language more precisely.

Assemblywoman Mosca:

As a nonprofit founder, I appreciated this. Reading section 5 and section 6 made me want to know what type of businesses are asking this right now, and are we focusing on a grow-your-own, or are we trying to get out-of-state businesses? What are you all thinking about that?

Karsten Heise:

Are you mainly talking about the SBIR matching program, which businesses would qualify?

Assemblywoman Mosca:

What I am wondering is, in general, if we are going to have this program here that is going to give money to people, are we focusing on making sure they are technology companies that are already here, that we are growing and expanding, or are we looking out of state?

Karsten Heise:

It has to be Nevada companies. They have to be here or move here. At the time of application, they must have a business address and business license here. We will certainly not use this as an attraction tool. These companies have to be here. To your other question, yes. These have to be heavily technology-focused small businesses.

Assemblyman Nguyen:

I have a question on section 2, subsection 5. You have indicated research universities, naming UNLV and UNR. What are your thoughts on any other NSHE institutions that want to participate, or is this exclusively for these two institutions within our state?

Karsten Heise:

What you are referring to in section 2, subsection 5 is just a definition. We are just defining research universities. Later we add Desert Research Institute (DRI) to that. We are using this definition later on in the bill where we are saying we encourage eligible companies for the research and development competitive grant program; either the company comes directly and applies to the program, or we are encouraging collaboration between the research universities as defined here, plus the Desert Research Institute and those companies. This is just the definition.

Assemblyman Nguyen:

What if the Nevada State College wanted to participate? What if the College of Southern Nevada or other community colleges wanted to participate in this? Are they excluded from this? How does that work?

Karsten Heise:

Yes, they would be excluded. Why they would be excluded is because we are talking deep technology here. It is really a research and development grant. They are certainly not excluded from the component we have for the internship program or the other components. If the College of Southern Nevada or Nevada State College were to run an incubator program, they are certainly not excluded. We are talking about deep technology startups. The likelihood that a deep technology startup works with Nevada State College or with a community college is very low. As I said on the technology readiness level, we are trying to scale up this company to the next phase. It is deep technology and these are research institutions.

Assemblyman Nguyen:

That leads me to my next point. In section 3, number 6, it lists potential partners for implementation of strategy. It listed the government entity and nonprofit and the chambers, but then it leaves out higher education. Was that intentional, or is that something we can add back in?

Karsten Heise:

I am trying to find what you are referring to.

Assemblyman Nguyen:

Section 3, looking at the Executive Director is required to [unintelligible] which must include a statement of—and it lists six bullet points. I am looking at number six to see if you are excluding higher education for a reason, in terms of the strategy, or was it just designed that way?

Karsten Heise:

I do not think it was designed that way. I still cannot find it. That is the problem.

Chair Backus:

Assemblyman Nguyen, can you give the page number and line you are referring to? That may be helpful.

Assemblyman Nguyen:

I think I was looking at my folder and not the text of the bill. If you could give me one moment.

Chair Backus:

While you are looking that up, I am going to jump in with a question along the lines of the research marketing funds. I believe you referred to North Carolina having done this starting back in 2005. Did you ever get a measurement of the success North Carolina had with respect to investing in the research marketing funds; whatever measure of success you may know of? I was not sure if it was a number of businesses or financial benefit.

Karsten Heise:

That is an excellent question. I would need to get back to you on this. The reason why I used North Carolina is it has been one of the most successful SBIR matching programs in the nation. It publishes those results. We can pull that information and get it to you.

Chair Backus:

Thank you so much. Do we have any other questions from members of the Committee? I will let Assemblywoman Anderson jump in and then we will circle back to Assemblyman Nguyen.

Assemblywoman Anderson:

I did have a similar question about why the community colleges are not mentioned specifically or not able to be part of that. Pertaining to the question from my colleague from Clark County from earlier, you list a large number of things that are supposed to be on this report. It is on page 6, lines 6 through 23 [section 6, subsection 6, paragraphs (a) through (g)] of the bill.] The one thing I do not see clearly stated is whether the needs of the industry, that was the gap—I really liked the Valley of Death you used on the graph [page 3, [Exhibit F](#)—if those were actually met or not. The matrix of it. It is really easy for you to report to us that there were 26 new people who came into this profession, but we are not going to know if they needed 326. Is that clarification part of the plan for this report? That was an element I saw as problematic. As a secondary piece, on page 4 of the bill, line 7 of

section 5 [section 5, subsection 3] I wanted to verify that this will not overlap or duplicate any other programs that are taking place in the state-funded programs, including those that are done by GOED and other entities that are in our state. I just wanted to verify that information was accurate.

Karsten Heise:

Let me take your last question first. Yes, absolutely. The intent is really to fill gaps, to address gaps that we have. The intent is not to duplicate. The universities as well as the community colleges have existing internship programs. This would not be duplicated. It would strengthen them. Rather than standing up a new program, we would take a similar approach like we did with the talent retention program mentioned earlier with the Attorney General's Office funds we are utilizing. That would mean here we are using existing infrastructure and operations, and we would strengthen that. I would not put this in the category of duplication but strengthening.

We really have those gaps. We do not have an SBIR matching program. We have an effort funded through the Knowledge Fund, which I call Phase 0, that is to apply for an SBIR Phase I grant or contract. This would neatly tie in and then be subsequent to reaccelerate and amplify that once it is won. This is intended to be an additive. I forgot your first question.

Assemblywoman Anderson:

My first question was how do we know what the [unintelligible] are needed for the gap, and is that part of your reporting expectation as well?

Karsten Heise:

Thank you for reminding me what the question was. Yes, if you look at the research and development grant competitive program of the SBIR matching program, the intent is sort of hidden when the bill refers to those programs being created. It is sort of in the creation of those programs that we require that those gaps have to exist. We have to again define them. We have to tie it back to the state plan, what focus industries we have. It is for the operation of the program, and then as part of that, we would report on that.

Assemblywoman Anderson:

Just to verify, first it is going to be the identification as ground zero, then we go through the Valley of Death and figure out what that is exactly, then you go to the University of Nevada, Las Vegas with the issue, get some interns together, and then you are going to report that back. Am I understanding that in the most CliffsNotes-SparkNotes version possible, of this idea? Is that accurate?

Karsten Heise:

By and large, yes. It is because what you are pointing towards is a continuum as well. All these individual programs we are creating here should not be regarded in isolation. You identify where the Valley of Death is. For each individual company you have different

requirements to mitigate those challenges. You are basically trying to cover the entire continuum with specific programs. So yes, in a nutshell, you have a continuum here.

Chair Backus:

Assemblyman Nguyen, did you want to follow up with your question?

Assemblyman Nguyen:

I think it was my error. I was reading a folder of information that contained the current language of the existing law so I apologize to our presenters. I just want to make sure it relates to my previous point, ensuring that not just research institutions are the only ones that can participate. We should open it up to all higher education institutions to be able to participate, maybe not now because the capacity is not there, but leave the language open so all higher education institutions can participate because innovation and technology is pretty much the future, and we should not limit it to just research universities alone. That was my intention there.

Karsten Heise:

Absolutely. We can accommodate that.

Chair Backus:

Do we have any further questions from the members of the Committee? [There were none.] We will move to testimony in support of A.B. 41. Is there anyone here in Carson City who would like to testify in support of A.B. 41?

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

The Vegas Chamber has a long history of supporting these types of economic development initiatives since the creation of GOED in 2013. This program will be another useful tool to GOED in its mission to strengthen and diversify Nevada's economy. As an organization that is focused especially on small employers and entrepreneurs, the Vegas Chamber believes that the Nevada Innovation Fund will be essential in strengthening and growing technology-based businesses, and small businesses especially. This fund will encourage small employers and entrepreneurs in emerging technologies while cultivating collaboration between our public research universities and the private sector. We believe this fund will be a good investment and help tap emerging technologies and talent within our state. Thank you for your time and consideration of investing in Nevada's small employers and entrepreneurs.

Heather Brown, President and Co-Founder, StartUp Vegas, Las Vegas, Nevada:

I am a newly elected regent [Nevada System of Higher Education Board of Regents] but today I am wearing a different hat as president and co-founder of an organization called StartUp Vegas. Our organization is dedicated to expanding the technology ecosystem in southern Nevada by fostering a supportive and collaborative environment for tech founders so they can grow their companies and grow as individuals. The four main components of this bill are essential to our ecosystem, but I want to highlight the talent retention program.

Last fall we were honored that GOED was interested in the idea of creating a talent retention program, and as discussed during the presentation, this program is currently being housed at UNLV and UNR. The initial investment gives both institutions a three-year run to do paid internships for students in engineering and science. From an ecosystem builder, the impact of paid internships for students in Nevada has the potential to not only give them real-world experience but also helps grow our Nevada companies. The best part is they are getting Nevada-based experience and the hope is that they then stay after graduation.

Workforce development and building workforce pipelines are all buzz words that we really know well, but this bill has an opportunity to do that by highlighting job opportunities in Nevada and creating new, high-paying, in-demand, sustainable jobs. Historically we have lost a lot of our STEM graduates to opportunities outside of Nevada. If I could wear my regent hat for just a minute, I would love to see students who graduate from our NSHE institutions actually stay and help grow our economy, especially in these economically diverse sectors.

Going back to StartUp Vegas, we are committed to helping founders create success and create a vibrant tech landscape in Nevada, and this bill has key components that we need. We look forward to being part of the success of the current talent retention program and hopefully see further investment with A.B. 41.

Kanani Espinoza, representing Nevada State College; and University of Nevada, Las Vegas, Nevada:

First, some remarks by UNLV. We appreciate legislation that focuses on talent retention, specifically in the areas of STEM. The UNLV engineering program is a beneficiary of this investment. We appreciate GOED and other stakeholders focusing state resources to progress tech transfer and talent retention. On the Nevada State College side, we support the acceleration and internship component of the bill.

Austin J. Brown, Coordinator, Government & Community Engagement, University of Nevada, Reno:

Today I would like to express the support from the university for A.B. 41. This would provide a strategic investment in the future of our state and our NSHE institutions, keeping our students here in the state of Nevada. On behalf of the university, we would like to thank you all for considering this bill and taking the time. Go Pack.

Chair Backus:

I believe we no longer have anyone in Las Vegas. We will go to the phone lines. Is there anyone on the phone who wishes to give testimony and support of A.B. 41?

Jeff Saling, Executive Director and Co-Founder, StartUpNV, Las Vegas, Nevada:

StartUpNV is a statewide nonprofit startup incubator and accelerator, with programs in Las Vegas, Reno, and rural Nevada. We have also organized four for-profit investment programs. These investment programs provide privately raised venture capital to the companies participating in StartUpNV's program. I am also the president of Sierra Angels,

one of the older angel groups in the United States, out of Incline Village. I also teach Engineering 461: High Tech Entrepreneurship, at UNR during the fall semesters. StartUpNV's mission is to grow a vibrant, inclusive startup ecosystem in Nevada as a means of diversifying our economy and creating exciting economic opportunities for all Nevadans. The StartUpNV nonprofit is funded by a combination of grants, and any profit made from the related private funded investing activities is donated back to the nonprofit to further fund our programs, and hopefully create a foundation that will last many decades in support of our startup ecosystem.

I provide this background so you will understand my personal and professional level of involvement, understanding, and commitment to developing a startup ecosystem in Nevada that will be the envy of other states in the union. I am testifying in favor of A.B. 41. It provides important infrastructure to support our start-up ecosystem. If A.B. 41 is approved and implemented, it will create the ability for Nevada to get to parity with other states that operate similar programs in their states. As somebody who spends nearly all my waking hours, every moment of them, in pursuit of the goal, of the dream, of having my home state, our home state, be a haven of entrepreneurship, technological advancements, and creativity, it has been frustrating to not have the kind of institutional supports that are contemplated by A.B. 41. While A.B. 41 does not fund all the programs it establishes, it is a very thoughtful structure into which both human effort and funding will fit as those discussions occur and the funding is developed.

Quinton Singleton, Founding Principal, Zero Labs, Las Vegas, Nevada:

Zero Labs is a Nevada private-based accelerator and incubator, where we focus on accelerating and incubating Nevada-based companies, where we are building new products, technology, and launching startups that in particular support Nevada's industries. I am here today telephonically with my colleague, Ryan Rubio, to testify in support of A.B. 41. We found in our experience that building a successful ecosystem of entrepreneurs, startups, and innovation really begins with a broad-based system of support from the State. With this in mind, we believe that A.B. 41 will be a significant tool for the State and GOED to continue its efforts in supporting innovation and startups in Nevada. To keep it brief, and in closing, we reiterate our support for A.B. 41, the efforts of GOED, Mr. Burns, and Mr. Heise, and we look forward to seeing its passage to continue the support of our burgeoning ecosystem.

Jared Byer, Managing Director, gener8tor Reno-Tahoe Accelerator, Reno, Nevada:

I would like to offer my support in favor of A.B. 41. We have been a partner of GOED and have seen the incredible work they are doing. I will keep this short and sweet, but these four main points are going to help us in Nevada stay extremely competitive as we grow our entrepreneurial ecosystem. We believe it should be passed.

Joshua Leavitt, Private Citizen, Las Vegas, Nevada:

I am the founder of a few startups and Tech Alley, which is a nonprofit that brings the tech and startup communities together in Las Vegas and Reno. For this I am speaking on behalf of myself. As a strong advocate for entrepreneurship, I am honored to provide my testimony

in support for A.B. 41 and the importance of entrepreneurship in our society. Entrepreneurism plays a critical part in the growth and development of our economy, creating jobs, driving innovation, and fostering competition. During the 2021 Legislative Session I wrote an Op-Ed in *The Nevada Independent* titled, "Lawmakers must continue Nevada's promise of entrepreneurship," where I focused a bit on the fourth objective of the 2012 Moving Nevada Forward economic development plan. That objective was to catalyze innovation in core and emerging industries and included the development of statewide innovation and commercialization structures, increasing industry collaboration with the universities, DRI, and building a support structure for entrepreneurship. I wrote in the article at the time, that "Nevada's three research institutions had received \$32.5 million from the Knowledge Fund resulting in \$39.8 million generated in sponsored research contracts, \$35.2 million in grants and donations and \$1.2 million in commercialization revenue. Additionally, 17 companies and 573 jobs were created, 38 companies had relocated to Nevada and 67 patents have been filed." I also reported that UNR had the creation of 8 spin-off companies and over 490 new jobs.

When looking at a platform called DealRoom, looking at 2011, Las Vegas startups and scale-ups had an enterprise value of \$1.6 billion, and in 2023 that enterprise value skyrocketed to \$41 billion. The big leap was between 2019 and 2020, which we can assume was the result of startups relocating to Nevada during the pandemic. Assembly Bill 41, as I understand it, puts Nevada in a position to further support entrepreneurship and the launch of high-growth startups within our state, the ability/opportunity to create homegrown start-ups, scale-ups, and unicorns is one of the most important services that I believe the state can provide.

It is important to know the difference between a small business and a startup. While small businesses and startups share some similarities, small businesses are typically focused on providing product and services to a local market while startups are focused on creating and scaling new products and services that disrupt entire industries. As an example, I recall how DraftKings disrupted the entire gaming industry, which is an industry that Nevada was a leader.

Small businesses are often founded by entrepreneurs who are looking to create stable and profitable businesses that can provide a steady income while startups are founded by entrepreneurs who are looking to create high-growth companies that can achieve significant market share and valuation. Another difference between startups and small businesses is their approach to risk. While small business owners typically take a more conservative approach to risk, taken to minimize their exposure and maintain a steady income, startup founders often embrace risk, seeking to create new products and services that have the potential to revolutionize entire industries. They are often willing to take a significant financial and personal risk in pursuit of their vision with the expectation of their company eventually becoming highly profitable and successful. Innovation is more than an idea. It is the successful bringing new disruptive ideas to market.

Chair Backus:

Could you wrap up your comments.

Joshua Leavitt:

Of course, I am almost done. Incubators and accelerators, along with funding research and support, are some of the key tools that the government can provide to grow Nevada entrepreneurship and high-growth startups beyond the recommendation of replacing the term intern with the work-based learning in the language of the bill. I am excited about A.B. 41 and the opportunity to testify in support.

Chair Backus:

Next, we will take testimony in opposition to A.B. 41. Is there anyone in Carson City who wishes to offer testimony in opposition? [There was no one.] Do we have anyone on the phone lines who wish to give testimony in opposition to A.B. 41. [There was no one.] Next, we will take testimony in neutral. Is there anyone in Carson City wishing to offer testimony neutral to A.B. 41? [There was no one.] Is there anyone on the phone lines wishing to give testimony neutral to A.B. 41? [There was no one.] I will have the presenters come back and provide closing remarks.

I do not want to put this on just Director Burns, but we had an inquiry for Mr. Heise regarding the timeline that it would take, that is anticipated, to fulfill your chart to get a small startup through each of the steps to be successful and hopefully employing hardworking Nevadans.

Karsten Heise:

It would really depend on what component we are looking at. If you look at an internship program, you are basically looking at semester by semester. If you are looking at a support structure or support for an accelerator or incubator program, you are looking at sort of annual support depending on the availability of funds, obviously. If you are looking at the SBIR matching program, that is really defined by the contractor or by the grant you are matching from the federal government, and it is usually between one to two years as a timeline. If you are looking at the research and development competitive grant program, that would really be defined timeline-wise by the technology acceleration you are trying to achieve through this program. Under a research and development competitive grant program, you are looking at, would this technology be validated; will it need to be tested? There is obviously a shorter time horizon. If we needed further development of this, that would be a longer time horizon. These are not longer than a year, so very short-term; very impactful, but short-term.

Chair Backus:

Director Burns, do you have any closing remarks regarding A.B. 41?

Tom Burns:

I just want to thank you again for your time and your indulgence in us presenting A.B. 41. Assemblyman Nguyen, you appear to be the winner today. We will be happy to work with you on your suggestion on including the community colleges in our presentation.

Chair Backus:

We may also have a couple of other ideas we may send your way. I will close the hearing on A.B. 41 and move to public comment. Is there anyone here in Carson City or on the phone lines who wishes to give public comment? [There was no one.] Do we have any comments or remarks from the members of the Committee? [There were none.] We will close our hearing. I will see everyone next Tuesday in Room 4100. I hope everyone gets home safely. We are adjourned [at 5:17 p.m.].

RESPECTFULLY SUBMITTED:

Gina Hall
Committee Secretary

APPROVED BY:

Assemblywoman Shea Backus, Chair

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

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

[Exhibit C](#) is a copy of a PowerPoint presentation titled "AB 38, Assembly Committee on Revenue," dated February 23, 2023, presented by Stacey Bostwick, Director of Workforce Development, Office of Economic Development, Office of the Governor.

[Exhibit D](#) is a letter submitted by Amber D. Stidham, Chief Strategy Officer, Las Vegas Global Economic Alliance, dated February 20, 2023, in support of [Assembly Bill 38](#).

[Exhibit E](#) is a letter submitted on behalf of the Henderson Chamber of Commerce, dated February 23, 2023, in support of [Assembly Bill 38](#).

[Exhibit F](#) is a copy of a PowerPoint presentation titled "AB 41, Assembly Committee on Revenue," dated February 23, 2023, presented by Karsten Heise, Senior Director of Strategic Programs and Innovation, Office of Economic Development, Office of the Governor.