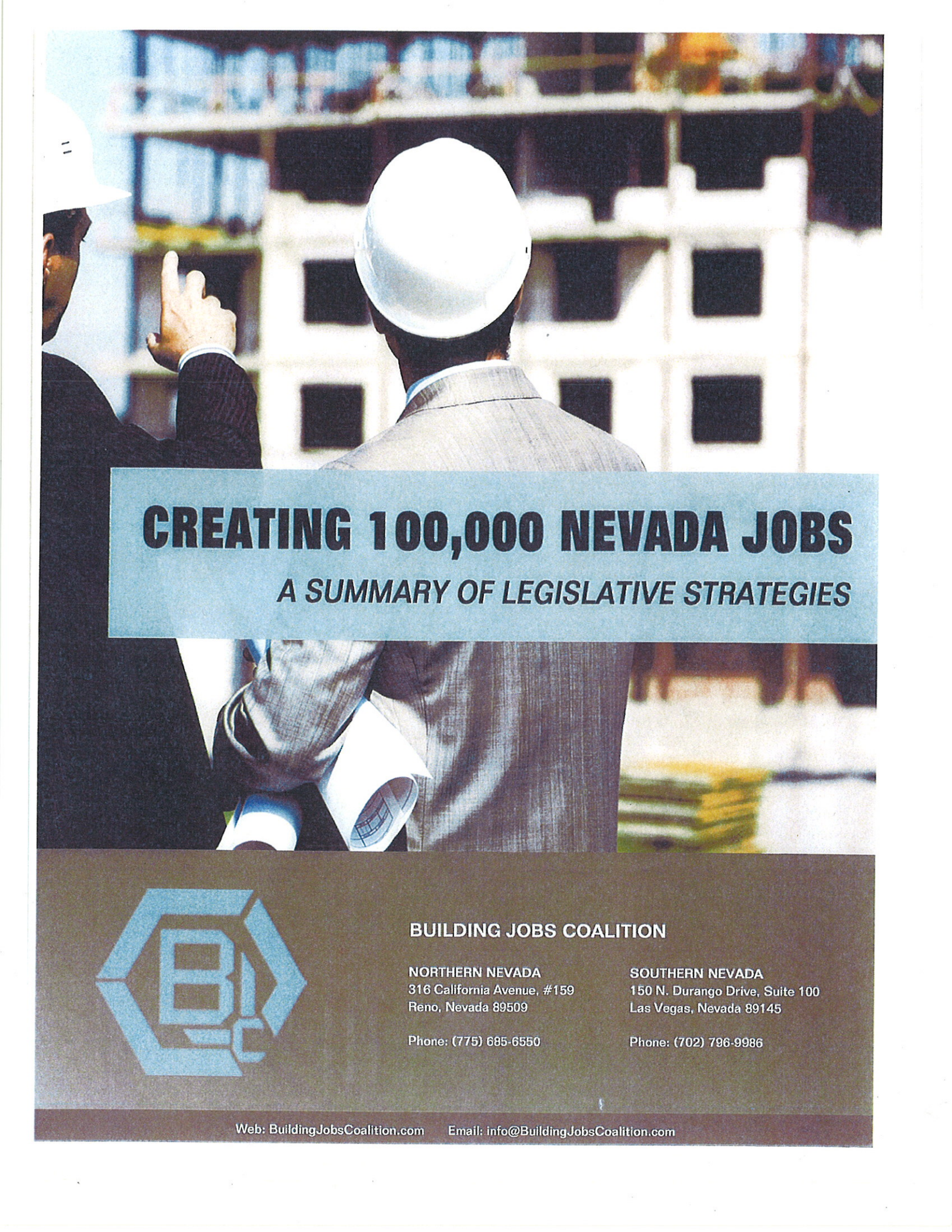
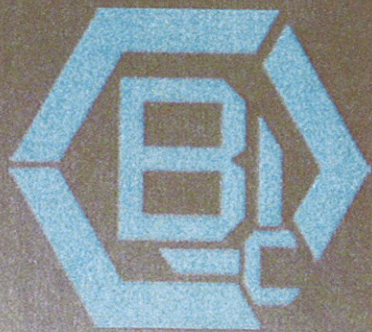




CREATING 100,000 NEVADA JOBS

A SUMMARY OF LEGISLATIVE STRATEGIES



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The economic impact of the Great Recession has been devastating on Nevada. Nowhere is this more apparent than within the State's construction industry. As of October 2010, the construction sector accounted for 60,500 jobs statewide, with roughly 6 out of every 10 construction jobs having been eliminated since late 2006 when the industry's job count peaked at nearly 150,000. In just the past 12 months, the industry has shed 20 percent of its workforce, or 14,700 positions. Importantly, these figures do not include the tens of thousands of additional jobs that have been lost in design, engineering, planning and support businesses throughout the state. The *Building Jobs Coalition* was formed with a single purpose in mind – *getting these Nevadans back to work*.

An essential element of Nevada's ability to recover is needed investment in the state's roads and highways; its schools and universities; its water, sewer and flood control infrastructure; and its hospitals, prisons and other government facilities. It is vitally important that Nevada not only stop the diversion of money away from these programs but also find ways to accelerate their construction. It is also imperative that Nevada-based companies, employing Nevada-based workers, are given first priority for all state and local projects. This puts Nevada's construction and development workers back to work while at the same time positioning the economy for future growth.

The Coalition's origins are in the construction and development industries, but its focus is broader-based. Today, there are more than 180,000 Nevada residents actively looking for work, translating into the highest rate of unemployment in the United States. Getting construction workers back on the job will require wide-spread economic recovery. To this end, the Coalition is working together with other industries, legislators and other community leaders to develop and vet a series of job-creation strategies.

This white paper is a working draft of those strategies. It is not offered as, nor intended to be, a comprehensive solution. Rather, it is a compilation of ideas developed through research, discussions with legislators in and out of Nevada, and input from industry leaders. Some strategies may be mutually exclusive; others may be proven impracticable for one reason or another. That said, the ultimate objective of this exercise is to refine this document over the next several months so that vetted, actionable strategies that can be delivered to the Nevada State Legislature in advance of convening its 2011 Regular Session.

For more information regarding the Coalition or this white paper, please contact us directly at (702) 796-9986.



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Findings and Recommendations in Summary

- Nevada's economy has been ravaged by the economic recession that began in December 2007. The economic downturn has required private sector employers to cut 179,400 jobs, and, at the same time, reduce hours, wages and benefits for their remaining employees. There is no precedent for these impacts in Nevada's modern history.
- No industry in Nevada has been harder hit by the recession than the construction industry, which has cut its workforce by more than 50 percent and accounts for roughly 1 in every 3 unemployed workers.
- The total direct cost of unemployment (benefits paid) totaled \$850 million during the past 12 months. Getting people back to work is not only important to the state economically, but also fiscally, as Nevada faces the largest state general fund percentage shortfall in the nation.
- There are a number of potential strategies that might be used by Nevada lawmakers to put people back to work. These include short-term and longer-term alternatives. Strategies aimed at putting construction and development professionals back to work are particularly attractive because of the sector's share of unemployment and the nexus between infrastructure investment and economic development.
- The following "Top 5 Strategies" would support approximately 27,000 person-years of employment (i.e., one full-time job for one year); in total, the short-run and longer-run strategies outlined in this report would generate an estimated 100,000 person-years of employment.
 - ♣ Create the Nevada Job Bonds Support Fund, a Stable, Dedicated Revenue Source for Capital Projects | (11,495 jobs)
 - ♣ Require State and Local Governments to Dedicate Annual Appropriations/Authorizations Sufficient to Properly Maintain Core Infrastructure Assets | (3,823 jobs)
 - ♣ Eliminate Tax Rate Sunsets Dedicated to Capital Projects and Otherwise Increase Financing Flexibility Where Doing So Could Accelerate Essential Infrastructure Projects | (3,077 jobs)
 - ♣ Require Local Governments to Provide a Streamlined Permitting Process as well as Permit and Planning Fee Abatements for Reuse or Improvement of Underutilized Real Property Assets | (3,483 jobs)
 - ♣ Index the Motor Vehicle Fuel Tax Imposed on the Sale of Motor Vehicle Fuels Statewide, Directing Additional Funds to Local Transportation Infrastructure Programs | (5,192 jobs)



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Building Jobs Coalition

This white paper is designed to accomplish two tasks. The first is to outline the magnitude of the current economic downturn and illustrate how significantly it has affected Nevada's construction, design and development trades. The second is to identify a number of potential strategies aimed at getting out-of-work Nevadans back on the job. This report does not offer, nor is it intended to provide, a comprehensive solution to Nevada's economic challenges. Rather, it provides a compilation of potential strategies that Nevada legislators may want to consider during the upcoming legislative session.

The strategies provided on the pages that follow are broken down into two segments: (1) immediate, infrastructure-related strategies; and (2) other longer-run job creation strategies. In total, these strategies represent the creation of approximately 100,000 Nevada jobs. The Building Jobs Coalition's focus is on putting out-of-work Nevadan's back to work as quickly as possible. Being that construction, design and development workers account for roughly 1 in 3 unemployed Nevada jobseekers; infrastructure and related undertakings leave the state without the assets essential to growing the economy; and Nevada's state and local governments have immediate infrastructure needs, the near-term solutions focus more heavily on capital investment-related strategies.

In the sections that follow, we provide an overview of current economic conditions and outline a number of potential job-creation strategies. Estimates are also provided for local employment, wage and salary payments and economic output (or business activity). Importantly, these estimates include a combination of direct, indirect and induced impacts.

- *Direct impacts* include those sourced to the strategy itself, such as construction workers hired to lay the asphalt for a new highway project;
- *Indirect impacts*, in turn, reflect the effects of the construction of that same new highway on local suppliers of goods and services; and
- *Induced impacts* measure the ripple effect of employee spending throughout the local economy in supermarkets, movie theaters, doctor offices, and all other locations where earned income might be spent.

It is well settled in the field of economic analysis that creating jobs in one industry creates measureable benefits other industries within the host community. The objective of this analysis was to capture and reflect the total economic impacts of the strategies provided for the state of Nevada. The chart below illustrates how creating 100 construction jobs in Nevada ripples through the balance of the state's economy and the table summarizes the



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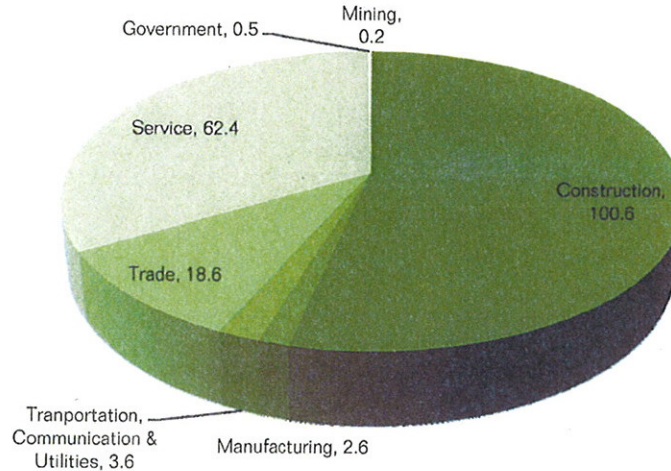
CREATING 100,000 NEVADA JOBS

A SUMMARY OF LEGISLATIVE STRATEGIES

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estimated direct, indirect and induced impact of all of the strategies discussed.

The Impact of Creating 100 Construction Industry Jobs (Direct, Indirect and Induced Employment)



Summary Impacts of Job Creation Strategies (Direct, Indirect and Induced)

	Part I. Immediate, Infrastructure-Related Strategies	Part II. Other Longer-Run Job Creation Strategies	Total All Strategies Combined
Jobs			
Direct	14,361	41,548	55,909
Indirect	4,940	14,292	19,232
Induced	<u>7,769</u>	<u>22,479</u>	<u>30,248</u>
Total	27,070	78,318	105,388
Wages & Salaries			
Direct	\$1,014,199,875	\$2,934,286,986	\$3,948,486,861
Indirect	\$258,272,744	\$1,861,877,803	\$2,120,150,547
Induced	<u>\$317,291,171</u>	<u>\$917,988,038</u>	<u>\$1,235,279,209</u>
Total	\$1,589,763,790	\$4,599,510,720	\$6,189,274,510
Output			
Direct	\$2,097,612,575	\$6,068,820,782	\$8,166,433,357
Indirect	\$643,534,952	\$1,861,877,803	\$2,505,412,755
Induced	<u>\$928,669,723</u>	<u>\$2,686,830,819</u>	<u>\$3,615,500,542</u>
Total	\$3,669,817,250	\$10,617,529,404	\$14,287,346,654



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Nevada's Current Economic Condition

Nevada's economy has been ravaged by the economic recession that began in December 2007. The economic downturn has required private sector employers to cut 179,400 jobs, and, at the same time, reduce hours, wages and benefits for their remaining employees. There is no precedent for these impacts in Nevada's modern history.

When the recession officially began, Nevada's unemployment rate was 5.3 percent. Since, it has risen to a record-high of 14.4 percent (September 2010) and presently stands at 14.3 percent (November 2010) - the highest rate in the nation. During that same period, private sector employment has fallen from 1,137,100 to 957,700 or a 15.8-percent reduction. Stated otherwise, roughly 1 in every 6 private sector workers have been displaced since the recession began.

For those continuing to work, pay rates and hours on the job have also been reduced. In December 2007, the average private sector worker was working approximately 37.0 hours per week. As of October 2010, this figure has fallen to 34.2 hours per week, a reduction of nearly 8 percent. This translates into 9.3 million fewer hours on the job for local workers per week and nearly 466 million fewer hours per year. The result is an effective "underemployment rate" of 22.3 percent for Nevada.

The U.S. Bureau of Economic Analysis reported total, private sector earnings of \$51.8 billion in the fourth quarter of 2007 for the state of Nevada. In the second quarter of 2010, this figure has fallen to \$41.0 billion. This translates into a loss in private worker wages and salaries of \$10.8 billion, or 20.9 percent. This reduction in private sector earnings is not only a function of fewer employees working; the average private sector employee is also earning significantly less than they did when the recession began. In the fourth quarter of 2007, the average employee reported weekly earnings of \$860 per week, or an average annual salary of \$44,720 per year. As of second quarter, this figure had fallen by 11.4 percent or \$762 per week and \$39,624 per year.

At present, there are 181,600 people actively looking for a job in Nevada, the highest number in state history. It does not appear that getting these people back to work will be either quick or easy. Although the nation's economy is showing signs of improvement, the tell tale signs of the economic turnaround - employment growth, new investment, productivity growth, value stabilization and improved consumer sentiment - remain less visible locally. Moreover, the state's two largest industries, tourism and construction, remain depressed. Nevada's largest hotels and casinos reported a combined loss of \$6.5 billion in 2009, and significant supply overages in nearly every segment of Nevada's real estate market has all but halted residential and commercial construction alike.



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PART I. IMMEDIATE, INFRASTRUCTURE-RELATED STRATEGIES

This section includes a number of strategies which the Coalition believes the Nevada State Legislature could enact during the 2011 Regular Session that would immediately create incremental job growth. They include:

1. *Create the Nevada Job Bonds Support Fund, a Stable, Dedicated Revenue Source for Capital Projects*
2. *Require State and Local Governments to Dedicate Annual Appropriations/Authorizations Sufficient to Properly Maintain Core Infrastructure Assets*
3. *Eliminate Tax Rate Sunsets Dedicated to Capital Projects and Otherwise Increase Financing Flexibility Where Doing so Could Accelerate Essential Infrastructure Projects*
4. *Require Local Governments to Provide a Streamlined Permitting Process as well as Permit and Planning Fee Abatements for Reuse or Improvement of Underutilized Real Property Assets*
5. *Index the Motor Vehicle Fuel Tax Imposed on the Sale of Motor Vehicle Fuels Statewide, Directing Additional Funds to Local Transportation Infrastructure Programs*

1) **Create the Nevada Job Bonds Support Fund, a Stable, Dedicated Revenue Source for Capital Projects**

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
11,495	\$675,053,384	\$1,558,296,000

Providing for public infrastructure is a fundamental obligation of government. Without roads, bridges, buildings, and other public facilities, businesses could not conduct commerce and individuals could not participate in their government or avail themselves of necessary services. Infrastructure is a necessity, not a luxury, and its construction and replacement should not depend on realization of unpredictable surpluses or inordinate amounts of borrowing.

The state of Nevada's present system of financing infrastructure is somewhat dysfunctional. The funding process for non-highway infrastructure consists primarily of estimating how much more debt the state issue within a 17-cent property tax rate, then cutting off the project priority list at the point the capacity for new debt is exceeded. With little debt capacity left due to declines in property values, state funding for non-highway infrastructure dropped from \$217 million in 2001 to \$158 million in 2009, and there is every possibility this will fall farther as property values are now less than projected in 2009.

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Diverting money from local governments to the state is not the cure for this condition. In 2007, the state rejected a new revenue proposal for infrastructure, and instead took money from local governments and the Las Vegas Convention and Visitors Authority to build only a portion of the state highway projects recommended by the Blue Ribbon Task Force. In 2009, the state drained its own capital improvement accounts and took yet more local money to avoid state layoffs. The balance in public policy has clearly shifted away from essential long-term infrastructure investment in favor of funding short-term operational decisions. Now, neither the state nor local governments have the infrastructure financing they need to offset even the annual wear and tear on existing infrastructure much less the projects in the development pipeline.

There is merit in considering a dedicated source of financing for infrastructure. This could take any number of forms. Perhaps the most direct solution would be to redirect capital project funds such as the property tax diverted from local governments in 2009 to dedicated capital program funds that cannot be diverted for state or local operations. To these funds the state may want to consider adding legislatively authorized transfers of excess petroleum cleanup funds, department of motor vehicles fees and other underutilized revenue streams. Beyond the restoration and or redirection existing revenue sources, new levies such as a ¼ of 1 percent sales tax, a \$0.10-property tax levy, or an infrastructure surcharge imposed on all licensed vehicles could also generate the needed revenue. Although the form is ultimately important, having a secure stream of revenue that ensures the state's capital projects can be maintained is the critical outcome.

These funds would be dedicated to a new state fund, the *Nevada Job Bonds Support Fund*. Assuming roughly \$100 million in annual proceeds, if bonded for 20 years at current interest rates, would enable issuance of more than \$1.0 billion for needed projects, or could be used on a pay-as-you-go basis to help close the gap on a deferred basis, or could be used on a combination basis for necessary improvements.

To further leverage the amount available and ensure the money is targeted for high priority areas, matching funds could be required from communities benefitting from the projects; and, where applicable, from school districts and higher education. If state projects are funded not at local request, the state general fund could also be required to provide the same match requirement as local governments or individual agencies. Criteria could be established based on project impact including but not limited to health and safety, critical environmental compliance, or other issues which, if not resolved, could lead to decline in the well being of the public.



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2) Require State and Local Governments to Dedicate Annual Appropriations/Authorizations Sufficient to Properly Maintain Core Infrastructure Assets

JOB	WAGES & SALARIES	ECONOMIC ACTIVITY
3,823	\$224,528,248	\$518,301,928

Only in recent years has government begun to account for depreciation of assets in its financial statements, and it is becoming clear that the state and local governments are not keeping up with major maintenance of core infrastructure. Regardless of the idea that depreciation is a non-cash expense and not always representative of the cost of actual maintenance required during the period, it is fiscally unsound to construct physical projects without specific plans to fund their upkeep and/or eventual replacement. Highlighting this issue in the current biennium based on a cursory review of financial statements reveals the following examples.

In 2009 alone, the State and the Nevada System of Higher Education together incurred \$180 million in depreciation of assets, of which \$76 million was in buildings. Yet the 2009 Legislature only provided \$43 million in capital projects for major maintenance. At this pace, the state has fallen behind \$109 million in deterioration of its buildings this biennium.

In a second example, the City of Henderson incurs depreciation on its streets and roads at a rate of \$107 million every two years, yet its planned expenditure for replacement is only \$57 for this biennium, a shortfall of \$50 million. The City's planned expenditures for water projects is also \$10 million short of depreciation for the same period.

Clark County attempts to fund as much of its major maintenance from its general fund as possible, but its revenues have dwindled. Over the next two years, the County's capital plan allocates only \$76 million to cover an estimated \$132 million in depreciation for its governmental operations alone, a shortfall of \$56 million, not including streets, roads, University Medical Center, McCarran International Airport, the Las Vegas Valley Water District and Clark County Water Reclamation District.

City of North Las Vegas financial statements reflect depreciation of \$5 million per year, or \$10 million over two years, in buildings and improvements to land for governmental purposes, yet their capital plan allocates no general funds to any building renovation. The only money dedicated to municipal projects is allocated to a new city hall, which arguably, represents replacement of an asset declining in usefulness. Nevertheless, North Las Vegas, like other governments, does not have a capital replacement plan which keeps up with depreciation over time.

The above examples alone total \$235 million over the current two-year biennium. While accounting methods and estimates may be debated, the



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fact that the largest government entities in Nevada appear to consistently underfund major maintenance is a significant issue and a disservice to taxpayers. We should not consider expanding public services or enhancing revenues without first assuring that the assets put in place for the public good are kept in serviceable condition without undue reliance on debt or robbing Peter to pay Paul.

This strategy could be effectuated by amending NRS 341 and NRS 353 to require the State Public Works Board and the Governor to submit with the Executive Budget a depreciation schedule for all existing state facilities, a list of projects recommended in the budget for the refurbishment and replacement of such facilities, and an analysis demonstrating that the projects recommended are substantially sufficient to maintain state facilities in a serviceable condition on a continuing basis for the forthcoming biennium and in the future. Also, amend NRS 354.5947 and related statutes to add the same requirement for local government capital project plans. As a framework for this analysis, the state may want to build from its existing "Facility Conditions Needs Index," which basically identifies the conditions of state-owned facilities (http://spwb.state.nv.us/FCA_Library.asp).¹

3] Eliminate Tax Rate Sunsets Dedicated to Capital Projects and Otherwise Increase Financing Flexibility Where Doing So Could Accelerate Essential Infrastructure Projects

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
3,077	\$180,721,002	\$417,177,103

One example of this type of opportunity relates to the ¼ of 1 percent tax dedicated to water and waste water programs in southern Nevada. NRS 377B.100 currently requires the ordinance imposing this tax to provide for the cessation of the tax when the total sum collected exceeds \$2.3 billion, or on June 30, 2025, whichever is later. The combination of the prolonged decline in taxable sales and the long-term needs for water and wastewater capital investment has rendered the original projections for this financing program obsolete. Consideration should be given to repealing the sunsets for both the dollar amount and the time frame. This strategy could be immediately effectuated by amending NRS 377B to remove the sunset on ¼ cent water and wastewater infrastructure tax in Clark County.

Along these same lines, there may be instances where changing legislatively imposed requirements relating to bonding may benefit from increased flexibility. For instance, bonds for capital projects are generally limited to terms of less than 30 years. However, in a limited number of cases, such as projects which generate user fees or for which the useful life of the asset extends beyond 30 years, there may be instances where longer financing terms may be useful to accelerating the timeline of a needed capital project.

¹ http://spwb.state.nv.us/FCA_Library.asp.



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Lifting the statutory restriction in favor of a case-by-case assessment of the most appropriate term for each project may free up additional capacity in the near term. The interest tradeoff may be material, but the increased flexibility may prove useful and could have a material impact on job creation and/or preserving existing jobs. In assessing the potential for longer-term financing, the benefits of additional leverage should be carefully analyzed against any additional interest cost which may be incurred; and, use of such mechanisms as capital appreciation bonds or refunding of existing bonds should be undertaken only if justified by economic and fiscal benefits. Notably, amending NRS 408.273 to permit bond maturities up to 30 years for state highway bonds (not contingent on Nevada receiving federal highway funds) may be a meaningful first step. Currently, maturities are limited to 20 years.

4) Require Local Governments to Provide a Streamlined Permitting Process and Permit and Planning Fee Abatements for Reuse or Improvement of Underutilized Real Property Assets

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
3,483	\$204,561,671	\$472,211,000

Planning hurdles create a formidable obstacle for construction, development and design industries. At times, developers may have an opportunity to convert a vacant or underutilized property to a higher or better use, but they cannot because antiquated regulations do not permit the conversion, or obtaining the desired use permits is such a long and costly process that it makes the project impracticable or infeasible. One potential strategy would be to mandate an accelerated process and to abate permitting and planning fees where a project meets a set of established criteria such as: (1) puts underutilized property to a higher and better use; (2) the project would be completed in less than 12 months; and (3) the project would create more than 50 net new Nevada jobs.

5) Index the Motor Vehicle Fuel Tax Imposed on the Sale of Motor Vehicle Fuels Statewide, Directing Additional Funds to Local Transportation Infrastructure Programs

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
5,192	\$304,899,484	\$703,831,219

Presently, all fuel taxes, except those in Washoe County are flat amounts per gallon, effectively restricting growth in revenue to growth in number of gallons sold, a manner of taxation unresponsive to increases in vehicle fuel economy and the cost of construction.



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In Washoe County, voters approved and the Legislature authorized per-gallon fuel taxes collected be indexed for inflation. The current index is the lesser of 7.8 percent or the Producer Price Index for Highway Construction. As a result, the Washoe County Regional Transportation Commissions benefits from an additional 9.08 cents per gallon to maintain and enhance roads.

To illustrate the impacts of this strategy, if motor vehicle fuel taxes were similarly indexed in southern Nevada, roughly \$400 million in additional bonding capacity could be created for critical transportation infrastructure enhancements during the next three years and upwards of \$1.8 billion through 2020. Significantly higher yields are generated when diesel and other fuels indexed and added to the equation.

The mechanism has proven beneficial in Washoe County and should be considered, where possible, in the balance of the state. This strategy could be effectuated by amending NRS 373.066, and would be expected to have immediate effects on local employment levels.



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PART II. OTHER LONGER-RUN JOB CREATION STRATEGIES

This section includes a number of longer-run economic development strategies aimed at increasing Nevada's competitiveness and creating jobs throughout the state.

Require a "Yellow Pages" Test for All State and Local Government Development, Design and Construction Projects

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
3,483	\$204,561,671	\$472,211,000

Many local governments and state agencies have internal design and development groups. Additionally, certain state and local maintenance crews have developed at least some construction capabilities. Utilization of these groups may or may not provide the best value, highest quality or lowest cost for these services nor is the use of internal workforces uniformly in the best interest of the public at large. The recommended policy is to utilize competitive private sector service providers for these services, whenever possible, with government maintaining a project administration, management and oversight role.

This strategy would require that state agencies, local governments, special districts and joint powers authorities solicit proposals from the private sector for design, development and/or construction-related projects, and then determine the best source for procuring these services in accordance with the public interest, efficiency to the taxpayer and greatest value for the project.

In the case of services and/or products not governed by NRS 625.530, a cost and value comparison analysis could easily be made using internal cost analyses, including indirect and overhead costs, compared to the cost of outsourcing the services. Further, the results of such cost comparison and recommended decision on sourcing for the subject procurement could then be appropriately made at a public meeting. Where the cost to outsource the project is lower than the inclusive internal cost, the agency, municipality or district could be required to either outsource the project or provide substantive rational judgment for the use of the higher cost provider.

In the case of procuring professional design services, procurement policy for state agencies, local government, special districts and joint powers authorities, the objective should be to utilize local, Nevada-based firms whenever possible and feasible. The internalization of professional design services, specifically engineering, inspection and surveying services, may also be limited to those projects and services for which the private sector lacks expertise, experience or capacity. In the case of procuring professional design services addressed in NRS 625.530; state, local and special districts, and joint powers authorities, should consider following a qualification-based



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selection process, as prescribed in NRS 625.530, providing at least a 10-percent preference for local, Nevada-based professional firms. Furthermore, any new projects funded, in whole or in part, by the adoption of new funding sources in the 2011 legislative session that require the services of a person licensed pursuant to NRS Chapter 625 for the performance of any engineering or land survey services should consider licensees employed in the private sector.

Streamline and Consolidate Workforce Development and Economic Development Functions Statewide

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
N/A	N/A	N/A

Economic development in Nevada today is as much about retaining businesses currently operating in the state as it is attracting new businesses to the state. Both require improvements in the depth of the current labor pool, a means to provide a consistent message, and a cooperative effort with state and local stakeholders in the public and private sectors. Moreover, workforce development programs receive significant support in the way of federal grants, which could be more effectively leveraged in a broader economic development context.

Prohibit Interest Earnings in Capital-related Enterprise Funds from Being Transferred to the Operating Accounts of Local Governments

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
N/A	N/A	N/A

At present, interest earning within enterprise funds for water, sewer and other capital-related local government programs can, and often are, transferred out of those enterprise funds at the end of each year and into the operating accounts of local governments. This not only takes money away from those capital construction accounts, but it violates the spirit of why an enterprise fund is created in the first place and results in higher fees and charges for enterprise services. This practice should be eliminated.

Create a User-based Funding Mechanism to Support the Construction of Transmission Lines so Power can be Transferred From Where it is Harvested to Where it Can Be Used

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
24,382	\$1,431,931,872	\$3,305,477,404

Nevada cannot exploit its competitive advantages relative to renewable



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energy without having the ability to move energy from where it can be harvested to where it can be used. The estimated cost to build out an integrated and comprehensive power transmission system in Nevada is \$2.1 billion. At this cost, near-term development is prohibitive. This strategy would impose a fractional charge escalating to an estimated 0.6 cents per megawatt hour by 2016 on all power users, which, when applied to the 35.1 billion kWh generated in Nevada generates roughly \$225 million per year. These funds would be used to repay a revenue bond issued to fund the construction of the transmission infrastructure master plan over a 28-year period. Once the bond was fully repaid, money generated from the surcharge could be used to "buy down" the cost of energy for Nevada residents and businesses.

Create Industrial Hubs with Development and Transmission of Clean Energy, Transportation, and Communication Capabilities

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
14,562	\$855,217,247	\$1,974,187,000

Nevada's combination of open spaces and access to highways and rail transportation offers opportunities for the creation and transmission of clean energy as well as for other industries. In northern Nevada, a site is already under development that is in close proximity to geothermal power, rail transportation, Interstate 80, Highway 95, and Highway 50. Geothermal power will complement the availability of other utilities and provide cost savings to industries locating at the site. Entitlements and permitting processes are well underway, with construction scheduled for 2011. The potential for similar development in southern Nevada is immense. For example, the Interstate 15/Highway 93 corridor includes significant open space and rail capacity, a gas pipeline, utility corridors, and opportunities for partnerships for delivery of water and wastewater services. Development of solar energy is already contemplated. Other energy technologies, including gasification of waste, could not only be developed at such industrial hubs, but could power them and offer opportunities to augment existing power sources on the grid.

Require the State of Nevada to Produce and Publish a Rolling Five-Year Capital Improvement Plan in the Same Manner as Now Required for Local Governments in NRS 354.5945

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
N/A	N/A	N/A

Currently, the Executive Budget presents only a two-year capital projects plan, now funded largely with increased debt. Funding for this plan generally relies on the projected capacity of the state to sell additional bonds based on



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past increases in property values and retirement of old debt. The combination of declining property values and short-term thinking in the state's capital projects planning now leaves Nevada with virtually no capital funding structure and no long-term plan, despite the continuing need to serve the public.

Requiring presentation and Legislative approval of a documented five-year capital plan, including description of projects and proposed funding sources for each, would encourage deliberation of capital projects and funding beyond the next biennium, and would guide the preparation of each budget in a more rational manner. The rolling five-year capital plan would be subject to update and amendment during each legislative session, and the first two years of each such plan should reconcile to the actual funding appropriated and authorized by that session of the Legislature. Funding for years beyond the first two may be estimated, may be described as undetermined, or a combination of both. Objections to this proposal may arise in that no Legislature can dictate the actions of a subsequent Legislature, and that that the state budget covers only two years, not five. However, local government five-year plans already extend beyond both the budget and election cycles; and experience at the local level demonstrates such concerns are without merit.

Require Local Governments to Include a Schedule in Their Annual Capital Improvement Programs that Shows the Funding Status for All Projects Under-Construction or Planned for Development in the Prior Year

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
N/A	N/A	N/A

Local governments are currently required to file rolling five-year capital plans, and most local plans are in full compliance with the relevant statutes. Nevertheless these plans could be enhanced by requiring all entities to provide all the information that some already include. This strategy could be effectuated by amending NRS 354.5945 to require the listing for each capital project to include its original cost estimate in addition to its current cost estimate and any remarks as to significant differences such as change in project scope, bids received, etc., as well as the cumulative amount disbursed in years prior to the years covered in the five-year plan. In addition, local entities should include projects and estimated costs that are deemed by the governing board to be necessary or likely to be necessary, but for which a source of funding is not yet known.



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Prohibit the Use of any Dedicated Capital Dollars for the On-Going Operations of State and Local Governments and Keep Outside the Reach of Collective Bargaining Agreements

JOB	WAGES & SALARIES	ECONOMIC ACTIVITY
1,544	\$90,701,624	\$209,376,000

Budgeting for capital infrastructure is an integral part of prudent public policy. Without infrastructure, services cannot be effectively and efficiently provided. The State of Nevada as a whole has drifted into the disastrous habit of raiding state and local capital funds in order to meet state operating expenses including payroll. The state has collapsed its own capital program to maintain operating costs, and is relying increasingly on diversion of local capital dollars. The Clark County School District has lost \$45 million in school capital, the Southern Nevada Clean Water Coalition is in court over \$62 million for water infrastructure, and Clark and Washoe Counties have lost \$60 million in road money this biennium alone. Combined with curtailment of capital investment at the local level, this trend has, with few exceptions, virtually ceased construction of public projects – projects which put people to work and provide the public with needed infrastructure.

This strategy could be effectuated by amending NRS 354 to (1) declare money in the capital projects fund is not available for any other purpose, and may not be used to settle or arbitrate contracts negotiated under NRS 288 or disputes related thereto. And (2) prohibit local governing boards from transferring money, regardless of its source, from the capital projects fund to any other fund.

Identify and Consistent and Stable Funding Source for Economic Development and Consider Setting Aside a Percentage of State General Fund Reversions to Fund Economic Development Activities

JOB	WAGES & SALARIES	ECONOMIC ACTIVITY
10,074	\$591,629,516	\$1,365,720,000

An essential element of Nevada's economic recovery is the ability to attract new businesses and retain existing employers. At roughly \$5 million per year, this effort is underfunded relative to the needs of the state and in comparison to other states. A stable and consistent funding source in support of a community-based, cohesive economic development and diversification plan would be significantly improve Nevada's overall positioning and competitiveness. In addition many states have closing funds, or dedicated dollars available to help bring new businesses or industries to the state. This strategy contemplates dedicating 50 percent of general fund reversions in each year to economic development programs. This allocation would be capped at \$20 million, and the available money would be restricted to one-time outreach, marketing, infrastructure or training investments.



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Importantly, it should not be used for wages, salaries, or benefit payments for economic development employees those are recurring expenditures and should have a recurring source of funds.

Restructure State Economic Incentives

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
N/A	N/A	N/A

Incentives are an important tool for Nevada's regional economic development agencies; however, they may not always mirror the state's current needs. For example, the state may want to consider changing its economic development abatement and incentive program to focus more on existing employee training and retraining rather than reduced tax payments to new and expanding businesses, at least in the short run (i.e., next 5 to 7 years). Additionally, the state may want to develop a tiered economic development program rewarding the most desirable companies (e.g., those employing more people or providing higher paying jobs) with more aggressive incentive packages. The incentives can and should be flexible enough to allow them the change over time and target a desired impact.

Create an Economic Incentive Program for Businesses that Work to Attract Their Suppliers to Nevada

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
9,579	\$562,544,487	\$1,298,580,000

Economic development is not only about attracting new types of industries to the state, but it is also about making existing Nevada businesses more efficient. One way to do this is to evaluate what services and supplies are being purchased by Nevada businesses from outside the state. Nevada should review and analyze the out-of-state purchases made by the state's largest employers, actively solicit those businesses to relocate or expand into Nevada and give those existing Nevada businesses that are successful in helping to attract their suppliers into the state a payroll tax break equal to the amount of the new payroll tax being paid by the relocating business for a period of five years.

Research-to-Results Program: Make 20 Percent of University System Funding Competitive Based on Economic Development Outcomes

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
1,376	\$80,822,937	\$186,572,000



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Currently, higher education funding is essentially driven from a base of current expenditures, plus enhancements, minus cuts, or both. Periodically, proposals are brought forth and justified to some degree by the prospect of economic or workforce development. However such justification is the exception rather than the rule.

A procedure could be adopted by which all or a portion of Nevada System of Higher Education (NSHE) funding could be predicated on economic development impact. This could be accomplished by automatic reduction of the current level of NSHE funding by at least 20 percent, and requiring NSHE and the Legislature to determine the priority of programs restored based on economic impact. The challenge arises from the question of which 20 percent is reduced or made subject to such justification. If it is the 20 percent that can be demonstrated to have positive impact, restoration is easily justified. An alternative would be to make all programs of NSHE subject to justification according to economic impact.

Create a Job Corps for People Receiving Unemployment Insurance Benefits Longer than 20 Weeks

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
N/A	N/A	N/A

At present, there are statutory limitations relating to what can be asked of out-of-work persons collecting unemployment insurance payments in terms of community service and/or mandatory job training/retaining programs. Wherever possible, these laws should be changed to encourage contributions and self-help mitigation efforts by those collecting these payments from the state.

Modify the Millennium Scholarship Program to Offset Tuition Costs for Students Concentrating In Science, Technology, Engineering and Mathematics Programs Who Remain in Nevada for at Least Five Years after Graduation

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
N/A	N/A	N/A

Economic development is going to come from innovation; innovation is going to come from occupations requiring skills in math, science, engineering, and technology. The Millennium Scholarship Program should be modified to provide a greater incentive to students pursuing careers in innovation sectors of the economy and who plan on staying in Nevada.



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Consider the Creation of a Private Equity Program, which Invests Selected State Funds in Qualifying Private Equity and Venture Capital Firms, that Then Invest in the State's Innovative Companies [Similar to Program in New Mexico]

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
7,018	\$412,140,578	\$951,387,000

Partly due to the presence of federal research labs, research and development (R&D) activities account for more of the New Mexico economy than any other state and the state houses a high concentration of STEM (science, technology, engineering and math) jobs to support this activity. In order to better capitalize on these activities, New Mexico's legislature passed a Research Applications Act to establish a research center to more readily move technologies developed at the state's federal labs into the marketplace. The New Mexico Private Equity Program invests the state's severance tax permanent fund in qualifying private equity and venture capital firms, who then invest in New Mexico's innovative companies. The state investment requires a private match to the state allocation, allowing New Mexico to leverage its resources while providing private capital access to innovative local firms. With the support of the New Mexico Private Equity Investment Program, more than \$350 million in capital has been committed to 22 funds that directly benefit New Mexico businesses, typically in the technology sector in the Albuquerque area. Nevada may be able to do something similar with one or more of its funds.

Take Steps to Mitigate the Impacts of Unnecessary Construction Defect Litigation Claims

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
N/A	N/A	N/A

Spurious construction defect claims continue to be an issue for Nevada, unnecessarily constraining the development of multi-family housing in both Clark and Washoe County and creating unfavorable situations for homeowners drawn into class-action law suits that all too often result in little more than labeling their homes "defective." Many contractors are reporting that even though the strongest demand for housing in smaller attached product types, they cannot build them because insurance is unavailable or makes the project infeasible and it is a near certainty that they and most of their subcontractors will be sued after the project is completed. As the economy recovers, this trend is likely to limit not only the number of potential development projects but also access to entry-level housing for some segments of the state's population.



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Create an *iHub* System, Leveraging Assets Such as Research Parks, Technology Incubators, Universities, and Federal Laboratories to Provide an Innovation Platform for Startup Companies, Economic Development Organizations, Business Groups, And Venture Capitalists (Similar to the Program in California)

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
N/A	N/A	N/A

The *iHub* initiative, now in its second round, is intended to modernize California's national and global competitiveness by stimulating partnerships, economic development, and job creation around specific research clusters through state-designated iHubs. The California iHub Initiative is designed to promote collaboration, create employment opportunities, shorten the commercialization process and attract funding for technology. The "i" in iHub represents the words innovation, inspiration, invention, ingenuity, and investment. iHubs are operated by local collaboratives comprised of government entities, universities, businesses, venture capitalist networks and economic development organizations. Specifically they target young, innovative companies that have been in business for less than eight years in a technology cluster identified by the local consortium. They are anchored by at least one major university or research center/institution, at least one economic development corporation and typically contain assets such as research parks, technology incubators, universities, community colleges, business accelerators and federal laboratories. Certified iHubs are supported by a UC Institute for Science and Innovation. Nevada may be able to do something similar, particularly along the lines of making university assets available to qualifying companies.

Create Aggressive Tax Credits for Start-Up Companies in Research and Development (Similar to Utah's Centers of Excellence Program)

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
5,000	\$294,954,857	\$680,875,000

In order to better facilitate technology transfer from the state's universities to the private sector, Utah has implemented a system of licensee grants through its Centers of Excellence program. Since 2007, private sector businesses, including startups, have received grants from the state to aid them in bringing technology developed at the state's universities to market, creating new products, companies, and spurring job creation in the technology sector. The state has rolled out aggressive tax credits focusing on reducing risk for investments in research and start-up companies. The Centers of Excellence Program is a state-funded grant program developed by the Utah Legislature in 1986 to help accelerate the process of taking university-developed cutting-edge technologies to market, thereby driving economic development and creating jobs for the state's residents. Historically, the COE statute only permitted grants to Utah universities,



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however, in 2007 the Legislature passed and the Governor signed into law, changes to the COE statute that now permits grants to companies who license technology developed at Utah's colleges and universities, including startups as well as existing companies who plan to create a new product or product line from the licensed technology.

Create a Nevada Modified Business Tax Credit of Up to 10 Percent of Total Liability for Any Nevada Business that Invests in a Small Business Involved in Research and Development Within Nevada

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
1,277	\$75,005,932	\$173,144,000

Nevada lacks venture capital. This strategy is designed to create an incentive for private industries to invest in new ventures. While it would reduce the state's total tax receipts, this strategy is expected to be more than offset by the reduced unemployment and increase tax payments by new businesses.

Establish a Nevada World Trade Center at UNLV or UNR and a State International Trade and Diplomacy Office Designed to Focus on Connecting Nevada Industries to International Markets; Create an Aggressive Tax Incentive for Businesses Exporting Goods and Services to Emerging Markets Such as China and India

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
N/A	N/A	N/A

Growth in US domestic product is expected to be 2 to 3 percent annually. Growth in emerging markets like China, India, and Brazil are expected to average 9 percent or higher. Helping Nevada businesses access these markets will be critical to their long-run competitiveness.

Promote, Develop and Retain Special Events

JOBS	WAGES & SALARIES	ECONOMIC ACTIVITY
N/A	N/A	N/A

Special events have become increasingly important to southern Nevada's economy during the past decade, with event such as the National Finals Rodeo, NASCAR races, and the Ultimate Fighting Championship (UFC) bouts bolstering visitor traffic and spending. Retaining these events will be extremely important to Nevada's continued economic recovery and developing new events and key ingredient of future economic development.



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There has even been some discussion of actively seeking to site the Winter Olympic Games in northern Nevada. While some have suggest this is a "long shot," the value of these activities and their synergies with the existing economy are significant; the state would be well served to thoroughly evaluate such opportunities.

Project Approach and Limitations

This white paper is a working draft of job creation strategies. It is not offered as, nor intended to be, a comprehensive solution to Nevada's current economic or fiscal challenges. Rather, it is a compilation of ideas and concepts developed through research, discussions with legislators in and out of Nevada, and input from industry leaders. Some strategies may be mutually exclusive; others may be proven impractical for one reason or another. That said, the ultimate objective of this exercise is to refine this document over time such that vetted, actionable strategies that can be delivered to the Nevada State Legislature in advance of convening its 2011 Regular Session.

Preparation of this written summary was completed on December 15, 2010. Generally speaking, the data referred to herein are as of November 2010, the most recent data available at the time this report was drafted.

Included in this report is an overview and analysis of the potential economic and fiscal impacts associated with an alternative economic development and job creation strategies. Data used in this analysis were obtained from state, local and federal government agencies and other third-parties providers. While we have no reason to doubt the accuracy of the information referenced herein, we have neither audited these data nor performed thorough review and assurance procedures, and as such, we make no representations or assurances as to their completeness or usefulness for all purposes.

The analysis includes estimates of economic impacts where appropriate. Economic benefits resulting from deploying potential capital public infrastructure programs, economic development initiatives and other related activities. This primarily includes one-time economic impacts during the construction phase of those investments, although some would be expected to have recurring economic benefits.

There is often confusion about the term economic impacts. For the purposes of this report, economic impacts refer to jobs, wages and salaries and business activity (or output) generated throughout the state of Nevada as a result of potential development activity. To identify and model the interrelationships in the economy, IMPLAN (Impact Analysis for Planning) software and databases were used. IMPLAN is an input-output model (or



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econometric system). It utilizes complex economic equations to explain how the "outputs" of one industry become the "inputs" of others, and vice versa. This relationship is sometimes referred to as the "multiplier effect," illustrating how changes in one sector of the economy can affect other sectors.

The notion of multipliers rests upon the difference between an "initial effect" and the "total effects" of that change or stimulus. Generally speaking, these effects are segmented into direct impacts, indirect impacts and induced impacts. Each is described below.

Direct impacts measure the effects of the specific impacting force being considered. In this case, for example, construction or engineering jobs generated by the state or local governments would be considered direct jobs and the wages and salaries they are paid are considered direct personal income.

Indirect impacts consider how other businesses respond to the impacting condition. Employees of construction material suppliers, for example, are considered indirect employees to the extent their jobs are dependent, in full or in part, on the suppliers' income generated by the project-related purchases.

Induced impacts measure the effects of increased (or decreased) consumer expenditures resulting from wage and salary payments sourced to an impacting condition. In the present case, for example, if a new person were to be employed as a result of a state funded construction project, she might be expected to spend a portion of her monthly salary at the supermarket or the local movie theater. Induced effects capture the impacts of this spending as it "ripples" through the local economy.

Total effects are the sum of direct, indirect and induced effects.

Input-output models, as is the case with all econometric models, are not without their limitations. The statistical model used in this analysis, IMPLAN, for example, assumes that capital and labor are used in fixed proportions. This means that for every job created or lost, a fixed change in investment, income and employment results. In reality, developers, consumers and governments respond to stimuli in complex ways, including changing the mix of capital or labor as well as the types and frequencies of investment. Importantly, each impacting force has its own unique characteristics, affecting how consumers and businesses respond to the given change.

Unless stated otherwise, all figures are expressed in constant 2010 dollars.