

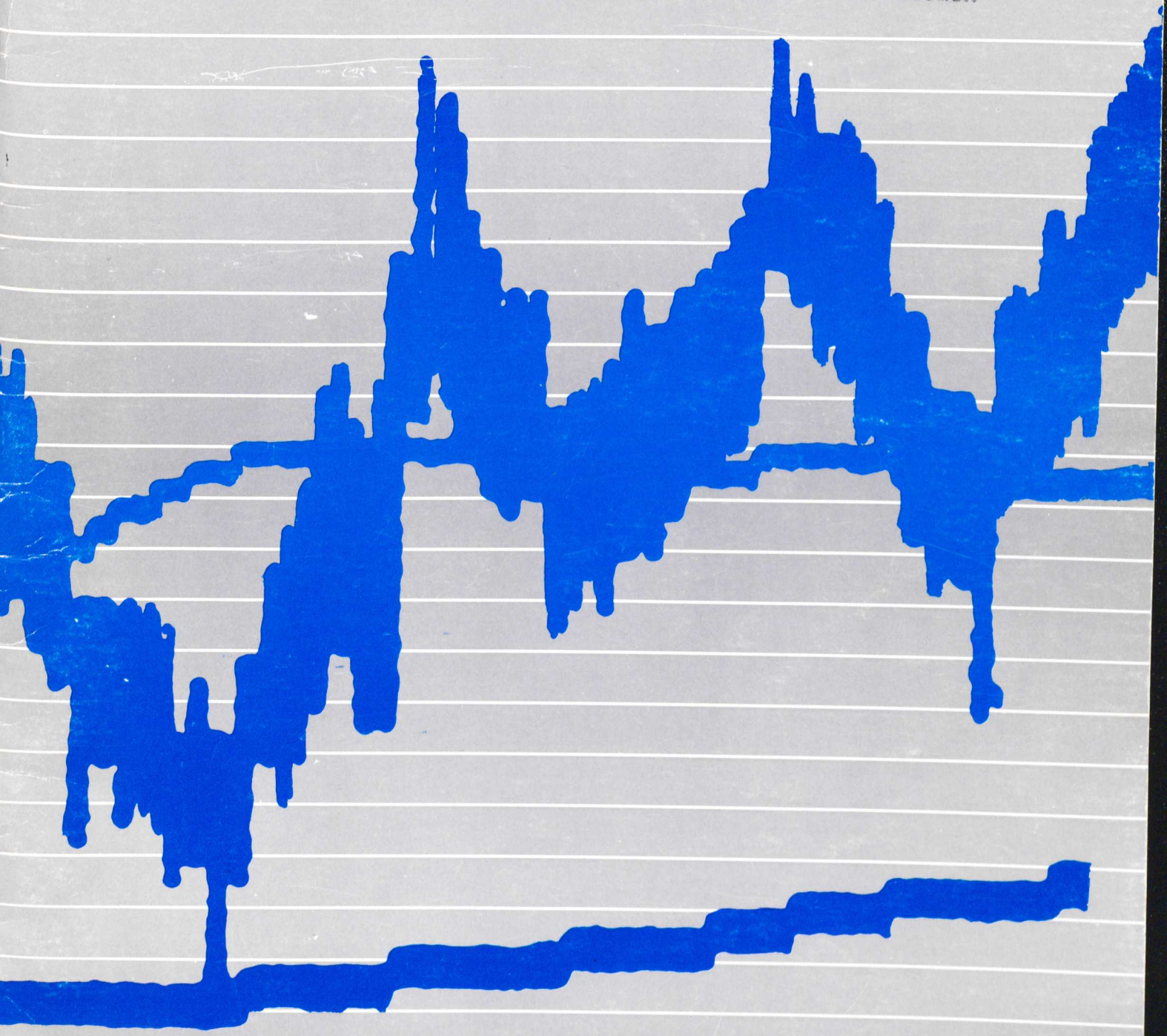
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NEVADA STATE PLAN FOR  
ECONOMIC DIVERSIFICATION  
AND DEVELOPMENT

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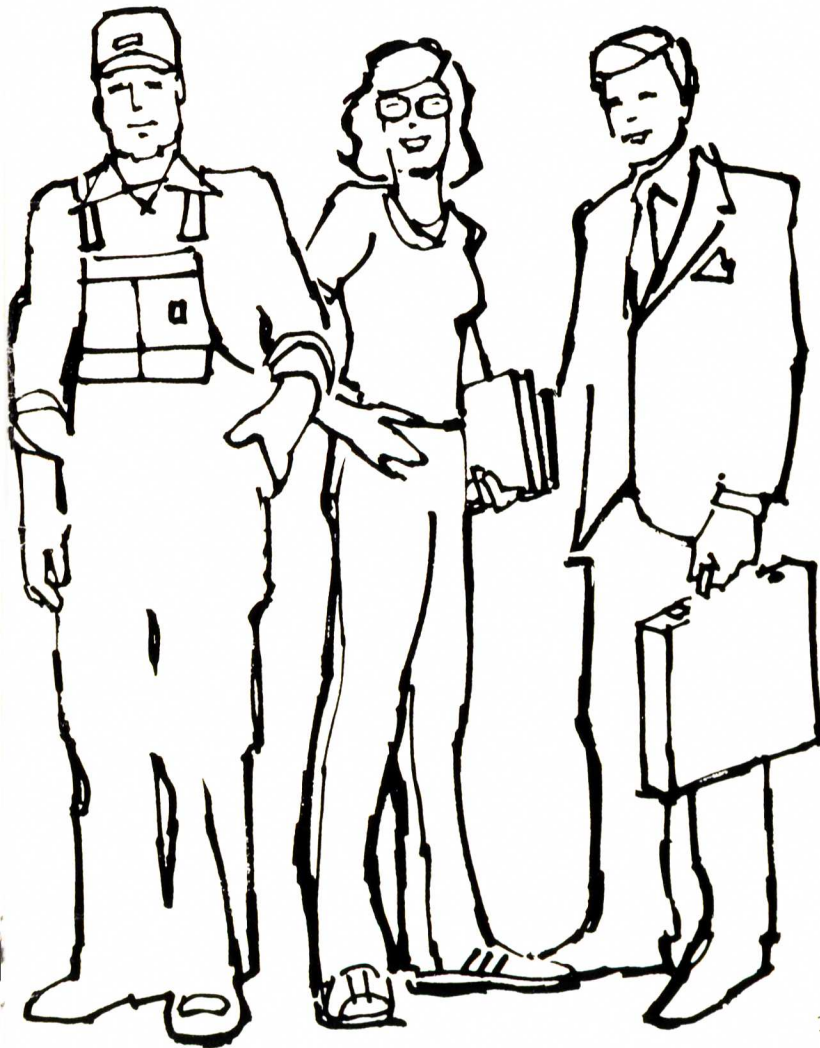






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## FOREWORD

During the three years prior to 1984, Nevada's population expanded by more than 14 percent, adding 117,000 new residents. Employment rose 58 percent between 1974 and 1983, creating 148,000 new jobs. Experts predict Nevada's growth and expansion in population and industry will continue to exceed national growth rates.

In order to adequately respond to rapid growth the Nevada Legislature in 1983 determined that revision and modification of the state economic development and diversification efforts were necessary. Accordingly, the development of a comprehensive state plan to provide the framework for growth in Nevada was assigned to the newly created Nevada Commission on Economic Development (N.R.S. 231.067).

At Commission direction an Interdepartmental Steering Committee from selected state agencies, including the staff of the Commission on Economic Development, prepared a planning process and acted as project managers to assist in the preparation of the State Economic Diversification Plan.

The University of Nevada System was contracted to provide data accumulation and assessment. The University System Task Force, drawn from both campuses and making maximum feasible use of minority talents, developed a data base from existing literature using the University System, development authorities, state and local agencies and the State Library. The information was analyzed and, where appropriate, updated to provide a current evaluation of environmental, socioeconomic and governmental policies which affect economic development in the State of Nevada.

Once the study was completed and analyzed, basic public policy recommendations were formulated and published as the Draft Economic Diversification Plan. An independent consultant, Mr. Belden Daniels, was hired by the Commission to critique the study's tentative conclusions from a national perspective. Interim presentations on the findings were then presented to the Commission on Economic Development and the Interagency Committee for Coordinating Tourism and Economic Development.

Solicitation of advice and comment from state agencies, development authorities, principal planners and chambers of commerce was conducted between August 15 and October 30, 1984. Also, throughout October, 10 regional public forums were conducted by the University of Nevada Public Affairs Institute. These hearings were designed to communicate the Draft Plan's conclusions and solicit

advice and recommendations from the general public and regional development representatives.

The staff of the Commission, working with the Steering Committee of state officials and the University System Task Force, edited the Draft Plan to reflect comments and recommendations received during the statewide review process.

This approach ultimately led to a program designed to develop certain employment and revenue generating activities occasioned by the investment or operations of private or public entities, firms or industries whose wage and salary levels are generally at or above the national median.

The Plan advocates "targeting" the state's marketing and public investments to support compatible high-wage industries and continued maintenance of an innovative, unencumbered free enterprise economy. In addition, the Plan proposes that the State of Nevada, in cooperation with the private sector, initiate programs which encourage an environment in which innovative business concepts and products can be developed.

As the Plan is reviewed, this free market philosophy will become apparent. An integral part of this approach is a reluctance to devote public money to offset private costs or private risks. It recognizes capital formation and risk-taking as uniquely the province of the private sector. The initiatives have been carefully selected to complement and support this philosophic orientation.

The proposed marketing program, when combined with the state/local and private/public development efforts, contains specific initiatives which will:

- Demonstrate a strong state commitment to basic research and broaden the state's understanding of fundamental processes that will form the bases for industries and products of the future.
- Expand domestic and foreign market opportunities for Nevada businesses.
- Provide a strong educational capability for training, particularly in the sciences, that will assure a broad base of educated citizens who can meet the challenges of a rapidly changing world economy.
- Provide increased opportunities for investors to support technological advances, develop new products, establish new companies and rejuvenate existing Nevada industries.

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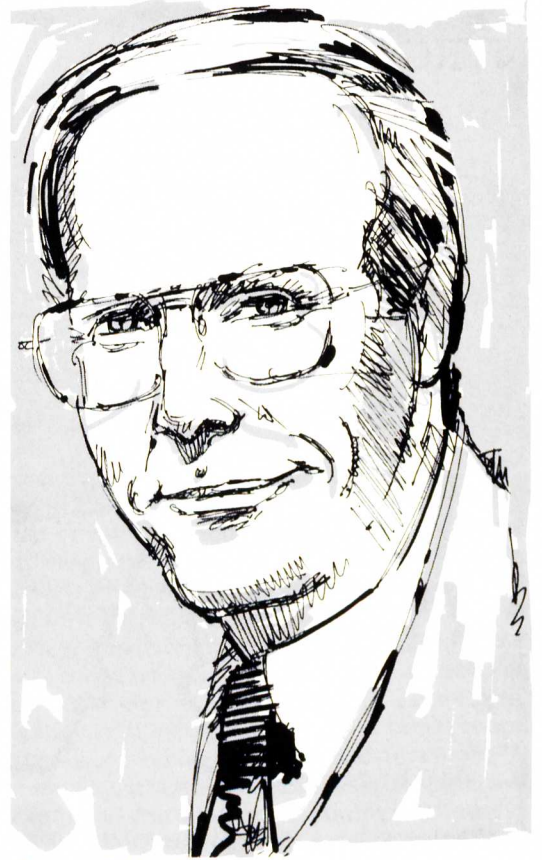
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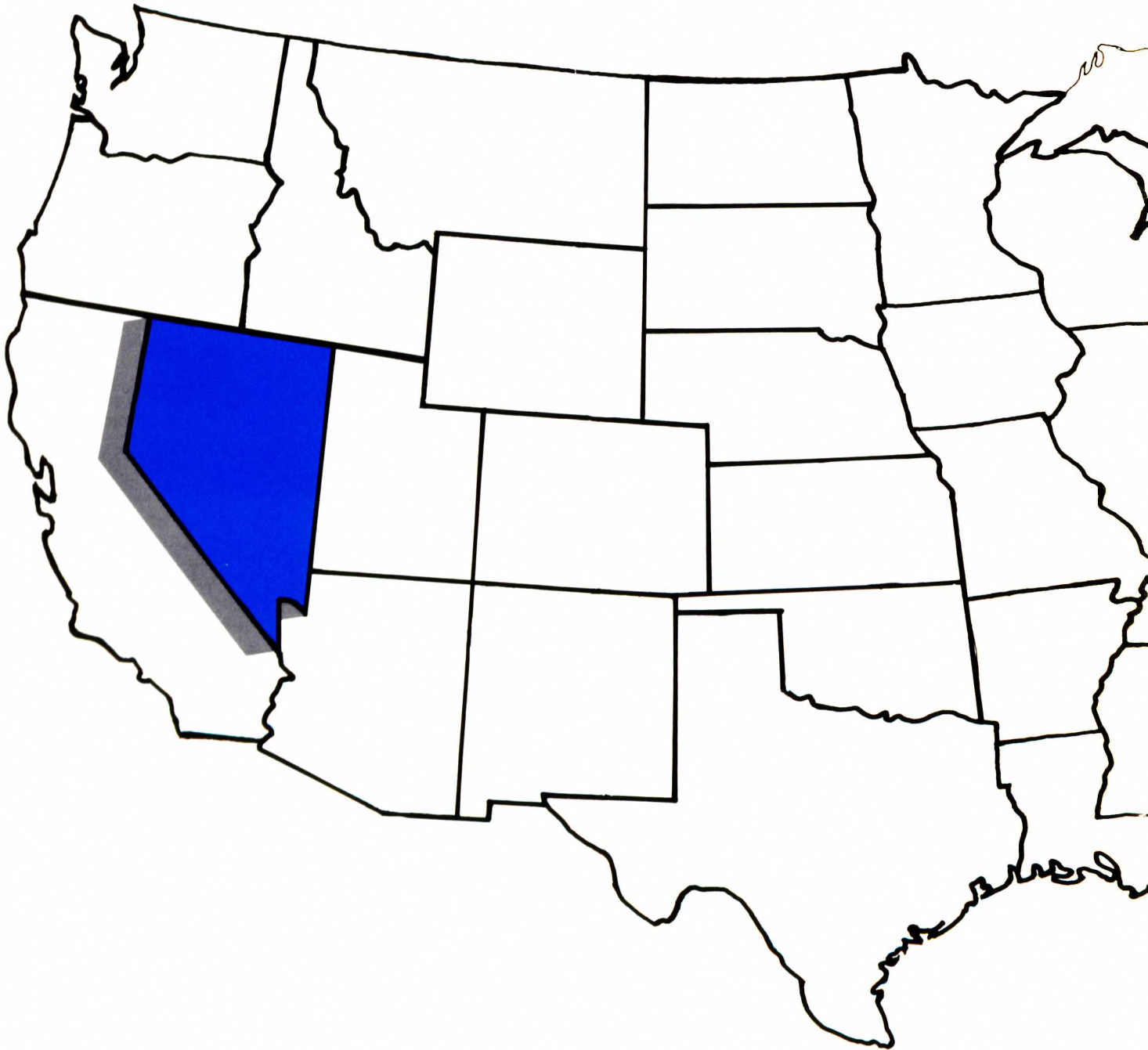


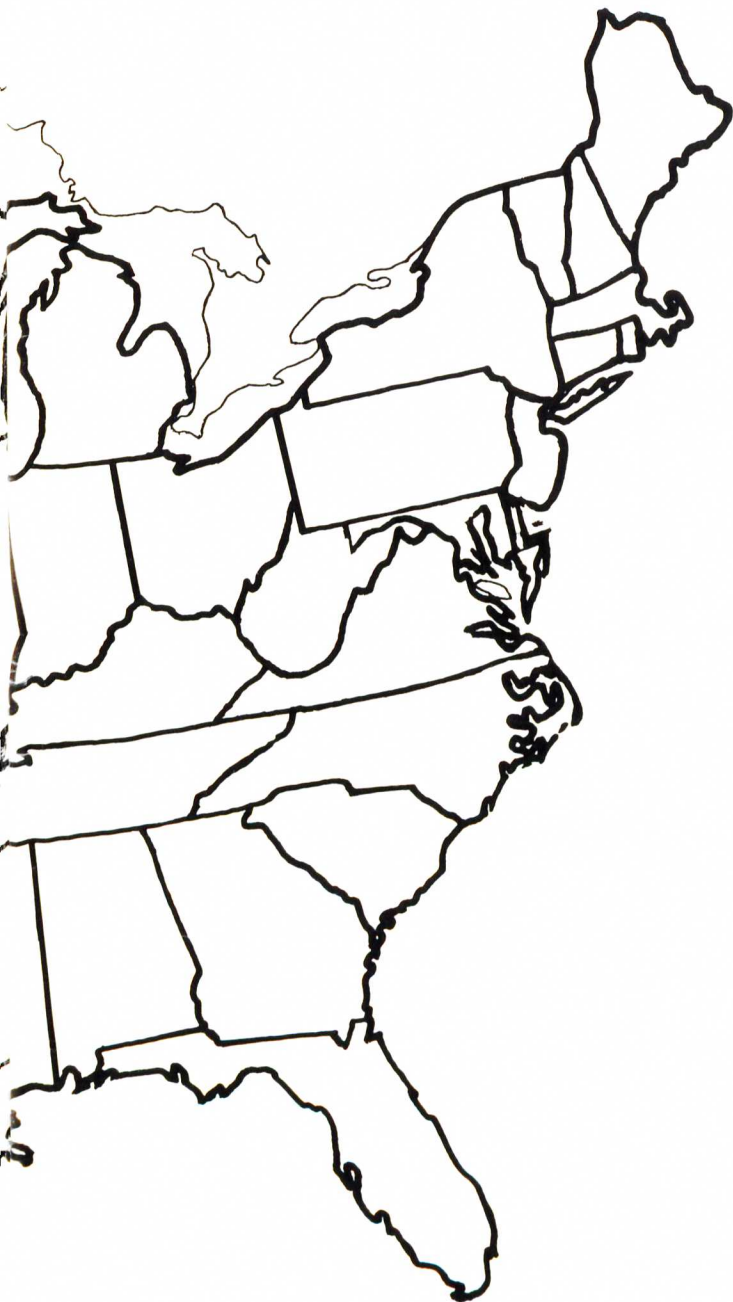
*Governor Richard H. Bryan*



*Lieutenant Governor Robert A. Casshell*

# INTRODUCTION





This Plan is a true “state” Plan which does not specifically endeavor to distinguish between, or segregate programs for urban or rural Nevada. Nor is the Plan designed to identify only programs for southern or northern Nevada.

Given Nevada’s diversity, any developmental program which is statewide must rely on the vision, imagination and ambition of local residents to relate their needs and interests. Then, cooperative action necessary to achieve success in the given program or project should be initiated.

In consideration of the conservative views and limited tax resources available in Nevada for public development programs, the state must target its resources so that for each state dollar expended the maximum number of federal, local and private dollars are used to accomplish the diversification process. The Commission is aware that the Plan does not specifically address many of the current educational and local governmental programs for which increased private/public support is warranted.

Rather than address the broad array of potential diversification initiatives—with the exception of general education funding—the Plan attempts to propose cost-effective embryonic measures which, with public support, have the potential for benefiting large sectors of Nevada’s economy and citizenry.

In this way, the Plan is expected to act as both a preliminary guide for state policymakers and an overview of potential investments in Nevada’s economy which state and local governments could make in cooperation with the private sector.

Following a comprehensive review by the University System and selected state agencies, more than 1,000 diversification alternatives and options were narrowed as part of the original study to approximately 200 draft proposals. The analysis and evaluation of the original 1,000 diversification concepts were based on the entrepreneurial philosophy of the Plan.

These 200 draft proposals were examined by the Commission based on the criteria of cost effectiveness, available financial resources in Nevada, implementation procedures and time required for initial results to be achieved. Ultimately a total of 111 specific initiatives were selected for inclusion in the final Diversification Plan. These initiatives were carefully reviewed and re-edited, then detailed cost estimates were finalized.

The final section in the report contains a summary of the proposals and implementation and management costs. It should be noted that some of the initiatives call for creation

of various private/public loan pools or credit guarantee—insurance mechanisms. Only the development and administrative costs associated with these efforts are included in the cost summary as these programs are expected to be self-sustaining and result in no net outflow of the loan or credit funds. Therefore, other than administration, no actual *net* cost to the state is anticipated.

The proposed state/local investment is estimated at \$645,900 for the 35 recommended one-time, non-education projects. Forty seven proposals call for annual expenditures totaling \$1,286,600. The remaining 16 proposals will not require direct investment. The state could contract with the private sector for about half the implementation work for the non-education, job-training proposals.

Because of the exceptional natures and needs of education and job training in Nevada, the public investments necessary are substantial. Therefore, the proposed educational costs are presented separately from the total diversification expenditures.

The Plan emphasizes and requests establishment of private/public task forces to ensure that the recommendations in this Plan are implemented. In addition, the Com-

mission intends the Plan to be a living document that must be continuously monitored, not only for implementation, but for revision and modification as conditions change and experience warrants.

The complete Diversification Plan consists of three major sections:

*The first section* includes the initiatives to be taken to diversify Nevada's economy. The text of the Plan follows this introduction.

*The second section* is a summary of each proposal together with the general budgetary estimates of each initiative and the designated agency or organization which would be expected to provide the leadership and personnel for implementation.

*The third section* of the Plan is the Diversification Study which was prepared by the University of Nevada System Task Force. This separate document contains much of the detail and background related to the conclusions presented in the Plan. In addition, an extensive bibliography is included to facilitate further research and detailed inquiry which may be necessary for implementation of the Plan proposals.



## EXECUTIVE SUMMARY

Preparation of the Plan for industrial development and diversification was mandated by the 62nd Session of the Nevada Legislature by legislation which created the Commission on Economic Development. Pursuant to legislative mandate, the Plan defines the reasons for diversifying Nevada's economy and identifies the perceived advantages and problems associated with the state's existing lifestyle, image and economy. The document provides many private/public initiatives which should be taken to ensure a prosperous and dynamic Nevada in the coming decade.

The Plan has proven to be a unique document in many respects. It is the first attempt by the State of Nevada to specifically seek alternative economic development activities that support industries in areas other than tourism and gaming. Further, it may be the first plan in the nation specifically focusing on diversification of a state's economy rather than more general economic or industrial development. Perhaps the most innovative feature of the Plan is its focus on the expansion of growth industries within the state and the expansion of economic and educational opportunities for existing state residents. Another unconventional aspect of the Plan is its proposal to nurture, through private/public partnerships, those industries and enterprises that have the greatest potential for high-wage employment.

The philosophical outline of the Plan directed the Plan's authors "... to take an 'entrepreneurial approach' so the ultimate document would identify specific projects which could result in substantial diversification benefits with minimal allocation of public and private funds."

This orientation resulted in the development of:

- (1) A *Wage Strategy* to attract industries employing relatively highly paid workers.
- (2) A *Public Investment Strategy* which emphasizes long-term investments in education and various public facilities.
- (3) A *Private Investment Strategy* which will complement the above and support industries having significant growth potential.

Before the Draft Plan was formulated, the University of Nevada System conducted a comprehensive study of 11 development-related topics which it felt could potentially affect efforts to diversify Nevada's economy. The study's preparation was coordinated with those agencies and organizations potentially affected and which would be involved in the implementation of diversification alternatives.

Mr. Belden Daniels of the Cambridge, Massachusetts, consulting firm, Counsel for Community Development, Inc., provided continual advice on the overall emphasis of the Plan.

Following interim review by the Commission on Economic Development, the study conclusions were summarized and incorporated into a Draft Diversification Plan. The Draft Plan was circulated for statewide review and comment, including a public forum process in the two metropolitan areas and in eight rural communities.

The final Plan is based on the conclusion that while Nevada has certain liabilities, in most instances, they can be overcome through cooperative private/public investment strategies. In turn, the state enjoys several strengths which, with renewed emphasis and cooperation, can lead the state's citizens into the mainstream of the next decade's global economy.

In order to implement the proposed strategies, a range of initiatives is presented, all of which are designed to assist private and public efforts at the local and state levels to diversify Nevada's economy. The initiatives proposed vary substantially in their scope, cost and ultimate impact on various geographical areas of the state.

The Plan proposes the formation of several seven-member "Task Forces," consisting of prominent business people and public officials, who will oversee the implementation of the Diversification Plan. The Plan also proposes convening a state/university-sponsored symposium to publicize the diversification conclusions and solicit advice for implementation strategies.

# 1

## ECONOMIC DIVERSIFICATION: THE CHALLENGE FOR NEVADA

The world's industrial economy is evolving into a technology and information economy which is causing profound impacts on the American life style. The automation of factories and services, the move of labor-intensive industries to Third World countries and America's orientation toward information storage, analysis and distribution has created a crisis, in the form of high unemployment in some "one-industry" American cities. One of the greatest challenges for Nevada is preparing Nevadans for jobs in the emerging new industries.

Recently this challenge became apparent when Nevada suffered an economic downturn and experienced a reduction in its employment workforce as a result of the recession of 1980-83 and expanded gaming operations throughout the United States.

The Nevada gaming industry is now going through a "life cycle" of growth followed by maturing and slowed growth. Most regions of the state have had rapid "industrial life cycle experiences" in mining, where growth was phenomenal, maturation was shortlived and decline was traumatic. Fortunately, unless other states legalize gaming, the life cycle of Nevada's gaming industry can be expected to be far longer than that of most mining operations.

Nevada is ideally situated to serve the world's eighth largest market, California, and the Pacific Rim, the fastest

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Nevada is now one of the most rapidly growing states in the nation. From 1970 to 1980 the state experienced a 64 percent growth rate, compared to the national growth trend of 11 percent.

---

emerging market in the world. Nevada's uncrowded freeways and roads, generally lower housing costs, modest business taxes and environmental quality offer global businesses attractive alternatives to costly and crowded coastal locations. Nevada should promote these advantages and address the challenge of financing, training and education for tomorrow's marketplace.

Nevada must prepare for its economic future by creating new opportunities and developing an environment for quality economic growth. This involves diverse industrial development which will stabilize the state's economy against short-term fluctuations in one industry or long-

term downtrends in another. It also provides a chance to increase job opportunities and career choices in new high-growth industries. High quality of life can not only be maintained, but improved in future years by commitments to new "home-growth" industry opportunities and attracting high-growth industries to Nevada.

Nevada's commitment to control its economic destiny was made clear when the 1983 Nevada Legislature directed the Commission on Economic Development to pursue the diversification of the state's economy and declared its intent to directly involve the state's resources in countering Nevada's vulnerability to national business cycles. For example, as shown in Figure 1, Nevada's unemployment tends to follow national unemployment. In addition, when national unemployment is high, Nevada's unemployment is higher and when national figures are low, Nevada's unemployment is lower. It was made equally clear by the legislature that the overriding goal was to encourage economic growth in industries that complement Nevada's gaming and recreation.

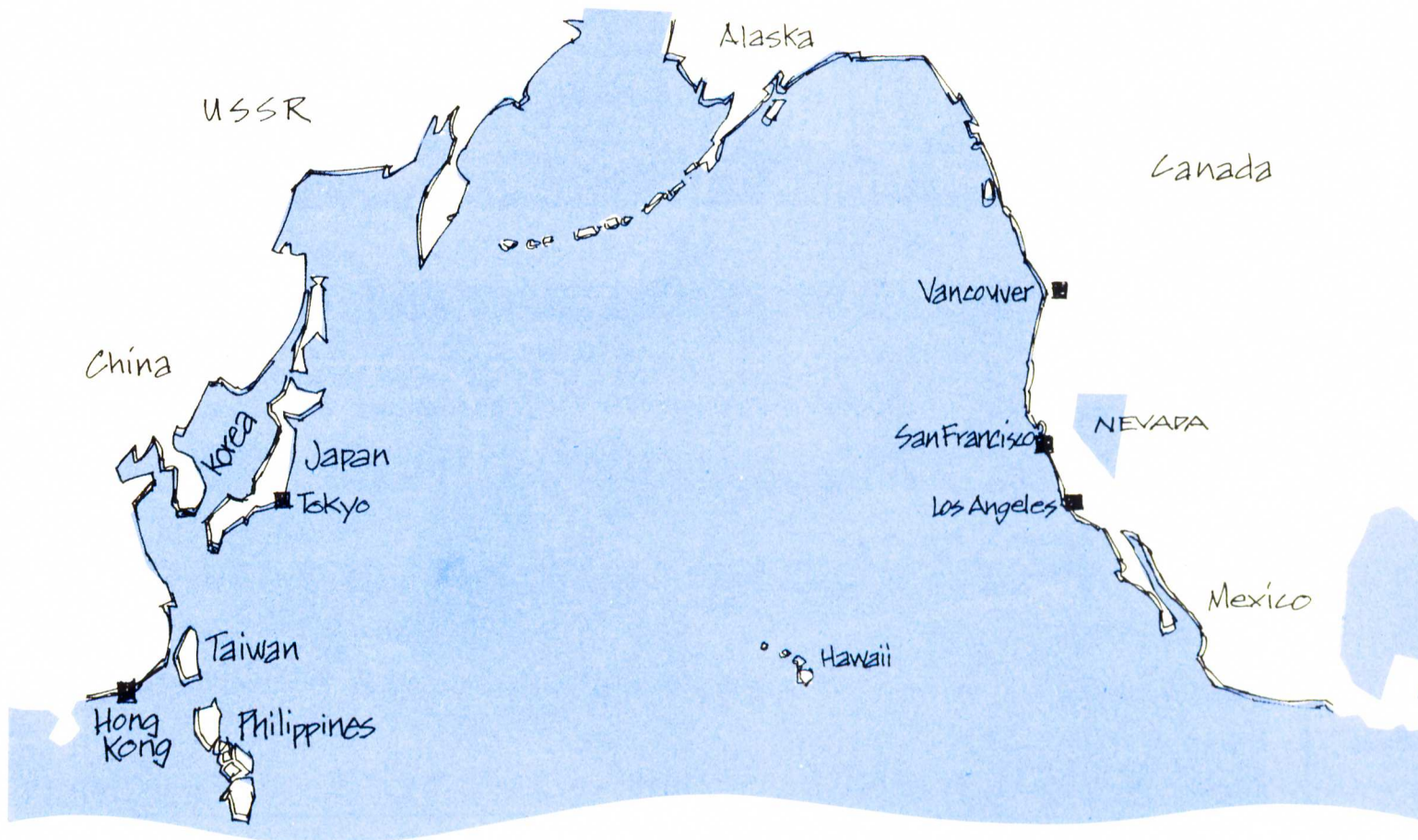
Diversification of the state's economy must be planned according to the way different industrial sectors react to business cycles. The leisure/recreation oriented industries have recently proven to be more sensitive to changes in

national income associated with business cycles than in the past. Ideally, diversification will lead to the development of industries that will respond in the opposite direction over the business cycle. That is, a desirable industry is one where the demand for it remains strong as national income falls. One Nevada industry that approaches this ideal is agri-business. The logic of the demand for agricultural products over the business cycle is clear: During recessions, when people cannot afford to come to Nevada for a vacation, they continue to consume agricultural products.

A healthy mix of industries in the state can reduce the impact of economic fluctuations. Thus, it is important that Nevada direct its attention toward the fastest growing sectors of the national economy. These include leisure-related products and services, communications equipment and services, the electronics industry and high-tech areas.

Expansion of the non-gaming and non-tourism oriented sectors of the state's economy *alone* is not proposed. Leisure-oriented industries are among the fastest growing in the United States and, for many areas of the state, offer the quickest means of expanding employment and development. From this standpoint, Nevada's dominance in this industry is a very positive feature of its economy.

On the other hand, economic growth based on the



fortunes of one industry is not only risky but significantly affects the characteristics and quality of growth. While Nevada experienced a decade-long boom which was propelled by the gaming industry, Nevada's per capita income slipped from third in the nation to 12th. In addition, personal income in Nevada's border states has grown 72 percent faster than Nevada's, and over the last three years Nevada's actual employment (non-agricultural) has declined for the first time in recent history.

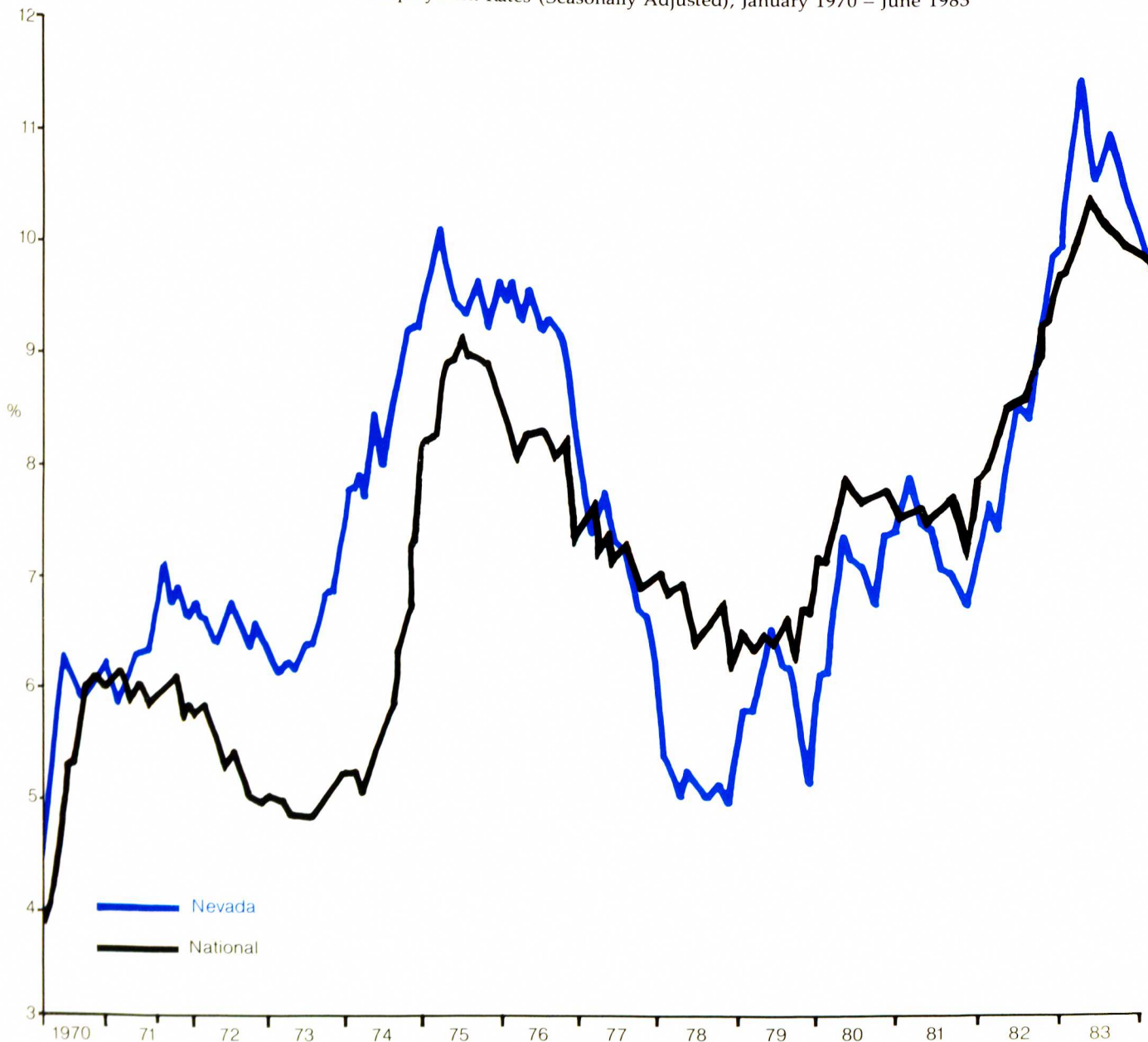
Nevada's private and public financial resources must be used carefully to shape its economic future. Nevada already has begun to make some wise decisions and investments. The state revised banking statutes to accommodate

Citicorp, established the Nevada Lender's Commitment Program to formally encourage leading financial institutions to work closely with the federal Small Business

Nevada must prepare for its economic future by creating an environment for quality economic growth.

Administration, established a small business revolving loan fund, and used industrial development bonds to assure Porsche's location of its North American headquarters in Reno.

**Figure 1**  
Nevada and National Unemployment Rates (Seasonally Adjusted), January 1970 – June 1983



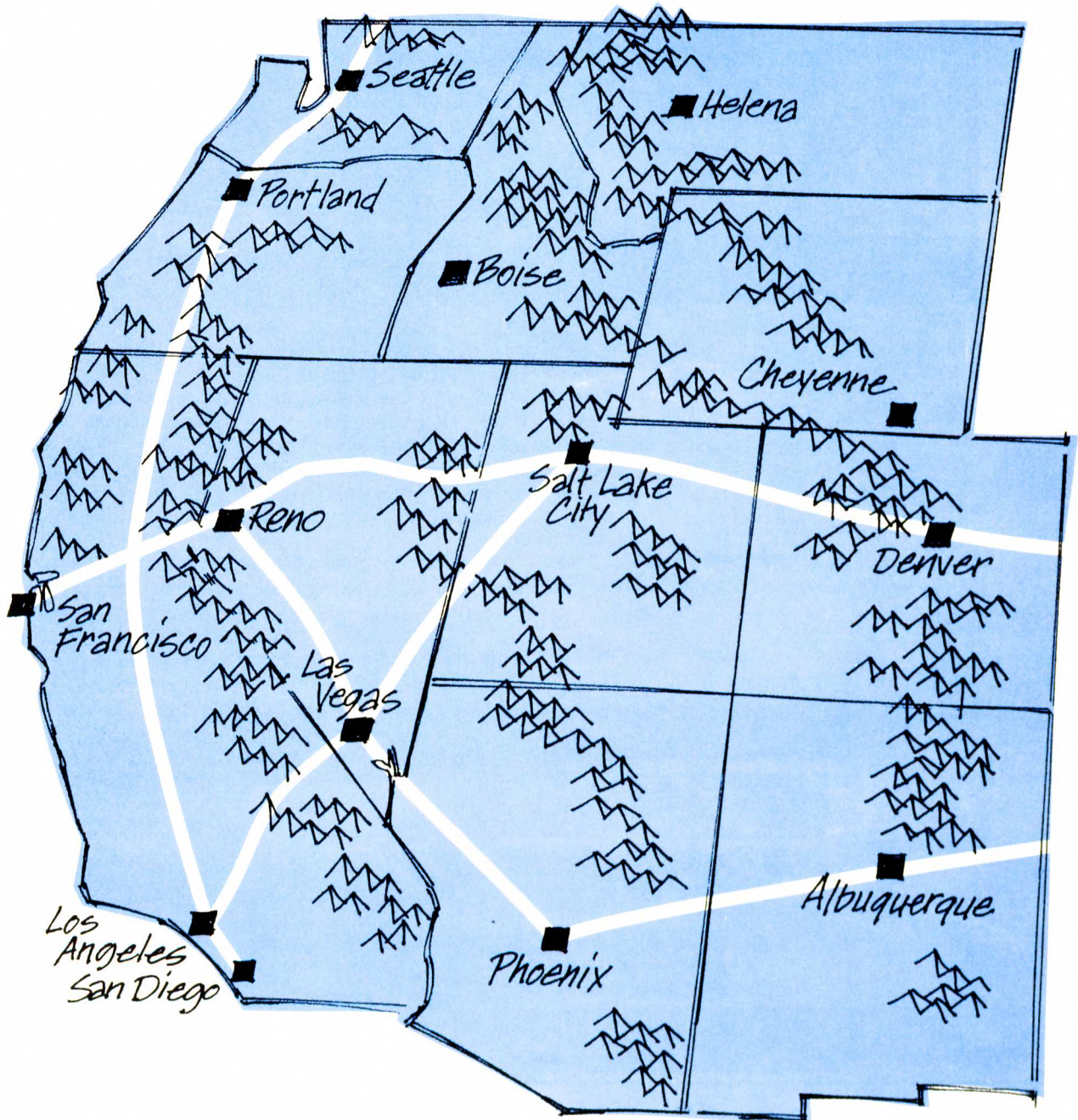
To sustain this track record, Nevada needs to assure training and venture capital for small businesses and to financially support the role secondary and higher education plays in training the labor force and attracting high-tech and other industry.

Nevada's strategies for addressing any obstacles to diversification and marketing existing strengths fall into three categories:

(1) *A Wage Strategy* to promote industrial/commercial development that will attract relatively highly paid workers. In pursuing this strategy there is a need to coordinate elements of the labor force training network—i.e., all levels of the educational system—to provide workforce and training programs for these types of firms. This wage strategy also dictates

attracting capital-intensive firms that employ relatively little but highly skilled labor to avoid taxing the state's limited natural resources, especially water.

- (2) *A Private Investment Strategy* to encourage private investment of all kinds, but most specifically investments in areas identified as having significant growth potential and which fit the Wage Strategy. Nevada's economic future depends on a well-defined partnership between the private and public sectors which maximizes reliance on the private sector and utilizes the resources and talents of both sectors.
- (3) *A Public Investment Strategy* to focus on long-term investment projects that will provide the basis for economic expansion for decades. Included in the list of projects are investment in our educational system, infrastructure improvements and greater public support for economic development.



# 2

## NEVADA'S ECONOMIC STRENGTHS AND WEAKNESSES

Nevada offers an excellent environment for new and expanding businesses. The challenge of attracting and cultivating these businesses comes from intense competition among states. Fortunately, Nevada is in an enviable position to diversify its economy because it possesses many of the qualities that industrial site location consultants identify as important. These include:

- (1) Proximity to markets in the western U.S. and the Pacific Rim, especially California.
- (2) Attractive quality of life factors, such as environmental quality, climate and recreation.
- (3) Low cost of housing, land and utilities compared to major West Coast metropolitan areas.
- (4) Favorable regulatory environment.
- (5) Modest state and local taxes.

Nevada offers the best business tax climate in the nation. Figure 2 shows Nevada's tax burden is approximately one-third of the tax burden of California, Texas and Arizona (three states that have recently experienced rapid economic growth). However, research has indicated that a state's low tax burden is not, in itself, a determining factor to attract industries. Instead, new industries are more concerned with a readily available and well-trained labor force.

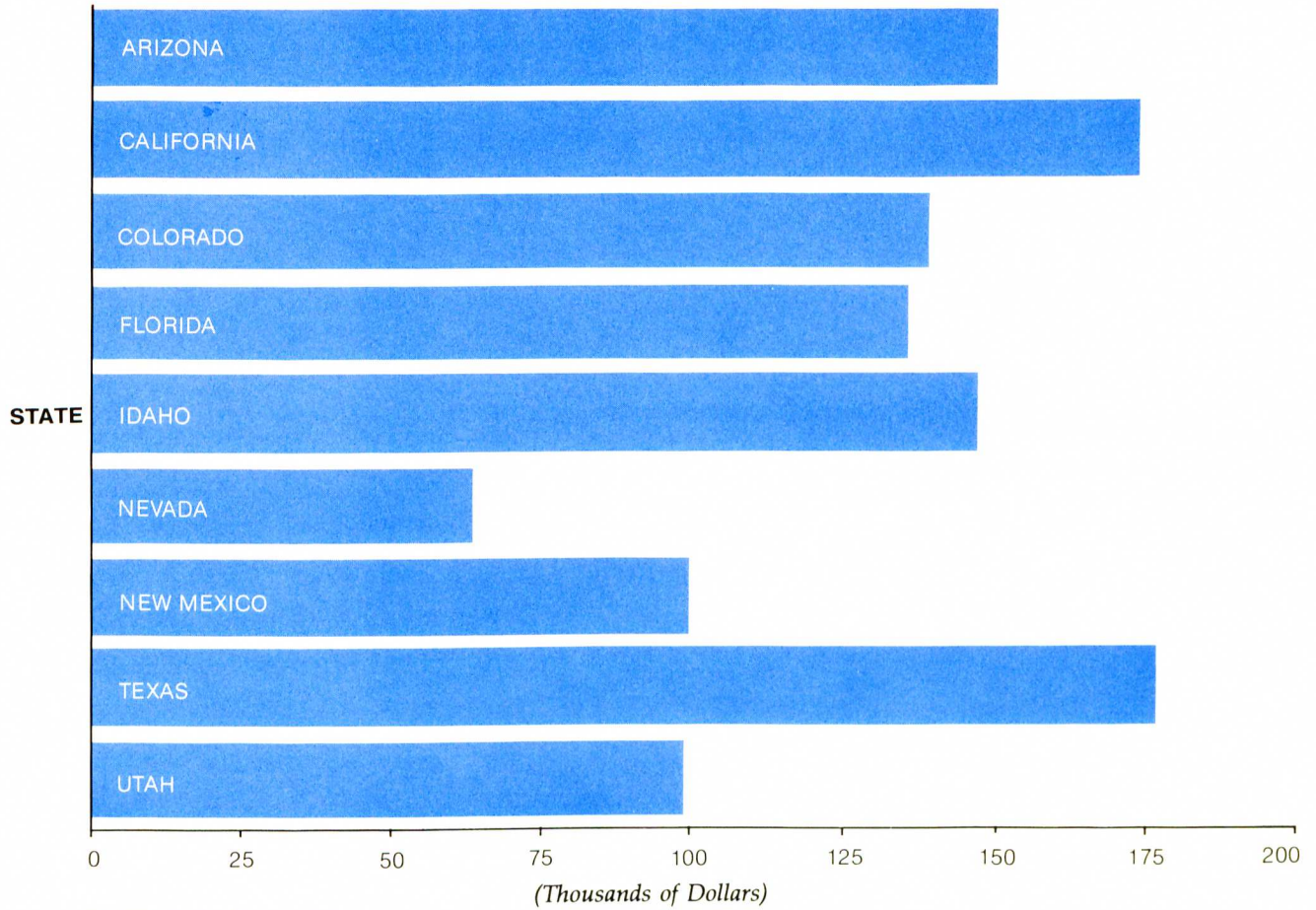
In particular, high-technology industry locational decisions are influenced by labor availability and productivity. Also, these industries emphasize living and housing costs and access to markets, in which Nevada compares well with West Coast areas. These high-technology industries also seek locations which can provide quality education.

Nevada's educational system operates at all levels—elementary, secondary and higher education—with the lowest funding in the United States in terms of dollars as a percentage of per capita income (Figure 3). The deficiency is visible in many forms, including student/teacher ratios larger than the national average and lack of accreditation for college and departmental educational programs due to faculty shortage and inadequate facility support. Nevada can partially address this obstacle to diversification through the careful resource allocation described in this Plan.

It is important to examine Nevada's history. Its past is rich in "boom" and "bust" stories. Towns were built with the confidence that the future was theirs, only to find that industry lived out its economic life cycle, including final decline. Nevada has a tradition of realistic thinking and quality action to ensure growth and prosperity. The foundations of a strong economy change and belong to those who change with them.

**Figure 2**

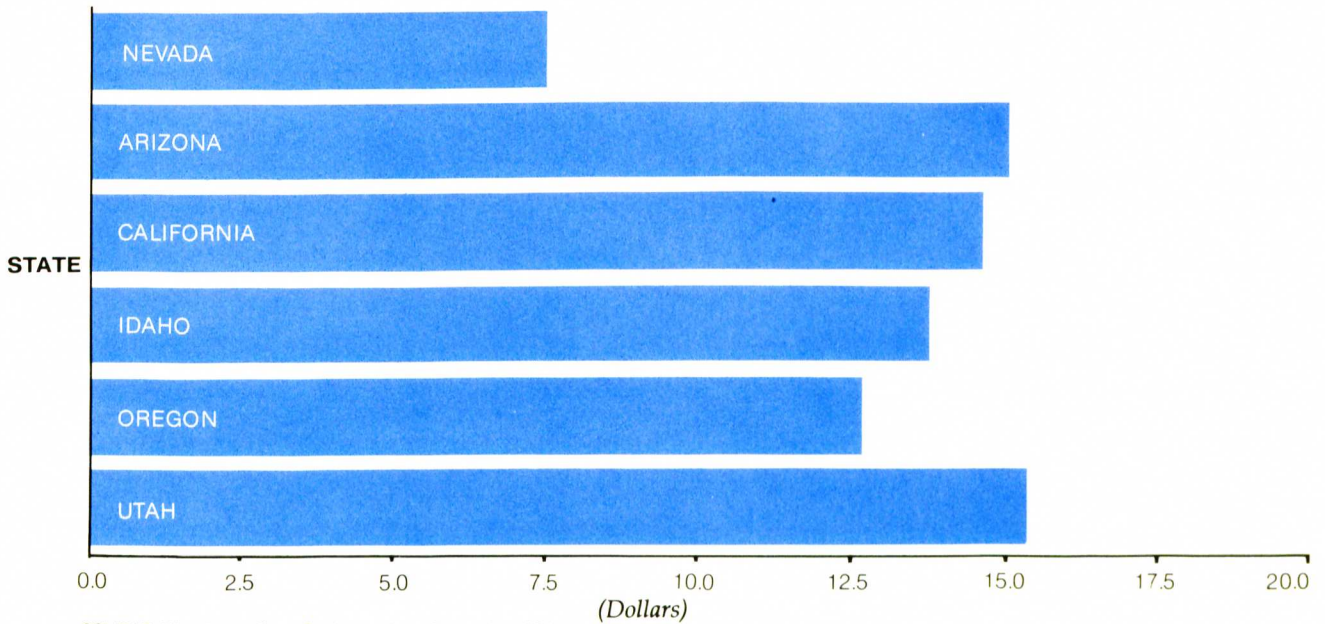
Comparison of state and local tax burdens among nine different states  
(Based on hypothetical manufacturing firm's sales of \$6,919,920 in 1980)



SOURCE: Michael Kieschmich, *Taxes and Growth Business Incentives and Economic Development*, 1981.

**Figure 3**

A comparison of state and local appropriations  
for higher education per \$1000 of personal income in six western states



SOURCE: *Washington State Study on Higher Education*, 1982.

# 3

## RECOMMENDED STATEWIDE DIVERSIFICATION INITIATIVES

### A. FEDERAL PROGRAMS

Federal programs offer considerable economic diversification potential. Although the federal government spends in excess of \$2 billion each year in Nevada, much of the expenditures are awarded to non-Nevada firms. Nevada must begin to capitalize on existing federal activities and capture future federal program dollars in order to prevent federal monies spent in Nevada from creating advantages for non-Nevada business.

In order for Nevada businesses to profit from federal contracts, Nevada must:

- (1) Identify and list all contracts and subcontracts flowing from federal agencies into Nevada, publicize contract information (dates, criteria, etc.) and provide technical assistance to Nevada firms desiring to bid federal contracts.

To protect federal activity and to encourage new activity within Nevada's borders, Nevada should also establish a productive, aggressive "entrepreneurial" presence in Washington, D.C. In recent years many states have established Washington offices to monitor the full range of federal activities affecting their economies. Congressional offices, by their own admission, do not have the staff or ability to follow all federal programs. Knowledge of contract initiatives as they develop will allow Nevada to mobilize the congressional delegation and lobby effectively for federal contracts to further encourage economic expansion.

Therefore, in order to establish a more effective Washington presence, Nevada must:

- (2) Establish a Washington Office, with cooperative funding from the Commission on Economic Development, the Office of Community Services, other state agencies with major federal funding, and the development authorities. Priorities for the Washington office should be established by statutory charter.

Nevada should also coordinate programs of the federal research and development facilities, the private sector and the academic community. Federal policy now requires federal laboratories and related facilities, such as the Test Site, to cooperate with the private sector in promoting economic development. The Nevada Test Site is a unique resource for the state, and cooperation between the U.S. Department of Energy at the Test Site and the private sector is an attraction for certain industries.

In order to benefit from a cooperative relationship Nevada must:

- (3) Establish a working group to cultivate an effective relationship between the state, U.S. Department of Energy and the private sector in order to disseminate federal research and development initiatives for economic development. This group would include state and U.S. Department of Energy representatives.
- (4) Publicize Test Site advantages, facilities and cooperative initiatives with the private sector.
- (5) Increase general public awareness, in Nevada, of Test Site activities and the benefit derived from these activities.

Several factors, primarily arid climate and remoteness, suggest that the Nevada Test Site may be chosen for the federal high-level nuclear waste site. If this is the case, Nevada should be prepared to ascertain what, if any, advantages may accrue to the state due to this decision;

however, such preparation should not affect the state's decision on site selection or imply a willingness to locate the site in Nevada.

In order to be prepared to take advantage of the possible site selection of a high-level waste facility, Nevada must:

- (6) Determine the nature of the work necessary to construct a high-level radioactive waste storage facility at the Nevada Test Site.
- (7) Determine the legal feasibility and the practical aspects of levying a tax or fee on the nuclear waste brought into the state.
- (8) Develop proposals for federal facilities or expenditures in the state as compensation for acceptance of a high-level waste site.

#### REQUIRED LEGISLATION

- Establish a Washington office and define the priorities, organization and funding for the office.



## B. CAPITAL AVAILABILITY

Nevada requires a major increase in available capital to successfully diversify its economy. Therefore, the state must initiate efforts to improve the accessibility of Nevada businesses to capital markets and lending institutions, both within the state and beyond.

Increased capital availability will encourage an expansion of Nevada businesses into significant job-creating diversification activities. It will also generate new export-based employment opportunities. A thorough analysis of banking activity in the state should be undertaken to identify the problems of capital availability; such a state effort would assist in reorienting local investment efforts. In addition, the availability of credit to relocating industries should be improved.

Nevada lacks adequate long-term debt and equity capital to serve as a financial mechanism for non-volatile, long-term, fixed-rate loans. Venture capital is almost non-existent within the state. Expanding accessibility to capital markets for indigenous business and relocating industry will ease the effects of limited long-term, fixed-rate financing.

Small firms are most subject to volatile interest rates involved in short-term financing, and are generally too dependent upon debt financing. Additionally, they are most likely to be denied access to fixed-rate, long-term debt from both the public capital markets and local lenders. It is therefore proposed that the role of local private lending institutions be increased to provide mechanisms which reduce the risk of long-term, fixed-rate commercial and industrial loans to small and medium-sized Nevada businesses.

In order to stimulate capital availability, Nevada must:

- (1) Establish a credit insurance or credit support mechanism administered by the State of Nevada to eliminate some of the risks associated with lending to inexperienced or small businesses. The mechanism could be established as an insurance or loan guarantee program with the risk assumed by the private insurance market. This may encourage more aggressive lending practices in Nevada by reducing the risk of loan failure to private institutions.
- (2) Attract the resources of the gaming industry for investment capital, as a venture capital pool as set forth within the High Technology chapter.
- (3) Encourage or mandate Nevada institutional investors, such as the Public Employees Retirement System, through legislative action, to invest as fully as possible in Nevada commercial, industrial and venture loans directed toward the diversification of the state's economy. In the absence of direct investment, the institutional investors should establish a sound secondary market.
- (4) Develop criteria for the issuance of industrial development bonds. The criteria should not be overly restrictive and should target Nevada's economic diversification efforts.
- (5) Encourage industrial development bond applicants from out of state to bring capital with them by requesting, when possible, that their state banking affiliate buy the issued bonds; thus, local funds for tax-exempt bond purchases are not depleted when alternatives are available.
- (6) Consolidate the industrial development bond program in a reorganized Division of Residential and Business Finance, within the Department of Commerce, in order to coordinate all state tax-exempt bonding activities.

- (7) Investigate the feasibility of establishing new lending organizations in Nevada, such as Small Business Investment Companies (SBIC's) and Minority Enterprise Small Business Investment Companies (MESBIC's). Existing institutions should also be encouraged to consider the development of their own minority and small business loan programs.
- (8) Encourage the formation of additional industrial development corporations through the promotion of their advantages as a viable and necessary source of financial aid to Nevada business, as well as a profitable venture for investors and stockholders.
- (9) Encourage the entry of venture capital firms into Nevada and, at the same time, encourage new businesses with short-term research and development financing needs to consider the benefits of moving to Nevada.
- (10) Sponsor an annual capital conference at which lenders are brought together with venture capitalists and Nevada businesses with venture capital needs to raise the level of understanding about venture capital and encourage contacts.
- (11) Advocate a new Nevada regional banking law which would encourage the entry of additional banks, savings and loans and thrifts into Nevada, which could provide increased sources of capital and technical resources to the financial industry.

## REQUIRED LEGISLATION

- Passage of the proposed Residential and Business Finance enabling legislation.
- Legislative proposal to mandate Nevada institutional investors, such as the Public Employees Retirement System, to invest as fully as possible in Nevada commercial, industrial and venture loans directed towards the diversification of the state's economy.
- Passage of a regional banking law.

## C. INTERNATIONAL TRADE

Nevada must begin to develop mechanisms, within the Department of Commerce and the Commission on Economic Development, which complement and expand programs in the realm of international trade and export.

The world has witnessed dramatic changes in market economics during the past two decades. With changes in the political environment throughout the Pacific Rim, many businesses are seeking new areas to locate current export operations. The scope of international trade is expected to continue to grow, with the Pacific Rim predicted to experience the most dramatic changes. Export/import activity in the Pacific is beginning to outstrip the European trade markets, and with many foreign-based industries at a level of domestic maturation, these companies are expanding and becoming multinational in character.

The American national economy is benefitting tremendously by the expansion and growth in international trade, and the decade ahead presents an ideal opportunity for Nevada to participate in the new global economy. Domestic advantages related to Nevada as a unique place to live and do business also apply directly to the world business arena. These unique Nevada advantages can be marketed to produce an international trade and export base in Nevada.

Nevada's marketing efforts should concentrate on the state's strategic geographical location to major western

markets. California is the first market from the Pacific Rim in the continental United States, and Nevada should capitalize on the generally negative business climate in that state; Nevada can and should emphasize its strengths in comparison to California's weaknesses, which include a unitary tax, high transportation costs, high cost of living and reduced quality of life in many major metropolitan centers.

The absence of a unitary tax has been used successfully by several western states to develop international investment within the state. Coupled with transportation, foreign trade zones, right-to-work law, quality of life and other relocation advantages, Nevada can promote itself and capture a substantial number of business opportunities which will, in turn, create additional markets to be serviced by Nevada business.

Of primary importance to international trade is the favorable geographical position held by Nevada and the

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The Plan will target the  
state's marketing and public investments  
to support compatible high-wage industries  
and will maintain an innovative,  
unencumbered free enterprise economy.

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transportation linkages and proximity to markets. The two urban areas in Nevada are situated on two primary transportation routes used to service 40-50 percent of American markets. Additionally, these two urban centers have a foreign trade zone and subzone which further enhance Nevada as a viable foreign trade base.

Development strategies to induce international trade and export in Nevada are listed below:

- (1) Development of an export finance mechanism which provides a source of funds to Nevada businesses which desire to finance export transactions. This procedure involves the issuance of revenue bonds by a state agency which would assume a low percentage of the risk in making these loans. This mechanism would entice Nevada banks to make export loans to Nevada exporters who, in turn, create jobs and develop new manufacturing facilities in Nevada. No credit of the state would be involved, since insurance would be purchased by the exporter to cover the risks of loss. In order for such a program to work, it will be necessary to obtain credit support (guarantees) for the revenue bonds issued by the state, and to further require insurance against commercial and political risks associated with specific export transactions.
- (2) The Commission on Economic Development should work with the U.S. Department of Commerce, the Nevada Department of Commerce and neighboring states to study the possibility of establishing a Western Trade Finance Association. The purpose of such a compact would be to encourage international trade in the region and aid in economic diversification. A western international trade commission could be given the power to guarantee either existing money or new money as loans to exporters and to act as an informational clearing house.
- (3) Private and public activities should be coordinated to develop international trade offices in Nevada. Such a program could assist in expansion of foreign trade zones, entice exporting firms to locate in Nevada and identify statutory changes that would facilitate Nevada's attractiveness to international export firms. Such a group should be an integrated, statewide

organization, established to coordinate and augment the efforts of private and public organizations interested in international trade. It should be representative of all groups involved in international business in Nevada, balanced geographically and politically, and it should have available to it the professional expertise essential for success in this dynamic, rapidly changing arena.

- (4) A Washington office for the State of Nevada, as proposed under the Federal Programs section, would also materially benefit Nevada's international trade initiatives. In addition, as the state's economy diversifies it may be necessary to have continuing operations in other parts of the world.
- (5) Expansion of new and existing businesses in the realm of international trade should be analyzed. Firms involved in international export should be viewed as prime targets for relocation due to the trend toward a world economy. In this way, markets will be increased that can be served by local business.
- (6) The District Export Council should be strengthened as a vehicle for developing exports and coordinating export efforts. State and local development organizations should actively participate through the sponsorship of world trade weeks, arranging foreign commercial attaches to address service clubs and promotion of education in public schools regarding export trade and informational services.
- (7) A feasibility study should be conducted regarding the establishment of a World Trade Center. This type of center would be a natural adjunct to foreign trade zones and a world class convention and trade show business.
- (8) The Commission should support and help finance, with other state agencies, development authorities, the District Export Council and private businesses involved in international trade, trade missions to and from overseas developers and businesses. These efforts should be coordinated with the State Commission on Tourism.

#### REQUIRED LEGISLATION

- Legislation providing an export finance mechanism which provides a source of funds to Nevada businesses which desire to finance export transactions.

#### D. MINORITY BUSINESS DEVELOPMENT

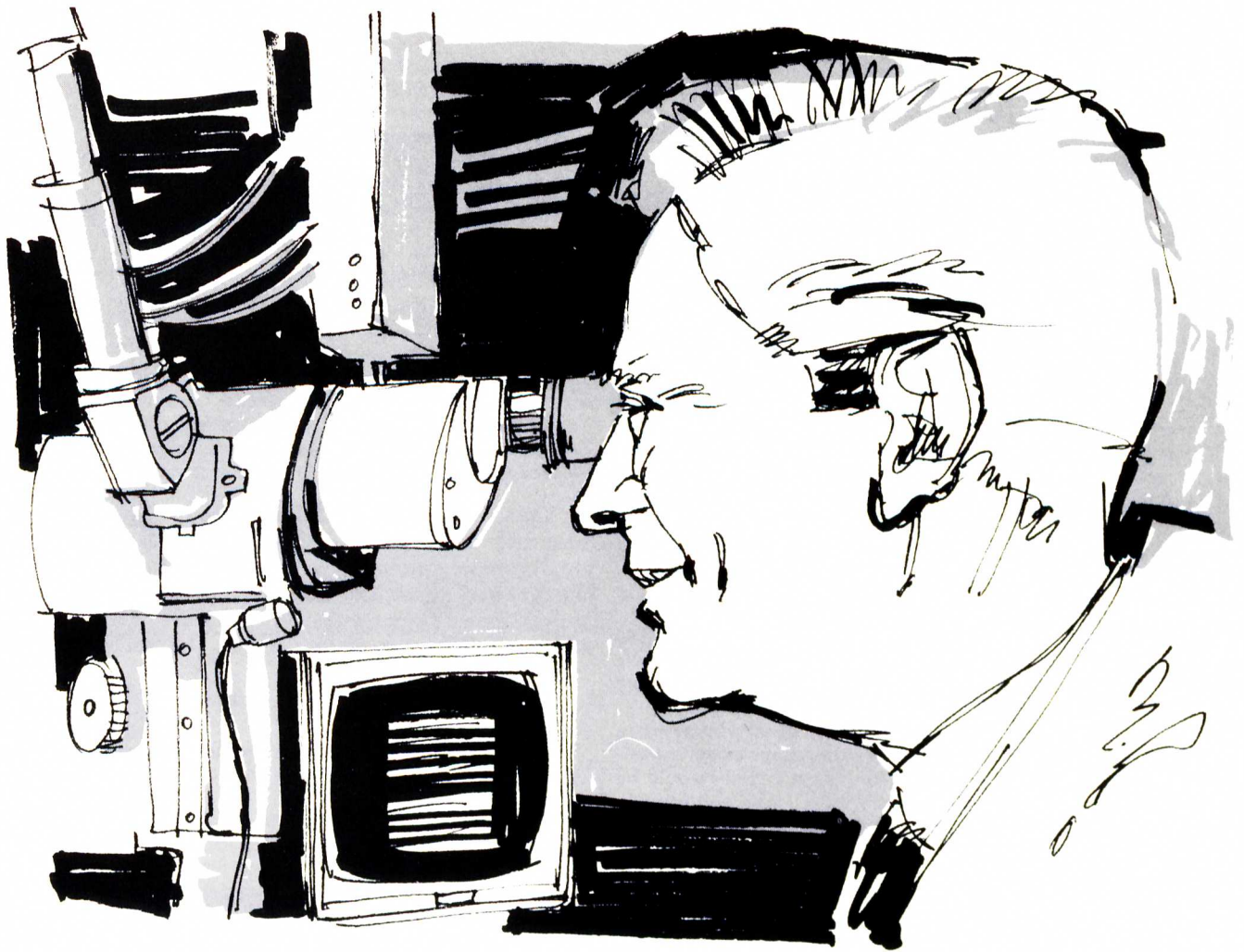
- (1) Establishment of a separate *Minority Business Enterprise Program* within the Commission on Economic Development is recommended. The responsibilities of this office would be to:
  - a. Work with government purchasing departments to provide timely, accurate information about bidding opportunities for minority firms and Indian enterprises.
  - b. Work directly with specific federal, state, county and city departments to increase minority business enterprise participation in their procurement procedures and other programs. This would include appropriate legislative or executive actions to enhance minority business opportunities in this state through assistance in certification.
  - c. Assure that minority business organizations have the opportunity to share in the disposition of federal grants and grants-in-aid.
  - d. Collect and disseminate information on education opportunities available to minority businesses.
  - e. Support minority trade fairs and conferences of minority and non-minority purchasing agents in the private sector who do business with the state.

- f. Assist minority businesses in obtaining governmental or private financing for establishing new businesses, expanding existing businesses and developing industrial projects through revolving loan programs; MESBIC's, etc.
  - g. Develop, collect and disseminate information that will be helpful to persons and organizations throughout the state in undertaking or promoting the establishment and successful operation of minority businesses.
- (2) It is recommended the State Financial Institutions Division ensure state banks are complying with the Community Reinvestment Act. This Act has as its purpose, "... to encourage state member banks to help meet the credit needs of their local community or communities ... including low- and moderate-income neighborhoods ..."
  - (3) It is recommended that the state initiate and support programs to alleviate the bonding and financing problems of minority businesses. Among the solutions are revolving loan funds, as established by the Office of Community Services, a Minority Enterprise Small Business Investment Company, required insurance pool funds for higher risk minority business bonding and financing, low interest state/municipal bonds and outreach programs by lending institutions.
  - (4) It is recommended that a standardized procurement and bid request program for state and local government be established and publicized in conjunction with purchase preference given to local businesses.
  - (5) It is recommended that legislative action be taken to modify the existing limit for performance bonding to a more reasonable figure, permitting Indian and minority enterprises to bid more government contracts.
  - (6) It is recommended that a program be initiated to allow Indian or minority businesses to hire, train and certify an employee in an on-the-job training program.
  - (7) It is recommended that because venture capital is one of the major problems facing Indian and minority businesses, and because there are very few sources of such capital in the state, other programs be explored, such as a state funded Minority Enterprise Small Business Investment Company.

#### REQUIRED LEGISLATION

- Establish minority enterprise preference for public-sector purchases.





## E. HIGH TECHNOLOGY

The Nevada Commission on Economic Development should support, encourage and organize efforts to develop the high-technology industry from *within* Nevada and initiate specific efforts to attract high-technology firms to relocate or expand in Nevada.

This study has concluded that median to high-wage industries complement Nevada's future development and diversification. The State of Nevada, in cooperation with the private sector, should make the public investments necessary to attract high technology firms.

Following are strategies which will help facilitate high-technology expansion in Nevada:

- (1) Current programs, aimed at developing light, high-technology manufacturing in rural and urban areas, should be further encouraged with state support provided for the marketing of Nevada for high-technology firms. In addition, private/public efforts, under the direction of the Commission, should be focused to attract high-technology product research and development.
- (2) Research parks should be developed through joint efforts of government, the University System and industry. The current research centers, on both university campuses and within federal government agencies, form a nucleus for these research parks. This research park concept has been highly successful in attracting industry in a variety of settings throughout the United States.
- (3) The University of Nevada's Desert Research Institute should be encouraged and supported to seek further U.S. Economic Development Administration funds, and other federal and private resources, to develop the first phase of the Dandini Research Park infrastructure.
- (4) Research parks should be established and their advantages to new industry marketed. The use of state issued industrial development bonds, in connection with private initiatives, should be explored for these purposes.
- (5) The development plans for the University of Nevada, Las Vegas School of Engineering should include collaboration with private interests to create a Research Park which would operate with engineering education and federal environmental and defense research activities. Priority should be given to small, technology-oriented entrepreneurial businesses as occupants of the research parks.
- (6) The Desert Research Institute and University System should provide management, accounting, legal, secretarial and computing services to occupants of the research parks, in exchange for an equity share in product development.
- (7) A venture capital fund dedicated to product development within the Dandini Research Park, or a similar facility, in conjunction with the University of Nevada, Las Vegas should be developed and initiated through statutory action by the State of Nevada.
- (8) A venture capital pool can be funded from existing state gross gaming-tax receipts, not to exceed a set percentage. The gaming industry could reduce its existing gaming-tax liabilities by amending the state law. A portion of a gaming establishment's tax liability could be, at the taxpayer's

discretion, placed in a venture capital pool to acquire an equity position in product development. This would serve as a credit against gaming-tax liabilities. Since the gaming industry would have an equity position with a potential return on investment, the ratio of tax credit to dollars invested should be less than one to one. For each dollar invested, 25 cents could be the tax credit, as an example.

- (9) A research fund should be established by the state, and managed by a commission, to encourage joint research efforts which combine university, government and industry skills and resources. The funds for such research efforts can be sought by joining university, industry and government teams to perform research and development tasks related to new services and products. Priority should be given to efforts that have diversification potential, use federal matching funds and draw heavily on university and industrial resources.
- (11) A feasibility study investigating the enhancement of satellite and other communications programs should be sponsored. Nevada's dry climate is a significant advantage for this industry.

#### REQUIRED LEGISLATION

- Creation of a venture capital fund dedicated to product development with the Dandini Research Park and/or a similar facility at the University of Nevada, Las Vegas.
- Develop legislative revisions that permit a gaming taxpayer, at his discretion, to take a gaming tax credit against existing gross gaming-tax liabilities. The funds from such a credit would be invested in a Nevada-based venture capital pool and provide the gaming taxpayer an equity position in that pool.
- Creation of a joint industry, government and university research fund.

#### F. BUSINESS RETENTION AND EXPANSION

There are presently almost 20,000 business enterprises with 20 or fewer employees in the State of Nevada. These small firms employ more than 87,000 workers, almost one-fourth of the state's workforce covered by unemployment insurance and 88.6 percent of all firms doing business in Nevada. Therefore, the retention of existing employment opportunities and the internal expansion of the present small business employment base can serve to further diversify Nevada's economy.

The Commission should initiate business assistance services to provide private individuals and firms direct access to a single public entity for action. Management inefficiency (i.e., lack of business acumen, over-expansion, over-leverage or inability of new management to successfully operate a company) causes the majority of business failures. Through prompt action, firms experiencing difficulties may receive assistance in alleviation of problem areas.

Measures to enhance business expansion and business retention include:

- (1) Assign or retain staff, facilities and support equipment for an ombudsman function in the Commission on Economic Development and publicize its existence and purpose in the business community. Work with the Small Business Development Center, University of Nevada, Reno and the Small

Business Economic Revitalization program, in the Office of Community Services to bring technical assistance to small business problems.

- (2) Make contract information assistance available to Nevada-based firms.
- (3) Provide technical services to mitigate existing and potential problems between industry and public entities.
- (4) Present to the Interagency Committee for Coordinating Tourism and Economic Development, those regulatory or managerial issues requiring resolution or state action.
- (5) Develop a publication of Economic Development and Business assistance programs with special emphasis on available federal and private lending programs.
- (6) Coordinate and expand efforts to improve air service throughout the state. This should include efforts to entice commercial air carriers into Nevada, both major airlines and commuter carriers.

The Commission should also identify barriers to business retention and expansion. This could be accomplished by developing an industrial questionnaire and interviewing selected firms. The Commission, local chambers and university contract services could develop questions and conduct the survey. Such a survey should be conducted biennially.

Following this action the Commission should:

- (7) Review the range of private and public incentives available and revise present efforts according to new economic conditions.
- (8) Develop an early warning system with chambers of commerce and other local entities to identify those firms experiencing difficulties, and work directly with those firms to alleviate their financial or managerial difficulties.

As a business assistance effort, it is recommended that Nevada:

- (9) Provide an exemption to the sales and use tax for the purchase of capital equipment.
- (10) Identify those businesses which are complementary to Nevada-based support industries. The economic vitality of existing and potential industrial firms can increase if resources can be utilized locally. Also, if sufficient demand exists, efforts can be made to attract additional suppliers.
- (11) Sponsor a comprehensive study which will identify new markets for Nevada-manufactured products and tourism activities. Many of Nevada's small businesses do not have the personnel to investigate potential domestic and foreign markets for their products. Additional sales and new revenues can lengthen industry's life span and create additional employment opportunities.
- (12) Place special emphasis on areas of activity and marketing in the tourism industry that are currently not being served by Nevada firms.
- (13) Identify by Standard Industrial Classification (SIC) code those products which could fulfill the demands of our tourism industry.
- (14) In cooperation with others the Commission on Economic Development should determine national and international markets which could be supplied by Nevada's products and estimate future product demands.

#### REQUIRED LEGISLATION

- Provide a sales and use tax exemption for firms that purchase capital equipment for new facilities or expansion that will create new jobs.



### G. SMALL BUSINESS DEVELOPMENT

Nevada must strengthen small business by offering financial and management expertise to existing and potential entrepreneurs. Eighty-eight percent of the firms in America operate with 20 employees or less. Many small business failures occur due to operational inefficiency and poor planning. This Diversification Plan proposes that specific advantages be made available to relocating and expanding small businesses.

Industries with the greatest growth potential in Nevada are high-technology, communications, finance, insurance, real estate and services. Export industries should be given priority because they provide the basis for growth in any regional economy. Manufacturing of products for tourists should also be encouraged.

In rural Nevada the strongest growth potential is found in agri-business, minerals processing, light manufacturing and border-town gaming and tourism.

Although some mechanisms already exist to protect the entrepreneur, and provide a desirable business climate, there is a need to expand and improve the performance and interaction of these agencies and to advertise their services. The state, in cooperation with the private sector, should provide personalized technical assistance to small businesses statewide in the areas of management, marketing, productivity, organization and financing.

In an effort to support small business, the following recommendations are offered:

- (1) The Commission should sponsor annual statewide small business seminars, in cooperation with local chambers of

commerce, Small Business Development Centers and development authorities, addressing all aspects of small business operation. State agency personnel from Commerce, the Office of Community Services and the Commission should participate, and the State Occupational Information Coordinating Committee should supply local labor and business marketing studies. Business people, bankers and lawyers should serve as speakers and panelists answering questions on practical matters (i.e., licensing, loans, federal and local regulations, etc.). The seminars should be promoted and advertised locally and statewide.

- (2) The state should lend financial assistance, perhaps in the form of a budgetary augmentation, to the establishment of a Small Business Development Center. The University of Nevada System has submitted a proposal to the Small Business Administration. The Small Business Development Center should provide business extension-education programs in entrepreneurship, financial management, marketing and personnel management.
- (3) The formation of business and industrial development corporations (BIDCO's) should be encouraged. The benefits of BIDCO's must be pointed out in a direct manner. BIDCO's should be described and promoted as a part of an annual capital conference. (See Capital Availability.)
- (4) The Commission should develop a package of statistical data highlighting benefits, such as the number of jobs created, bank deposits generated, etc., to firms relocating to Nevada.
- (5) The state should establish a program of purchasing preference for Nevada-based small businesses.

#### REQUIRED LEGISLATION

- Provide that preference be given to Nevada-based small business as part of the state's purchasing procedures.

# 4

## EXCELLENCE IN EDUCATION

Quality education is a leading factor in Nevada's economic diversification potential. Educational excellence must begin in grade school and continue through the university system. A private/public partnership in education will yield pervasive benefits. Business and industry depend on education for long-term provision of competitive advantages including a skilled workforce, research services and lifetime learning opportunities.

### A. ELEMENTARY AND SECONDARY

Nevada's elementary and secondary educational system must receive increased economic support to ensure quality classroom performance. Teachers should be rewarded through salary increases maintained at a competitive level with border states. If California raises its average beginning salary to \$18,000 as is currently planned, it will be difficult to retain quality educators in Nevada classrooms.

An effort should be made to encourage competent teachers to remain in Nevada schools rather than moving to higher paying jobs in other states or the private sector. A method of teacher competency evaluation should be developed. In addition to pay incentives, instruction should be enhanced by increases in special education programs and innovative curriculum development.

In order to accomplish the above it is recommended that the State of Nevada support:

- (1) A 17 percent salary increase for elementary and secondary teachers over the next two years.
- (2) An increase for special education programs in fiscal 1986 and again in fiscal 1987.
- (3) Program improvements funding in the amount of \$11 million to comply with standards of excellence in education for kindergarten through high school.

### B. OCCUPATIONAL TRAINING

Responsive occupational training to serve business and workers is a critical component of the Diversification Plan. Nevada's prosperity will be boosted by a partnership of business, industry and educators working together toward common goals. Programs should be *sensitive to the job market* with content tailored to requirements of industry. Occupational skills should be emphasized in high schools since many students move directly into the labor force filling the majority of jobs which do not require a college degree.



It is recommended that Nevada establish a stronger technological training capability through improved utilization of existing workforce training organizations and invest in a variety of innovative occupational programs relevant to current demands.

- (1) "Start-up" capital should be provided within institutional budgets to enable high schools and community colleges to add courses which meet the needs of the workplace. Through this increased emphasis on skill-based education, the state can deliver a trained workforce to:
  - a. Nevada businesses in the process of expansion.
  - b. Businesses targeted by the Economic Development Commission for relocation to Nevada.
  - c. Nevada businesses in transition due to changing technology.
- (2) Legislation should be adopted creating a statewide business and industry education committee which will identify the competencies and performance levels to be set for the education and training programs of the state offered by school districts and community colleges. The committee would be composed of six people from business/industry/labor and one member each from the Commission on Economic Development, the Department of Education Vocational Education, the Job Training Office and the Community College System. The committee would be chaired by a member from business and industry. Business people would determine competencies and performance levels.

The Department of Education would develop an instructional system, including curriculum and standards, to link occupational training programs in grades 10-14, high school and community college, that are reflective of skill requirements specified by the committee. The standards will include a mechanism to allow business and industry to determine the competencies and performance level requirements of persons to be trained. The State Board of Education and the University of Nevada System would coordinate training in high schools and community colleges. The sharing of facilities should be a responsibility shared among the private and public sector, the high school and the community college and should include equipment.

- (3) Occupational education in high schools should be strengthened through adoption of general competencies, to include the related academics: mathematics, communication and sciences; personal skills such as work ethics, job attitudes, interviewing and resume preparation; and interpersonal skills in addition to general vocational education competencies in computer literacy and entrepreneurship. This progression should be accepted as a policy by the Board of Regents and continued in Nevada's community college curriculum with courses in supervision, work organization, economic structures, management skills and self-marketing. All students should receive training in labor market skills: how to look for a job, get hired, be a good employee. These factors should be included in life preparation classes.
- (4) State/university subsidized "Quick-Start" programs for specialized technician training provided at the business site by community colleges and high schools should be adopted by the Board of Regents and State Board of Education as a diversification policy. The existing program should be expanded and coordinated with the statewide business and industry education committee. High schools should also be allowed to apply for funding for quick start technical training programs.
  - a. Funds from State Job Training, the Commission on Economic Development and the University System would be coordinated by the Commission on Economic Development.

- b. Criteria would include: diversification potential, benefit payback period and use of private and federal matching funds.

The state should continue to promote industry-specific training through the educational system. Continuing education programs in high school, the community college and university education extension services should be coordinated by the Statewide Business and Industry Occupational Skills Committee so that industry-specific criteria are observed. These services should continue to offer short-term, open-entry courses for retraining and opportunities for life-cycle education.

### C. HIGHER EDUCATION

Nevada must attain educational excellence in engineering, the sciences, business, mining and agriculture, and maintain competitive, accredited programs in all disciplines.

If the University of Nevada System is to fully play its role in achieving a diversified economy, current trends must be reversed. Resources must be committed by the Nevada Legislature to replace lost faculty through the provision of nationally competitive salaries. Engineering as well as

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Nevada must address the challenge  
of financing, training and educating for  
tomorrow's marketplace.

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business and commerce programs should be strengthened. Aging equipment and facilities must be replaced or renovated. Attention must be directed toward costs of operating programs, particularly after capital construction is completed.

Attainment of educational excellence, as delineated below, requires an executive and legislative budgetary commitment, comparable to surrounding states. This education initiative proposes incremental change leading to a more diversified economy that takes advantage of what is currently in place.

- (1) As part of an increased emphasis on engineering education, the University of Nevada System should construct a \$15 million facility for the University of Nevada, Las Vegas School of Engineering and fund the construction through the state's general obligation (G.O.) bonding capacity. Further, it is recommended that these bonds be retired through the State General Fund, the Higher Education Capital Construction funds, the rebate on federal estate taxes, or a combination of these funds. Should the rebate on federal estate taxes become a reality, these funds could be used as a dedicated source of retirement.
- (2) Recruit faculty and establish programs that directly interface with significant federal defense and U.S. Department of Energy activities in southern Nevada.
- (3) Adjust the current student-faculty funding formula for the University of Nevada System. The current formula is set at 22-to-1. Programs related to economic diversification in the physical sciences, engineering, business, mining and certain areas of agriculture should be funded at a student/faculty ratio of 15-to-1. Programs that support those directly related to diversification should be funded at a ratio of 20-to-1. Ongoing maintenance of accreditation should be the goal of funding in these program areas.



- (4) Establish funding levels that reflect Nevada's border state average for post/secondary education.
- (5) Implement the University of Nevada Systems' base and critical needs budget as required to achieve economic diversification goals for the 1985-87 biennium.
- (6) The Desert Research Institute, the University of Nevada, Reno and the University of Nevada, Las Vegas should implement product development research centers in conjunction with their campuses.
- (7) State industrial development bond criteria should be revised to permit utilization of this instrument for funding research park facilities. (See High Technology)
- (8) Establish a joint industry/university research and development fund geared toward the eventual marketing of new products. (See High Technology)
- (9) Continuing education programs in engineering should concentrate on post-baccalaureate offerings presented in places convenient to working professionals and through utilization of satellite telecommunications.

#### REQUIRED LEGISLATION

- Legislation creating a statewide business and industry occupational skills committee which will identify training and skills needed in the state.

# 5

## COOPERATIVE STATE AND RURAL INITIATIVES

The State Economic Diversification Plan is designed to encourage and enhance the general level of prosperity throughout Nevada. It proposes innovative development actions which have the potential to provide additional opportunities for rural and urban residents of the state seeking an improved life style or income.

The Commission accepts that while many Nevada citizens seek change and opportunity, some do not. Thus, the proposals and initiatives must be evaluated locally. Specific strategies unique to each Nevada community should be generated through a consensus planning process. When diversification actions are identified, additional state resources can be made available to assist in local development initiatives. The \$2 million Lander County Rock Creek dam and recreation project, the multi-million dollar Elko South Fork recreation and conservation program and Winnemucca's National High School Rodeo initiative all serve as imaginative and dynamic examples of what can be accomplished through the cooperative private/public efforts of rural jurisdictions.

### A. DIVERSITY OF STATE'S RURAL ECONOMIES

Rural Nevada is an aggregation of 15 independent, highly decentralized county jurisdictions which include numerous cities and Indian reservations. Many counties are the geographical size of American states. Some are larger than many of the nations of the world. The economic foundations of Nevada's rural population range from agriculture to gaming to government.

During the course of this diversification study it became apparent that any effort to prepare a single plan on behalf of Nevada's unique rural areas would be a naive and futile endeavor. Such plans now exist in several rural communities; however, each county seeking economic development must also periodically update these plans.

For this reason it is recommended that a subsequent effort to prepare individual development plans for each of Nevada's 15 rural counties be organized as a cooperative venture between the rural counties and the State of Nevada.

### B. STATE AND COUNTY COOPERATIVE DEVELOPMENT PLANNING

Once a local economic development planning organization is formed, goals and priorities can be identified. State agencies can utilize the locally prepared plans as the

basis for assistance, technical support and funding for certain proposals.

Utilizing formats established by the Commission, in cooperation with local communities, a clear and specific set of county goals and development strategies should be formulated and acted upon by each county or city for its individual benefit. Also, cooperative diversification ventures with state and federal agencies as well as multi-county and state programs could be developed. It is recommended that the local county development planning effort involve representatives of the chambers of commerce, city officials and private business participants *with particular emphasis on the private sector.*

Several counties, individually and through existing development authorities, have progressed in this area and are now receiving state assistance for a variety of activities based on a well-developed work plan and development strategy. In this regard, the Commission's recent funding of rural development projects which have been locally conceived may be considered prototypes of future "self-help" ventures the state seeks to assist.

Annual or biennial awards programs should be initiated by the Commission to recognize communities meeting the criteria for: (1) creation of local capacity and development plans, and (2) participation in regional and state development programs.

### C. IMPORTANCE OF TOURISM AND GAMING

As set forth in the introduction, the plan seeks alternatives to Nevada's major industries of tourism and gaming. This is not a criticism or lack of enthusiasm for tourism and gaming. Rather, a Diversification Plan must implicitly aim at other areas of the economy as special targets for increased activity or opportunity.

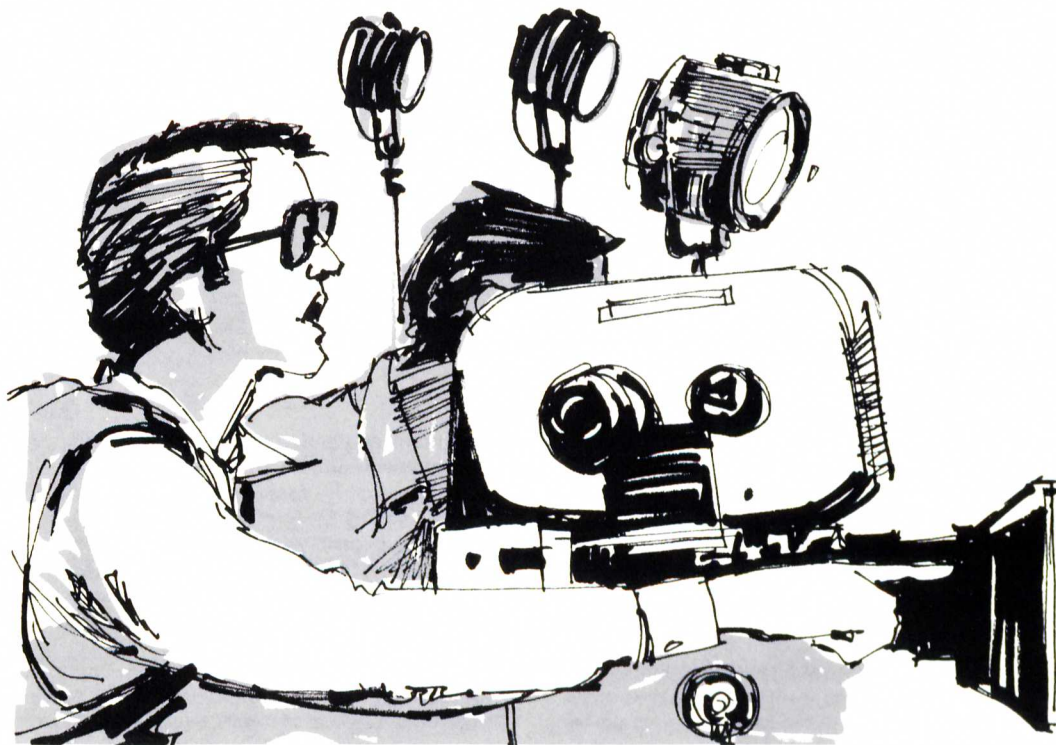
For many rural communities the development of a diversified economy is a difficult task. Given the perceived lack of resources, and limited infrastructure, it is only tourism, gaming or expansion of existing industries which many rural communities will be able to promote in the near future. Presently, within tourism, activities such as special events and promotion of local uniqueness can, and do, bring tourist dollars into the area.

The Commission on Economic Development remains highly committed to locally controlled rural development. Given the increased funding by the State Tourism Commission for rural counties, cooperation between the two commissions to achieve a coordinated approach to tourism as an alternative form of economic development must be achieved. Specific advertising and promotion activities should be initiated through cooperative state and county endeavors. This could be done through a combination of direct state technical assistance and the use of locally selected development planning consultants who may identify innovative uses for *natural* resources that exist in many rural areas.

### D. FILM PRODUCTION

The effort to produce films and related media activities has brought considerable economic benefit to Nevada. Using fiscal 1982 and 1983 as points of comparison, \$4.2 million were generated from film production in Nevada in 1982, and \$5.6 million in 1983. In fiscal 1984 (July 1, 1983-June 30, 1984), the first year of Motion Picture Division operation, the total accelerated to \$13.1 million in Nevada production expenditures. Projections for fiscal 1985 anticipate more than \$20 million.

While the original budget of \$117,792 was adequate to fund the Division, it cannot adequately support the ratio of



service growth to total production growth.

- (1) It is therefore proposed that this Division's budget and staff be increased and specific efforts be made by the Commission to assign personnel to assist in expanding film making in rural Nevada.
- (2) It is also recommended that the expanded budget include funds to advertise the rural Nevada potential for film production. By developing advertising materials, local organizations can send information to potential film producers outlining the advantages of locations in rural Nevada.

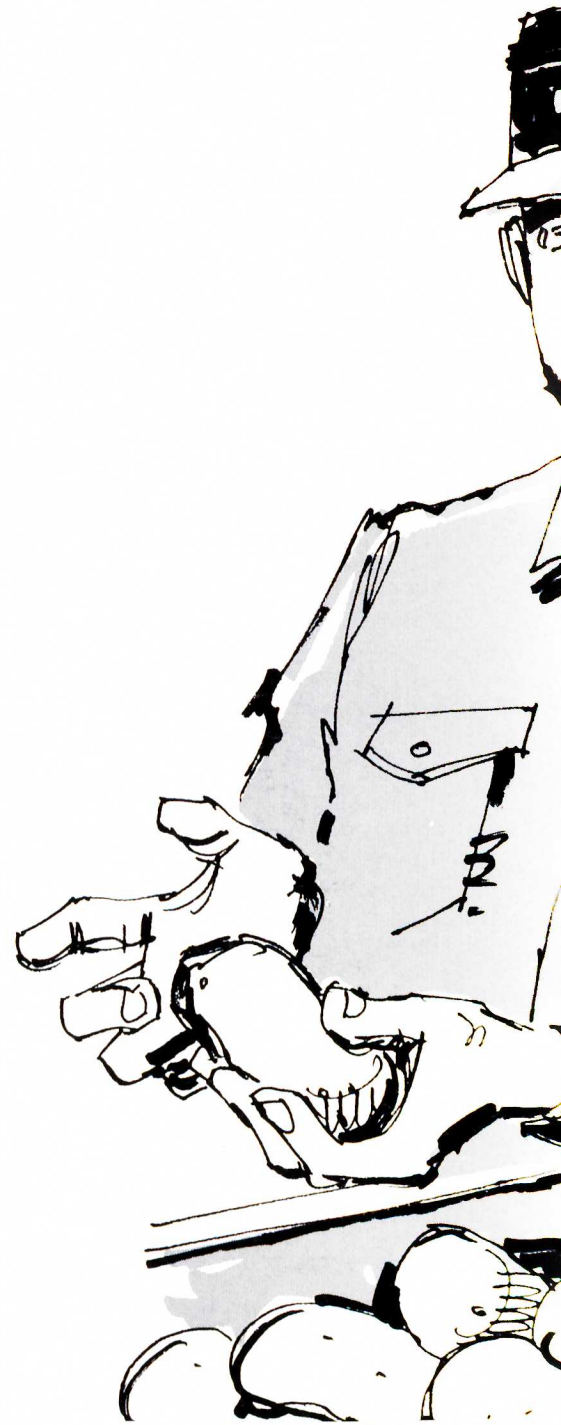
## E. IMPROVED AGRICULTURAL DEVELOPMENT AND MARKETING

For rural Nevada, many industrial initiatives which hold future promise for expansion through new products and international marketing will be agriculturally related. Strategies for immediate development in agriculture include:

- (1) Organize agricultural producers under the State Department of Agriculture and provide adequate funding to create cooperative marketing groups for exporting agricultural products.
- (2) Promote innovative technologies such as greenhousing and drip irrigation to help diversify Nevada's agricultural sectors.
- (3) List agricultural financial resource contacts in a publication such as the proposed "Guide to Nevada's Economic Development and Assistance Programs."
- (4) Identify agricultural products that might be profitable as off-season products for supplying demands of Nevada's urban casinos. In Pahrump a corporation has planted a substantial quantity of lettuce which is successfully marketed during California lettuce's off-season. Other southern Nevada areas have started to produce vegetables for the casinos in Las Vegas.
- (5) Experimentation in the usage of low-water-use agricultural crops should be encouraged.
- (6) The state geothermal resources for aquaculture and agricultural production should be widely promoted to potential entrepreneurs. In addition the Department of Wildlife should work with potential producers to promote development of the aquaculture industry.
- (7) As a result of the extensive research conducted by the United States Air Force as part of the MX environmental studies, large untapped aquifers were found to exist throughout central and eastern Nevada. It is proposed that the State Department of Conservation and National Resources coordinate a state agency review of these Air Force water studies. Upon confirmation of the Air Force conclusions a cooperative federal/state private feasibility study for use of this water should be initiated under the leadership of the Desert Research Institute.
- (8) Since Nevada is a "milk-deficient" net importer of milk, expanded milk production including processing to satisfy state demands is an agricultural opportunity. Nevada producers could not only supply state needs but also exploit certain California markets for dairy products.
- (9) Beef producers should be able to attain an 85-90 percent calving average under most Nevada range conditions. Studies by the Nevada Agricultural Experiment Station on nutritional, animal health, and range management practices demonstrate conclusively that the range calf crop could be improved. Therefore, the state should promote and dis-

seminate available information regarding improved range-cattle production techniques through the University Extension Service in cooperation with the Agricultural Experiment Station System.

- (10) Nevada exports a substantial amount of its agricultural production to other western states and foreign countries in pre-processed form. Increased marketing of Nevada agricultural production would have a significant effect on the state's economy. The initial step would be to identify specific products and locations for processing and distribute the conclusions through the Commission on Economic Development. Capital to build these plants may be sought by potential investors through the USDA.





## F. MINING AND MINERAL EXTRACTION

The mineral industry has a long history as the primary economic development activity in many areas of rural Nevada. The industry, although often characterized as “boom-bust,” still offers potential for economic development and diversification. Immediate development opportunities in mining include: continued and increased state support of the Mackay School of Mines, development of businesses to supply services and products to the mining industry and continuation of existing tax incentives for increased exploration and potential development. In order

to facilitate mining and mineral exchange, the following strategies are recommended:

- (1) The Mackay School of Mines historically has played an important role in support of Nevada’s mining industry. Graduates of Mackay School of Mines are employed by Nevada’s mineral industry and spend incomes within the state. Continued state support of the Mackay School of Mines which would ensure that Nevada’s mineral potential is fully identified and cost competitive is imperative to the mineral industry and the state.
- (2) The Commission on Economic Development should sponsor a study to determine the feasibility of contract mineral processing plants in Nevada. The survey should include interviews of Nevada mining industries disclosing purchases and locations of purchases made by the industry. With this information, potential input supply firms could be identified which would, in turn, supply local mining firms and help reduce lost input sales.
- (3) The State of Nevada and its local jurisdictions should work diligently to encourage national mineral policies which benefit Nevada’s mining industry.

## G. JOB TRAINING

The most significant differences between urban and rural labor forces in the state are the larger proportions of the rural labor force in mining and agriculture and the relative lack of competition in the labor market from the gaming industry. As a consequence of mining and agriculture, these areas have a mix of semi-skilled and skilled workers that would appear attractive to incoming manufacturing firms. Unfortunately, the skills of the labor force may not correspond to the particular needs of the new manufacturing plants. Therefore, job training for rural Nevadans would create a cross-section of skilled labor for new manufacturing firms.

- (1) Job Training Partnership Act funds should be targeted to develop specialized work-force training. The provision of subsidized, firm-specific, work-force training is proposed through the community college system. This effort has the potential of lowering labor costs for prospective employers. Also, several pilot projects are currently in the planning stages. It is strongly recommended that the Commission and Legislature work with the board of Regents and the State Job Training office to assure the success of these programs.
- (2) The State Board of Education and the University of Nevada System should be directed by legislative resolution to work toward a goal of coordinating occupational training programs in high school with those in the community colleges. Through cooperation and sharing of facilities, job training classes can be developed in isolated rural areas.
- (3) Given the diversity of the rural Nevada labor force, information about the particular labor skills available in selected rural areas should be available to be provided to prospective employers. The state should support a more detailed labor data source in the Employment Security Department.

## REQUIRED LEGISLATION

- Legislation creating a statewide business and industry occupational skills committee to identify training and skills needed in the state—including rural Nevada. (Included under “Business Retention and Expansion.”)

# 6

## ADOPTION OF TARGETED MARKETING PROGRAMS

Nevada offers many advantages which make it a unique and profitable state in which to live and prosper. Nevada borders on five states and provides efficient transportation which links it to the major western markets. Specifically, the urban areas of Reno and Las Vegas have access to large-population metropolitan cities of the Bay Area and Los Angeles. This geographical locale is a center from which companies can distribute merchandise very quickly to the major markets while avoiding high transportation costs, high taxes and the generally crowded conditions of large California urban centers.

Nevada enjoys a high per capita income of \$11,391, ranking 12th nationally. Further, the existing tax burden is among the lowest in the nation; Nevada remains one of the few states with no franchise tax; corporate or personal income tax; inheritance, gift or estate tax; or unitary tax.

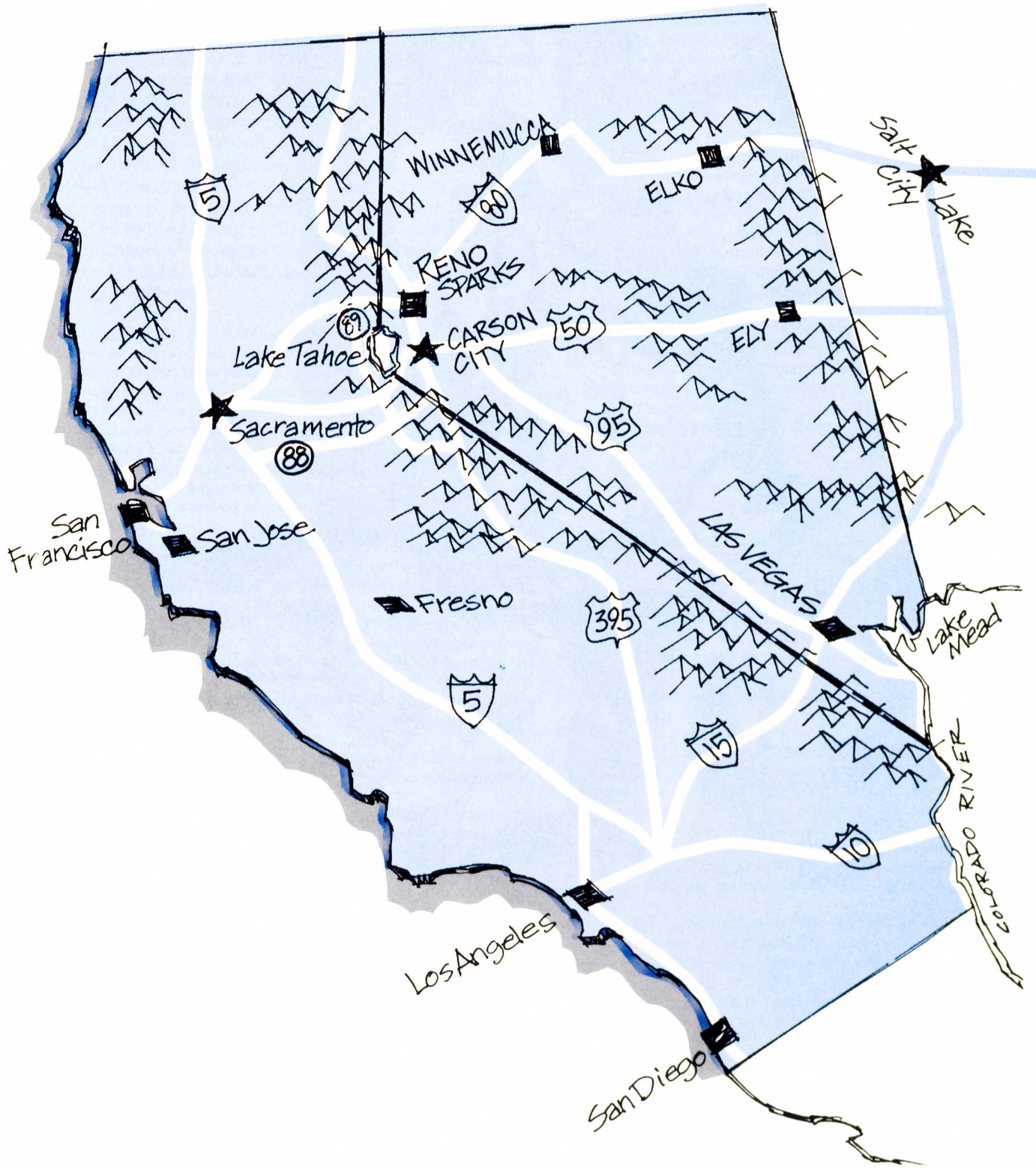
Nevada's status as a right-to-work state is also an attractive incentive to business. Manufacturing and distribution firms are especially interested in this aspect of Nevada. The Free Port Law, which exempts from state taxation all personal property in transit through the state while it is being stored, assembled or processed for ultimate use in another state, is another incentive for business relocation to Nevada. Site costs in Nevada are relatively less expensive than in other metropolitan areas of the country, and significantly cheaper than many areas in California.

The recently established foreign trade zone in Las Vegas and sub-zone in Reno afford another advantage to business. These zones enable an export or import company to eliminate the duty on goods that are assembled or manufactured in the zone and defer duty on goods until they leave the zone. In addition, manufacturers are allowed to exhibit and sell merchandise before paying duty.

Gas and electrical power availability generally is not a problem in the State of Nevada, and in terms of economic diversification, it has been a positive factor. (See Appendix A)

Nevada is now one of the most rapidly growing states in the nation. From 1970-80 the state experienced a 64 percent growth rate, compared to the national growth trend of 11 percent. This growth has brought the total statewide population to over 900,000 citizens. This has resulted in a large, trainable labor force which can help to further diversify the economy, as well as support Nevada's principal industries of gaming and tourism.

Despite this growth, Nevada's citizens continue to enjoy





a unique combination of natural beauty, recreation and a growing cosmopolitan atmosphere. The rapid growth in population and industry is being met by a concerned and responsive private and public sector.

Nevada remains small enough to allow newcomers to easily become involved members of the population, due to its unique "community" atmosphere, where public officials are accessible, interested and responsive to the needs and inquiries of business and industry.

Due to the diligent concern for economic diversification and the protection of the human condition by the state's existing population, Nevada's future is bright and has the potential to offer continued economic opportunities to its citizens in the years ahead.

Regardless of the existing advantages, *Nevada has an image problem* that is pervasive nationwide. This image problem must be improved; Nevada no longer has a monopoly in the gaming industry. Given Nevada's advantages and somewhat unique image problems, the following strategies should be initiated to assist in the marketing and promotion of Nevada:

- (1) With the use of a professional marketing firm, an image enhancement plan consisting of the facts pertaining to Nevada's business advantages should be organized, and a marketing plan which would seek to use the positive aspects of the state and change certain negative images of the state should be developed.
- (2) All economic development marketing efforts should be coordinated and aimed to aggressively promote and communicate Nevada's advantages. This will require regional cooperation and assistance.
- (3) A *Reaction Plan* must be developed to provide diligent and meaningful response to all industrial relocation inquiries. Coordination with the local development authorities when servicing inquiries is essential. Printed materials should be followed with local telephone contact in an attempt to determine the motives of a prospective client. Once it is determined that the client is a viable candidate for relocation, personal contact, tours and visits should be coordinated by the local development authority. Again, these efforts should be coordinated by the local development authorities, requiring them to take the lead, once client interest has been determined.
- (4) Nevada should broaden and diversify its base of small to medium-sized businesses seeking an economically stable, pro small-business environment.
- (5) The state should target a major proportion of its business development/marketing efforts at larger, established business organizations, which provide a natural testimonial to the excellent business environment in Nevada (i.e., Citicorp and Porsche).
- (6) Nevada has resources to satisfy the California market and many Pacific Rim trade requirements. An analysis of market demand in California should be conducted, and methods in which Nevada can meet and supply those needs should be formulated. Emphasis on the cost advantages, proximity to markets and prosperous business climate will create a positive image for Nevada business development.
- (7) The Nevada Commission on Economic Development should initiate and maintain the capacity to regularly research and update market trends to ascertain the ability of domestic firms to compete with other western states. At the same time consumer markets can be defined and Nevada's role and marketing priorities established. In this way, an efficient and informative communication network can be formed to service prospective interstate business development.
- (8) Local government should be provided additional opportunities to become more actively involved with the State of Nevada in the development process. The Commission should also coordinate industrial development with the work of local convention and visitor authorities. For example, during the course of a one-year period, over 20 million visitors travel to the state, primarily for recreational activities such as gaming and tourism. Given this massive interaction between higher income travelers and Nevada communities, it is proposed that a cooperative state/local program be developed in an attempt to capture the attention of such business leaders as they enter the state, for whatever reason.
- (9) To facilitate the business development effort, the state marketing program should incorporate increased participation in major trade shows conducted throughout the state. A Nevada booth could display special promotions initiated to explain and distribute positive information about Nevada's positive business attitude, low taxes and dynamic life style.
- (10) In the event specific trade show or convention attendees express a particular interest, a tour of the respective community could be conducted by the chamber of commerce or development authority representatives. Lighted airport lobby signs and printed materials together with endorsements by certain prominent entertainers could augment the promotional display.
- (11) Nevada must educate itself about current programs used in other states and nations. Travel outside of Nevada's borders must be encouraged and promoted. The Commission and staff should be active participants in trade shows, conventions, conferences and development trade missions in an effort to bring new programs and innovations to Nevada.
- (12) Cooperative public relations efforts with cities, counties, chambers and development authorities regarding the advantages of diversification of the economy should take place. Additional steps to be taken include explaining current programs of the Commission in order to generate enthusiasm and involve local officials as active sales representatives when traveling out of the state or country.
- (13) To assist rural Nevada in the preparation of county development plans, careful attention and emphasis should be directed toward identification of those industries which would be compatible with the assets in place in each Nevada county or region. Once identified, a "vertical marketing" effort should be initiated by the state in cooperation with that county or region. This advertising program would then be designed to target only those specific publications such as trade journals, newsletters, etc., which serve the targeted industry.
- (14) Industry appreciation luncheons and efforts initiated to focus on rural Nevada should continue. This would involve recognizing specific communities, business firms and community leaders who have made exceptional efforts to diversify the local or rural economy. This effort serves to develop Nevada's pro-business environment and the state-elected leadership's enthusiasm for economic diversification.

# 7 FUNCTIONAL TASK FORCES

Under the Powers and Duties section of N.R.S. 231.060-.067, the Commission on Economic Development is empowered to create special advisory committees to address unique problems related to economic development. It is recommended that the Commission establish the following eight statewide Functional Task Forces:

- Federal Programs
- Capital Availability for Business Development
- International Trade
- Minority Business Development
- Rural Development
- Science and Technology
- Business Retention and Expansion
- Small Business Development

The work assignments of these task forces would include the following:

- (1) Review the conclusions of the Diversification Plan regarding the Task Force's area of study and analysis.
- (2) Determine if innovative action can be taken, through use of private or public sector resources, by the State of Nevada and, if so, initiate program proposals.
- (3) Determine if additional state legislation or private/public actions are required to implement the program.

After six months of operation semi-public organizations, based on the Task Force structure, could be established with primary support provided by the business community representatives in cooperation with the staff of the Commission. The Task Force proposals will be forwarded to members of the state legislature, the general public and prominent business and political leaders of the state for further action and implementation.

As each of the program strategy initiatives are endorsed and funded, the Commission will assist as a facilitator on behalf of the implementation process.

The Commission on Economic Development now consists of five professionals and three clerical positions. This includes one professional and one clerical position in the Motion Picture Division in Las Vegas. Any major programmatic efforts requiring technical or professional support will need clear definition and identification of manpower support. Therefore, the Commission should consider expansion of its operations to incorporate and initiate the diversification strategies set forth in this Plan.

The University of Nevada System's Economic Diversification Task Force, and subsequent reviews, generated over

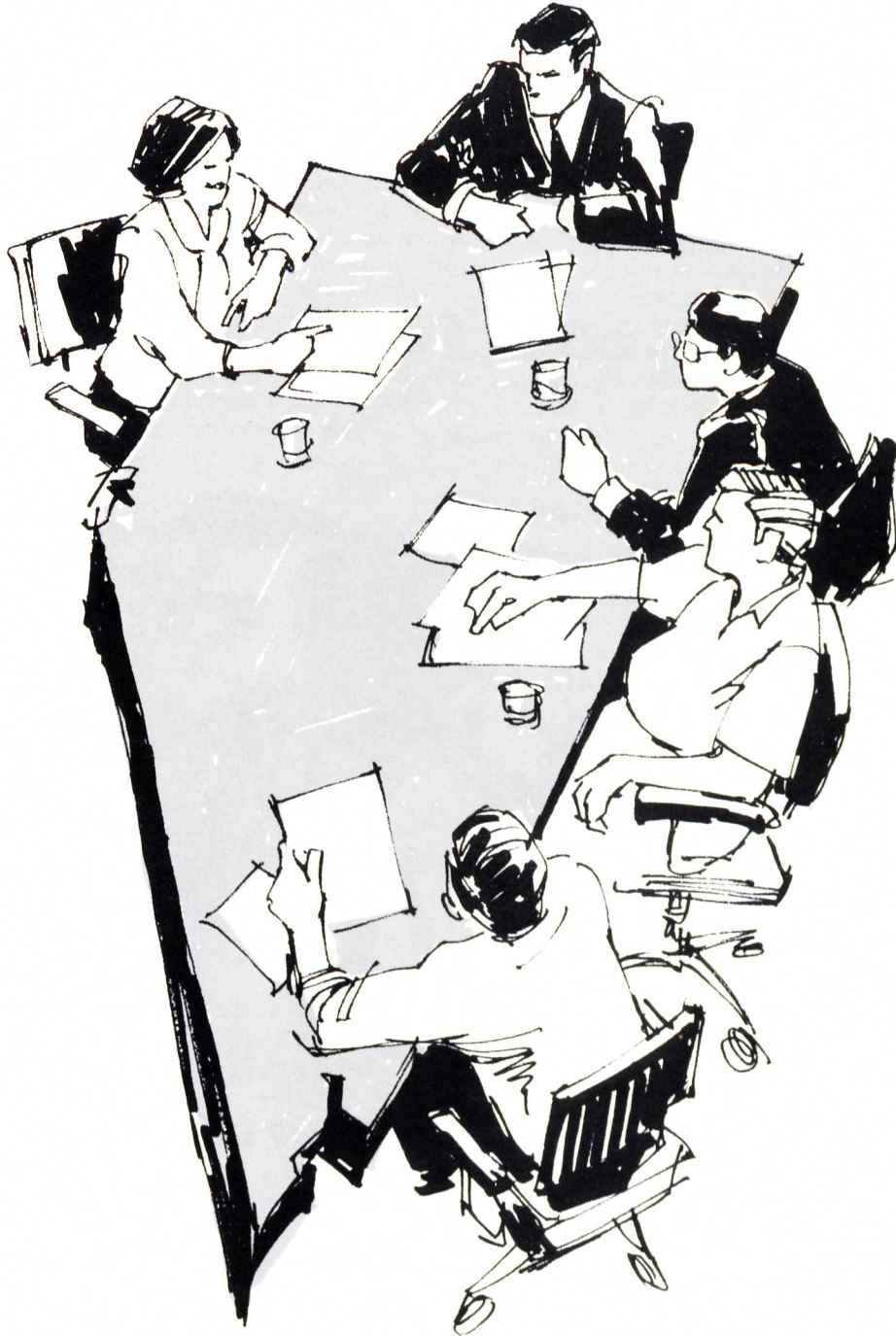
200 recommendations for action. Further evaluation and prioritization of the options and implementation of the suggested programs are necessary by state officials, the Commission and the public.

To accomplish this review and implementation, it is recommended that the Commission be authorized to fully utilize, for economic development and diversification, all of the projected revenues generated by the one-cent-per-gallon tax on aviation fuel.

The increase in funding would primarily be utilized to complete a restructuring and expansion of the Commission's technical assistance capabilities. The expanded cler-

ical and technical staff would provide more professional time for direct contact within the rural counties. Also, based on the recommendations in the Diversification Plan other duties of the state office would be redirected to create a new emphasis on private sector cooperation in state diversification efforts.

To augment the diversification work of the Commission, those departments actively involved with the Interdepartmental Steering Committee should be asked to play a further role in providing advice to legislative study committees and to assist in the formation of specific enabling legislation.



# 8

## STATEWIDE DIVERSIFICATION SYMPOSIUM

It is recommended that the Commission, along with the University of Nevada System, sponsor an Economic Diversification Symposium. The symposium, held in the state capital, would include business and professional leaders from throughout the state.

Cooperative efforts to improve the working relationships among Nevada's various federal, state, local and private/public development organizations would be identified. Also, the University System's role in diversifying the state's economy would be highlighted.

Scheduling the symposium during a legislative session would allow key members of the legislature to participate in topical discussions. Workshops would include the range of proposals outlined by the state's Diversification Plan.



# 9

## SUMMARY OF INITIATIVES AND COST ANALYSIS

The estimated costs for implementation of the projects within the Diversification Plan listed below only identify the recommended minimum level of state government funding for each proposal. The proposed expenditures include an estimate of personnel costs for the time required to carry out a recommendation. All costs are net additional and not for existing agency personnel. Also the net increases in state expenditures for clerical support, travel, and office equipment and supplies are included in the total cost estimates set forth under each proposal. It is anticipated that several of the suggested projects will be further augmented or financially expanded through additional investments of private, state and local government and federal funds.

### STATEWIDE INITIATIVES

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#### FEDERAL PROGRAMS

- (1) Identify and list all contracts and subcontracts flowing from federal agencies into Nevada.

Implementation:

Commission on Economic Development  
Office of Community Services  
Congressional Delegation  
University System

Annual Cost: \$21,750

- (2) Establish a Washington Office.

Implementation:

Governor  
Legislature

Annual Cost: \$139,000

- (3) Establish a working group of state and U.S. Department of Energy representatives.

Implementation:

Commission on Economic Development  
U.S. Department of Energy  
Development Authorities  
University System

Annual Cost: \$8,100



- (4) Publicize Nevada Test Site economic advantages for the state.

Implementation:

Commission on Economic Development  
U.S. Department of Energy  
Advertising Agency

Annual Cost: \$5,550

- (5) Increase public awareness of Test Site activities and potential contract opportunities.

Implementation:

Commission on Economic Development  
U.S. Department of Energy

Annual Cost: \$5,550

- (6) Determine work necessary to construct a high-level radioactive waste storage facility.

Implementation:

Commission on Economic Development  
U.S. Department of Energy  
Governor's Nuclear Waste Project Office

One-Time Cost: \$7,100

Note: Majority of this work now underway in the Governor's office.

- (7) Investigate a tax on nuclear waste brought into state.

Implementation:

Commission on Economic Development  
Attorney General  
U.S. Department of Energy  
Governor's Nuclear Waste Project Office

One-Time Cost: \$13,200

Note: Majority of this work now underway in the Governor's office.

- (8) Develop proposals for facilities or expenditures in Nevada as compensation for high-level nuclear waste site.

Implementation:

Commission on Economic Development  
Attorney General  
Governor  
Governor's Nuclear Waste Project Office

One-Time Cost: \$43,500

[REDACTED]

## CAPITAL AVAILABILITY

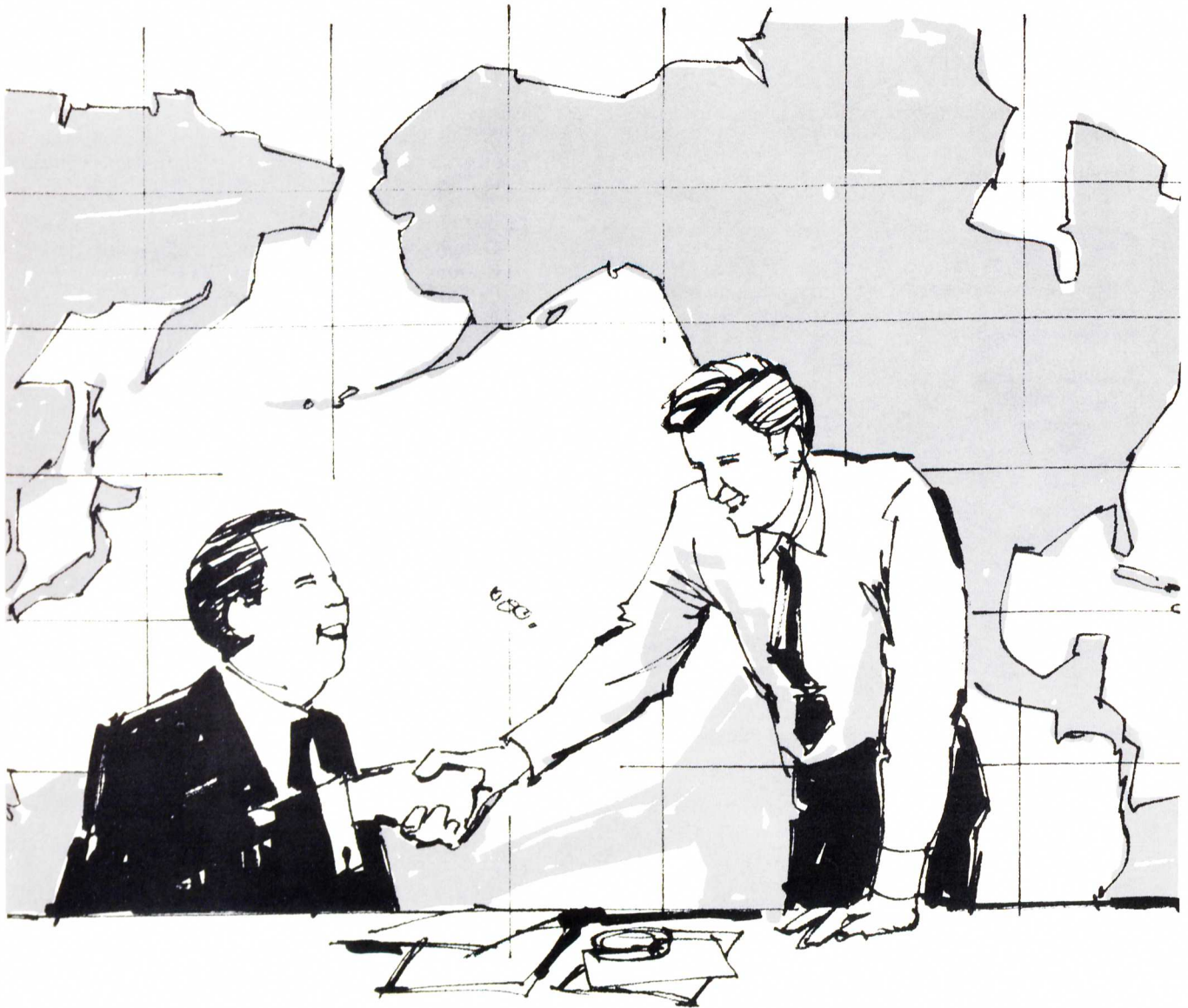
- (1) Establish a credit insurance or credit support mechanism.  
Implementation:  
Commerce  
No Direct Cost
- (2) Attract the resources of the gaming industry to form a venture capital pool as set forth in the High Technology chapter.  
Implementation:  
Commerce  
Governor  
No Direct Cost
- (3) Encourage the Nevada State Retirement System and other Nevada institutional investors, through legislative action, to increase investments in Nevada.  
Implementation:  
Commerce  
Ad Hoc Committee  
One-Time Cost: \$7,100
- (4) Encourage IDB applicants from outside Nevada to bring capital with them.  
Implementation:  
Commerce  
No Direct Cost
- (5) Consolidate IDB program and Housing Finance in a Division of Residential and Business Finance.  
Implementation:  
Commerce  
Governor  
Legislature  
No Direct Cost
- (6) Investigate establishing Small Business Investment Companies and Minority Enterprise Small Business Investment Companies.  
Implementation:  
Commerce  
Financial Institutions  
No Direct Cost
- (7) Support formation of additional Industrial Development corporations.  
Implementation:  
Commission on Economic Development  
Advertising Agency  
Annual Cost: \$22,500

- (8) Encourage entry of venture capital firms into Nevada.  
Implementation:  
Commission on Economic Development  
Annual Cost: \$19,700
- (9) Sponsor a capital conference for lenders and venture capitalists.  
Implementation:  
Commission on Economic Development  
Commerce  
Office of Community Services  
Annual Cost: \$9,100
- (10) Advocate a regional banking law to encourage entry of additional financial institutions.  
Implementation:  
Governor  
Legislature  
Annual Cost: \$6,600
- (11) Advocate passage of a new Nevada regional banking law.  
Implementation:  
Governor  
Legislature  
No Direct Cost

[REDACTED]

## INTERNATIONAL TRADE

- (1) Develop export finance mechanism by issuing revenue bonds to provide insurance and financing for Nevada businesses with export transactions.  
Implementation:  
Commerce  
Governor  
Legislature  
One-Time Cost: \$5,850  
Note: Cost does not include value of the revenue bond pool.
- (2) Study possibility of a Western Trade Finance Association.  
Implementation:  
Commission on Economic Development  
Commerce  
One-Time Cost: \$7,300



- (3) Develop international trade office(s) in Nevada.

Implementation:

Commission on Economic Development  
 District Export Council  
 Economic Development Authority of Western  
 Nevada  
 Nevada Development Authority

Annual Cost: \$78,500

Note: Will also require private contributions.

- (4) Establish a Washington Office to assist promotion of trade operations outside the U.S.

Implementation:

Legislature  
 Governor  
 Commission on Economic Development

No Direct Cost (See Federal Programs)

- (5) Analyze the opportunities for expansion of new and existing businesses in international trade.

Implementation:

Commission on Economic Development  
 Commerce  
 U.S. Department of Commerce  
 District Export Council

Annual Cost: \$5,450

- (6) Strengthen the District Export Council by more active participation of state and local development organizations.

Implementation:

Commerce  
 District Export Council  
 Commission on Economic Development

No Direct Cost

- (7) Investigate the feasibility of establishing a World Trade Center in Nevada.

Implementation:

Commission on Economic Development  
Nevada Development Authority  
Economic Development Authority of Western Nevada  
Reno/Sparks Convention and Visitors Authority  
Las Vegas Convention and Visitors Authority

One-Time Cost: \$11,700

- (8) Finance trade missions to and from overseas developers and businesses.

Implementation:

Commission on Economic Development  
Economic Development Authority of Western Nevada  
Nevada Development Authority  
Commission on Tourism  
District Export Council  
Private Sector

Annual Cost: \$27,600

- (4) Establish a standardized procurement and bid request program for state and local government.

Implementation:

Commission on Economic Development  
Nevada Association of Counties  
League of Cities

One-Time Cost: \$11,450

- (5) Modify threshold for performance bonding to permit minority business to bid on more government jobs.

Implementation:

Governor  
Legislature

One-Time Cost: \$9,100

- (6) Allow certification of trainees working for minority businesses through the Job Training Office programs.

Implementation:

State Job Training  
Labor Commissioner  
Unions

One-Time Cost: \$14,200

- (7) Explore a Minority Enterprise Small Business Investment Company (MESBIC).

Implementation:

Commission on Economic Development

One-Time Cost: \$7,450

Note: Cost does not include the capital pool for the MESBIC.

(See Capital Availability)

## MINORITY BUSINESS DEVELOPMENT

- (1) Establish a Minority Business Enterprise Program within the Commission on Economic Development.

Implementation:

Commission on Economic Development  
Commerce  
Office of Community Services  
Financial Community

Annual Cost: \$82,500

- (2) State Financial Institutions Division to monitor state bank compliance with the Community Reinvestment Act.

Implementation:

Commission on Economic Development  
Commerce  
Office of Community Services  
Financial Community

Annual Cost: \$15,200

- (3) State support of programs to solve bonding and financing problems of minority business.

Implementation:

Commission on Economic Development  
Commerce  
Office of Community Services  
Financial Community

Annual Cost: \$9,100

## HIGH TECHNOLOGY

- (1) Provide direct state funding to assist in marketing of high technology products manufactured in Nevada.

Implementation:

Commission on Economic Development  
Legislature

Annual Cost: \$17,600

- (2) Develop research parks through private industry, government and university cooperation.

Implementation:

University System  
Desert Research Institute

One-Time Cost: \$39,500

Note: Cost only includes coordination and technical assistance work by the state.

- (3) The Desert Research Institute should be assisted in seeking federal and private resources to construct the Dandini Research Park's infrastructure.

Implementation:  
Desert Research Institute

One-Time Cost: \$11,700

- (4) Development and marketing of research parks using state-issued development bonds.

Implementation:  
Commission on Economic Development  
Private Sector  
Department of Commerce

Annual Cost: \$10,000

Note: Actual development cost to private sector and University System.

- (5) The proposed UNLV Engineering School should seek private sector support for creation of a research park which will assist small businesses in Defense Research activities.

Implementation:  
University System

No Direct Cost

- (6) The Desert Research Institute and University System should provide business services to occupants of the proposed parks in exchange for an equity in product development.

Implementation:  
University System  
Desert Research Institute

No Direct Cost

- (7) Provide statutory support for venture capital funded from gaming tax to be utilized for product development at Dandini Research Park and research facilities at the University of Nevada, Las Vegas.

Implementation:  
University System  
Desert Research Institute  
Governor  
Legislature

One-Time Cost: \$63,500

Note: The proposed venture capital is not included in total estimated costs.

- (8) Amend state law to permit a 25-cent gaming tax credit for every dollar committed to the venture capital pool for product development.

Implementation:  
Governor  
Legislature

One-Time Cost: \$19,000

Note: Does not include tax loss to state.

- (9) A venture capital pool should be established and jointly managed by private investing interests and product developers.

Implementation:  
Governor  
Legislature

One-Time Cost: \$37,500

- (10) Establish a statewide Research Fund.

Implementation:  
Governor  
Legislature

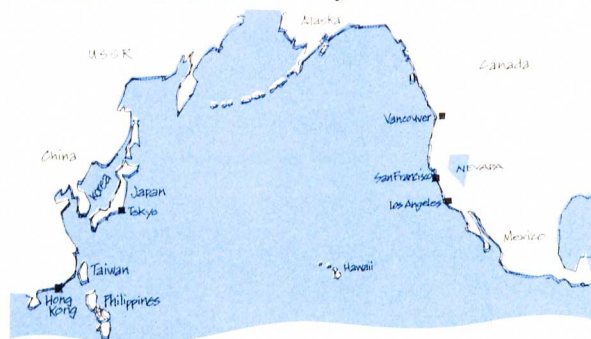
No Direct Cost

- (11) Conduct a feasibility study regarding satellite communications for educational purposes.

Implementation:  
Commission on Economic Development

One-Time Cost: \$10,000

Note: Should be done by contract.



## BUSINESS RETENTION AND EXPANSION

- (1) Create ombudsman function for business and advertise its existence.

Implementation:  
Commission on Economic Development  
University of Nevada, Reno  
Office of Community Services

Annual Cost: \$47,500

- (2) Provide state contract information assistance.

Implementation:  
Commission on Economic Development  
State and Local Agencies

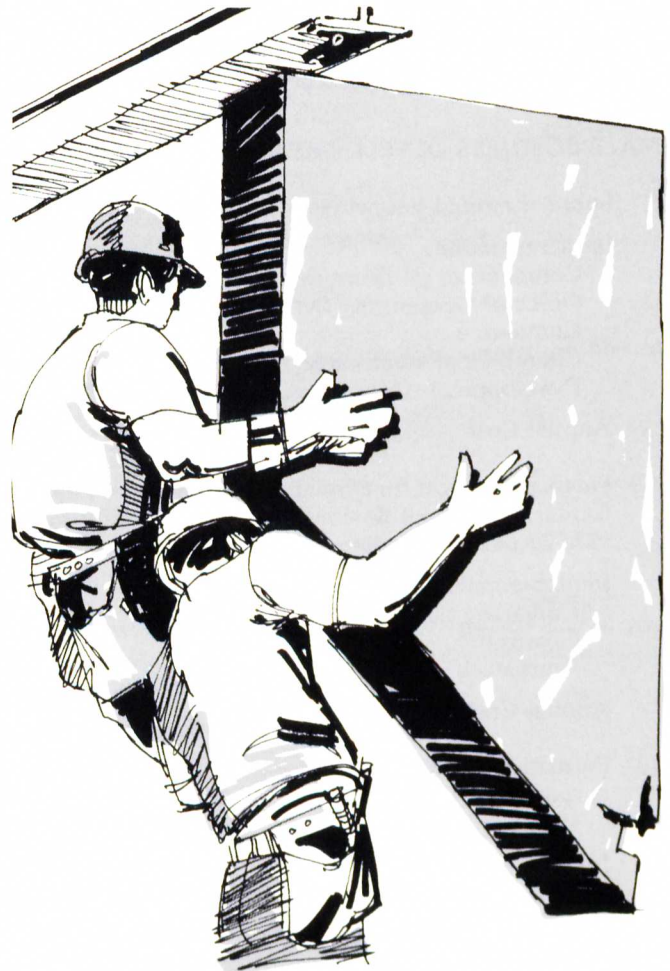
Annual Cost: \$21,000

- (3) Provide technical assistance for problems between industry and public entities.

Implementation:  
Commission on Economic Development

Annual Cost: \$19,500

- (4) Present to the Interagency Committee for Coordinating Tourism and Economic Development, those regulatory issues inhibiting business and requiring state action.  
Implementation:  
Commission on Economic Development  
No Direct Cost
- (5) Publish an Economic Development and Assistance Programs guide.  
Implementation:  
Commission on Economic Development  
One-Time Cost: \$30,700  
Note: Major costs are printing and distribution.
- (6) Expand and coordinate improvement of air service.  
Implementation:  
Commission on Economic Development  
Annual Cost: \$9,600
- (7) Review range of private and public incentives.  
Implementation:  
Commission on Economic Development  
One-Time Cost: \$14,200
- (8) Develop early warning system to identify firms in difficulty and provide assistance.  
Implementation:  
Commission on Economic Development  
Chambers of Commerce  
Development Authorities  
One-Time Cost: \$43,500  
Note: Will require occasional consulting assistance.
- (9) Provide a sales tax exemption for capital equipment investment.  
Implementation:  
Governor  
Legislature  
Note: \$1,267,211 annual estimate. This would consist of \$661,154 in state revenues and \$606,057 in local tax revenues. Total of foregone state revenues not included in Plan implementation costs.
- (10) Identify businesses that complement Nevada-based support industries.  
Implementation:  
Commission on Economic Development  
Employment Security Department  
University of Nevada, Reno  
One-Time Cost: \$19,500
- (11) Sponsor study to identify new markets for Nevada-produced goods. Identify by SIC code the products to meet demands.  
Implementation:  
Commission on Economic Development  
Employment Security Department  
One-Time Cost: \$13,950
- (12) Place special emphasis on assisting Nevada firms to provide products or services to the tourism industry which are now being provided by out-of-state businesses.  
Implementation:  
Commission on Economic Development  
Commission on Tourism  
University of Nevada, Reno  
Annual Cost: \$12,700



- (13) Identify by SIC code those products which could be provided by Nevada firms to the tourism industry.

Implementation:  
Commission on Economic Development  
Employment Security

One-Time Cost: \$7,100

- (14) Determine national and international market demand for Nevada products.

Implementation:  
Commission on Economic Development  
Employment Security Department  
District Export Council  
University System

One-Time Cost: \$11,600



## SMALL BUSINESS DEVELOPMENT

- (1) Sponsor annual statewide small business seminars.

Implementation:  
Commission on Economic Development  
Office of Community Services  
Commerce  
Chambers of Commerce  
Development Authorities

Annual Cost: \$28,500

- (2) Financial support for a Small Business Development Center. U.S. Small Business Administration to provide 75 percent funding.

Implementation:  
University System  
Governor  
Legislature

Annual Cost: \$10,350

- (3) Formation of business and industrial development corporations (BIDCO's).  
(See Capital Availability)

Implementation:  
Commission on Economic Development

One-Time Cost: \$14,200

Note: Does not include money for SBDC support.

- (4) Develop marketing package of statistical data.

Implementation:  
Commission on Economic Development  
Employment Security Department  
Advertising Agency

One-Time Cost: \$21,450

Note: Major expense is printing.

## EDUCATION

### ELEMENTARY AND SECONDARY

- (1) Increase salary for elementary and secondary teachers by 17 percent.

Implementation:  
Governor  
Legislature  
Department of Education

One-Time Cost: \$55,040,363

Annual Cost: \$56,975,429

- (2) Increase special education in fiscal 1986 and fiscal 1987.

Implementation:  
Governor  
Legislature  
Department of Education

One-Time Cost: \$3,453,975

Annual Cost: \$4,521,825

- (3) Program improvement funding for kindergarten through high school.

Implementation:  
Governor  
Legislature  
Department of Education

One-Time Cost: \$11,000,000

Annual Cost: \$11,000,000

### OCCUPATIONAL TRAINING

- (1) "Start-up" capital for new courses to meet the needs of the work place.

Implementation:  
University System  
Local School Districts

Annual Cost: \$779,772

- (2) Create a statewide business and industry education committee to specify competencies and performance levels.

Implementation:  
Governor  
Legislature  
Board of Regents  
Board of Education

No Direct Cost

- (3) Expand occupational education through addition of market-sensitive programs linked to business and industry.

Implementation:  
Governor  
Legislature  
Department of Education

One-Time Cost: \$11,301,982

- (4) Subsidize "quick-start" programs for specialized training at the business site. Expand program to include high schools.

Implementation:  
University System  
Department of Education  
Legislature  
Commission on Economic Development

Annual Cost: \$1,400,000

## HIGHER EDUCATION

- (1) Fund construction of University of Nevada, Las Vegas Engineering School.

Implementation:  
Governor  
Legislature

One-Time Cost: \$15,000,000

- (2) Recruit faculty and establish programs for federal defense activities.

Implementation:  
University of Nevada, Las Vegas

Annual Cost: \$350,000

- (3) Adjust student/faculty funding formula for University System to 15-to-1 for technical programs and 20-to-1 for other diversification-related programs.

Implementation:  
Governor  
Legislature

One-Time Cost: \$7,005,326

Annual Cost: \$3,418,452

- (4) Establish funding levels that reflect Nevada's border-state average for post-secondary levels.

Implementation:  
Governor  
Legislature

Note: The 1985-87 biennial budget request by the University would accomplish this goal.

- (5) Implement the University of Nevada System base and critical needs budget.

Implementation:  
Governor  
Legislature

Note: The base and critical needs budget totals \$296,157,269 for the biennium.

- (6) The Desert Research Institute and University of Nevada System should establish product development research centers.

Implementation:  
University System  
Desert Research Institute

One-Time Cost: \$1,500,000

- (7) Apply Industrial Development Bond funding to include Research Parks.

Implementation:  
Governor  
Legislature  
Department of Commerce

No Direct Cost

- (8) Establish a joint industry/University of Nevada Research Fund.

Implementation:  
University System  
Governor  
Legislature

Annual Cost: \$1,000,000

- (9) Provide engineers with continuing education programs at convenient locations by satellite telecommunications.

Implementation:  
University System

One-Time Cost: \$449,000

Annual Cost: \$155,800

## STATE AND RURAL INITIATIVES

### RURAL PLANNING

- (1) Encourage rural jurisdictions to prepare individual development plans.

Implementation:

Commission on Economic Development  
Local Government Entities  
Development Authorities  
Chambers of Commerce  
Private Sector

Annual Cost: \$12,200

### TOURISM AND GAMING

- (1) Assist in preparation of local community development plans which may include emphasis on tourism and gaming.

Implementation:

Commission on Tourism  
Commission on Economic Development  
Local Development  
Planning Consultants

Annual Cost: \$71,500

### FILM PRODUCTION

- (1) Increase staff with personnel assigned to film production in rural Nevada.

Implementation:

Motion Picture Division

Annual Cost: \$42,500

### AGRICULTURAL MARKETING

- (1) Organize agricultural producers under State Department of Agriculture.

Implementation:

Department of Agriculture  
Governor  
Legislature

One-Time Cost: \$20,250

- (2) Promote new innovative operational technologies.

Implementation:

University System  
Department of Agriculture

Annual Cost: \$9,600

- (3) List and prepare directory of agricultural financial resource contacts.

Implementation:

Commission on Economic Development

One-Time Cost: \$10,600

- (4) Identify profitable off-season agricultural products.

Implementation:

Department of Agriculture  
University System

One-Time Cost: \$10,600

- (5) Experiment with low-water-use crops.

Implementation:

University System

Annual Cost: \$38,250

- (6) Promote geothermal resources for aquaculture.

Implementation:

University System  
Department of Agriculture

One-Time Cost: \$24,700

- (7) Coordinate state agency review of Air Force water studies.

Implementation:

Desert Research Institute  
Bureau of Land Management  
Department of the Interior

One-Time Cost: \$20,200

- (8) Expand milk production to supply California markets.

Implementation:

University Extension  
Agricultural Experiment Stations

One-Time Cost: \$21,750

- (9) Disseminate information on improved range-cattle production techniques.

Implementation:

University Extension  
Agricultural Experiment Stations

Annual Cost: \$25,200

- (10) Identify agricultural products and locations and distribute information through Commission on Economic Development.

Implementation:

Commission on Economic Development

One-Time Cost: \$14,350

## MINING AND MINERAL EXTRACTION

- (1) Continue support of Mackay School of Mines.

Implementation:  
University System  
Governor  
Legislature

Note: Included in University base and critical needs budget.

- (2) Sponsor feasibility study of contract mineral processing in Nevada.

Implementation:  
Commission on Economic Development

One-Time Cost: \$17,500

- (3) Encourage national mineral policies which benefit Nevada's mining industry.

Implementation:  
Commission on Economic Development  
Washington Delegation

Annual Cost: \$13,600

## JOB TRAINING

- (1) Target JTPA funds for specialized work force training.

Implementation:  
Commission on Economic Development  
Board of Regents  
State Job Training Council  
Legislature

Annual Cost: \$5,850

Note: Does not include the training funds that might be targeted.

- (2) Direct State Board of Education and University System by legislative resolution to coordinate occupational training in high schools and community colleges.

Implementation:  
Legislature

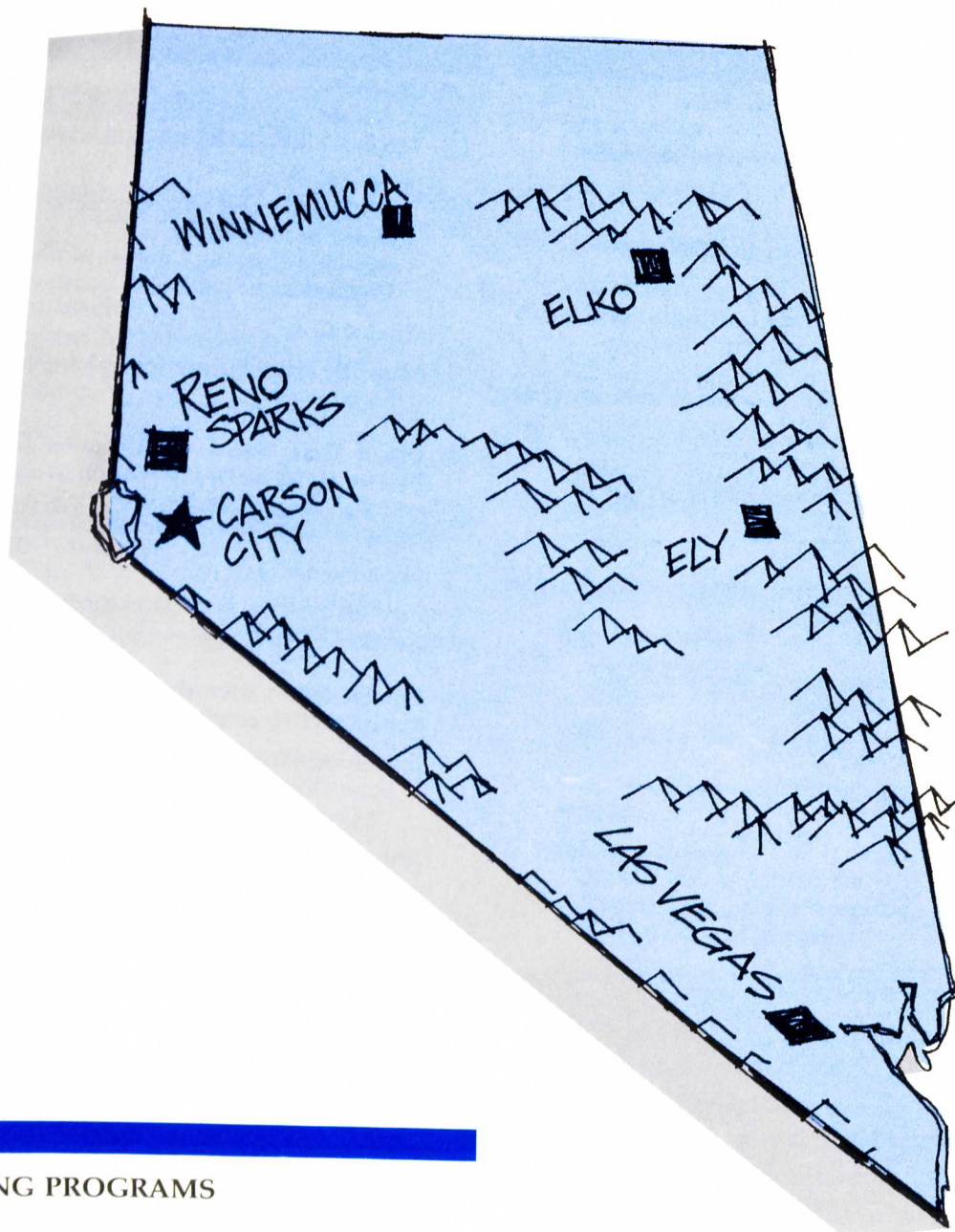
No Direct Cost

- (3) Provide information about labor skills in rural areas to prospective employers.

Implementation:  
State Occupational Information Coordinating  
Committee

Annual Cost: \$15,700





## MARKETING PROGRAMS

- (1) Contract a marketing firm to develop an image and a marketing plan.

Implementation:

Commission on Economic Development  
Advertising Agency

Annual Cost: \$25,000

Note: Within current ad budget (annual contract).

- (2) Coordinate all marketing efforts to aggressively promote Nevada's advantages.

Implementation:

Commission on Economic Development  
Development Authorities  
Advertising Agency

Annual Cost: \$14,950

- (3) Develop a "reaction plan" to respond to all relocation inquiries.

Implementation:

Commission on Economic Development  
Development Authorities

Annual Cost: \$6,950

- (4) Broaden and diversify base of small to medium-sized business entrepreneurs.

Implementation:

Commission on Economic Development

Annual Cost: \$80,750

Note: This figure may not be required if other business initiatives and small business recommendations are adopted.

- (5) State industrial marketing efforts should be targeted toward large, established business firms.

Implementation:

Commission on Economic Development  
Development Authorities

No Direct Cost

- (6) Analyze demand for goods and services in California.

Implementation:

Commission on Economic Development  
District Export Council  
University System  
Development Authorities

Annual Cost: \$23,000

- (7) Regularly research and update market trends.

Implementation:

Commission on Economic Development

Annual Cost: \$12,950

- (8) Increase cooperation between state and local governmental entities involved in development.

Implementation:

Commission on Economic Development  
Local Government and Convention Authorities

Annual Cost: \$49,000

- (9) Increase participation in major trade shows with a Nevada booth.

Implementation:

Commission on Economic Development  
Convention Authorities

Annual Cost: \$34,500

- (10) Provide community tours for convention attendees.

Implementation:

Commission on Economic Development  
Development Authorities  
Chambers of Commerce

Annual Cost: \$33,000

- (11) Commission and trade staff should attend conventions, conferences, and participate in trade missions.

Implementation:

Commission on Economic Development

Annual Cost: \$25,200

- (12) Cooperative public relations efforts with cities and counties should be further expanded by the Commission.

Implementation:

Commission on Economic Development  
Development Authorities

Annual Cost: \$48,000

- (13) Organize a "vertical marketing" effort between the state and each county or region to solicit compatible industries.

Implementation:

Commission on Economic Development  
Advertising Agency

Annual Cost: \$7,350

- (14) Continue Industry Appreciation Luncheons and include rural Nevada.

Implementation:

Governor  
Commission on Economic Development

Annual Cost: \$8,100

## TASK FORCES

- (1) Create Task Forces for each major initiative (includes staff support and travel).

Implementation:

Commission on Economic Development

Annual Cost: \$50,500

## SYMPOSIUM

- (1) Commission on Economic Development will conduct a symposium in cooperation with the University System to explain the Diversification Plan recommendations and improve coordination with other state and local development organizations.

Implementation:

Commission on Economic Development  
Commerce  
Office of Community Services

One-Time Cost: \$10,600

### TOTAL COST FOR ALL INITIATIVES (Other Than Education)

One-Time Cost: \$ 645,900

Annual Cost: \$1,286,600

# 10

## APPENDICES

### STATE ELECTRICAL RATE STRUCTURE

The following information on residential, commercial and industrial utility rates is derived mainly from the U.S. Energy Information Administration and presents electrical utility-rate comparisons as of January, 1982.

Utility rates for residential customers in southern Nevada are low in comparison to national averages, and rates in northern Nevada are close to, or slightly above, national averages. Data on typical residential rates, based on the level of consumption measured in kilowatt-hours, are presented in Table 1. These are based on rates that were in effect as of January 1982.

For industrial service electric rates (Tables 2 and 3), Nevada and its major communities compare favorably to the national averages. There is a wide variation in rates applied throughout the United States for industrial electrical service. The lowest and highest categories apply to average state rates which were in effect as of January 1, 1982. Typically, the lowest rates were to be found in states with a large amount of hydro-electric generating capacity, such as Washington and Idaho, and the highest rates were to be found in the states of New York and Hawaii.

The pattern for industrial service by community is consistent with earlier patterns discussed. Las Vegas electric rates are significantly below national averages, and Reno's rates are moderately below national rates. Representative results are presented in Table 4.

**Table 1 RESIDENTIAL ELECTRIC UTILITY RATES, BY COMMUNITY**

| CITY  | 250 KWH | 500 KWH | 750 KWH | 1000 KWH | 2500 KWH |
|---|---------|---------|---------|----------|----------|
| Reno<br>Sparks<br>Carson City<br>(Sierra Pacific Power Company)     | \$20.40 | \$37.95 | \$55.50 | \$73.04  | \$178.32 |
| Las Vegas<br>North Las Vegas<br>Henderson<br>(Nevada Power Company) | \$13.64 | \$25.17 | \$36.71 | \$48.25  | \$117.47 |
| Boulder City<br>(City of Boulder Power Company)                     | \$ 6.85 | \$10.60 | \$14.35 | \$18.10  | \$ 40.60 |
| Nevada Average  | \$15.51 | \$26.86 | \$41.84 | \$55.00  | \$133.98 |
| United States<br>Average  | \$20.02 | \$37.26 | \$50.40 | \$66.84  | \$156.12 |

**Table 2 COMMERCIAL SERVICE BY COMMUNITY**

| CITY                     | 6 KW<br>750 KWH | 12 KW<br>1500 KWH | 30 KW<br>6000 KWH | 40 KW<br>10000 KWH | 50 KW<br>12500 KWH | 100 KW<br>30000 KWH |
|--------------------------|-----------------|-------------------|-------------------|--------------------|--------------------|---------------------|
| Las Vegas                | \$39.72         | \$ 77.34          | \$342.62          | \$539.18           | \$673.44           | \$1552.43           |
| Reno                     | \$62.88         | \$122.80          | \$482.34          | \$801.92           | \$841.76           | \$1947.28           |
| Nevada Average           | \$46.90         | \$ 91.44          | \$385.97          | \$620.69           | \$725.66           | \$1674.93           |
| United States<br>Average | \$72.54         | \$147.89          | \$509.34          | \$788.80           | \$977.46           | \$2191.58           |

**Table 3 INDUSTRIAL SERVICE ELECTRIC RATES AVERAGES**

| SIZE                 | NEVADA   | UNITED STATES | LOWEST   | HIGHEST   |
|----------------------|----------|---------------|----------|-----------|
| 150kw-30,000kwh      | \$ 1,840 | \$ 2,396      | \$ 777   | \$ 3,881  |
| 300kw-60,000kwh      | \$ 3,678 | \$ 4,685      | \$ 1,548 | \$ 7,670  |
| 1,000kw-200,000kwh   | \$11,175 | \$15,097      | \$ 4,807 | \$ 24,590 |
| 5,000kw-1,500,000kwh | \$76,049 | \$96,856      | \$29,081 | \$161,101 |

**Table 4 INDUSTRIAL SERVICE BY COMMUNITY**

| SIZE                 | LAS VEGAS | RENO      | U.S. AVERAGE |
|----------------------|-----------|-----------|--------------|
| 150kw-30,000kwh      | \$ 1,705  | \$ 2,139  | \$ 2,396     |
| 150kw-60,000kwh      | \$ 2,950  | \$ 3,706  |              |
| 300kw-60,000kwh      | \$ 3,407  | \$ 4,280  | \$ 4,685     |
| 300kw-120,000kwh     | \$ 5,899  | \$ 7,414  |              |
| 500kw-100,000kwh     | \$ 5,013  | \$ 7,134  |              |
| 500kw-200,000kwh     | \$ 8,870  | \$ 12,359 |              |
| 1,000kw-200,000kwh   | \$ 10,024 | \$ 14,271 | \$15,097     |
| 1,000kw-400,000kwh   | \$ 17,737 | \$ 24,720 |              |
| 5,000kw-1,500,000kwh | \$ 69,395 | \$ 90,844 | \$96,852     |
| 5,000kw-2,500,000kwh | \$107,691 | \$137,608 |              |

Source: U.S. Energy Information Administration

## ECONOMIC DIVERSIFICATION AND NEVADA

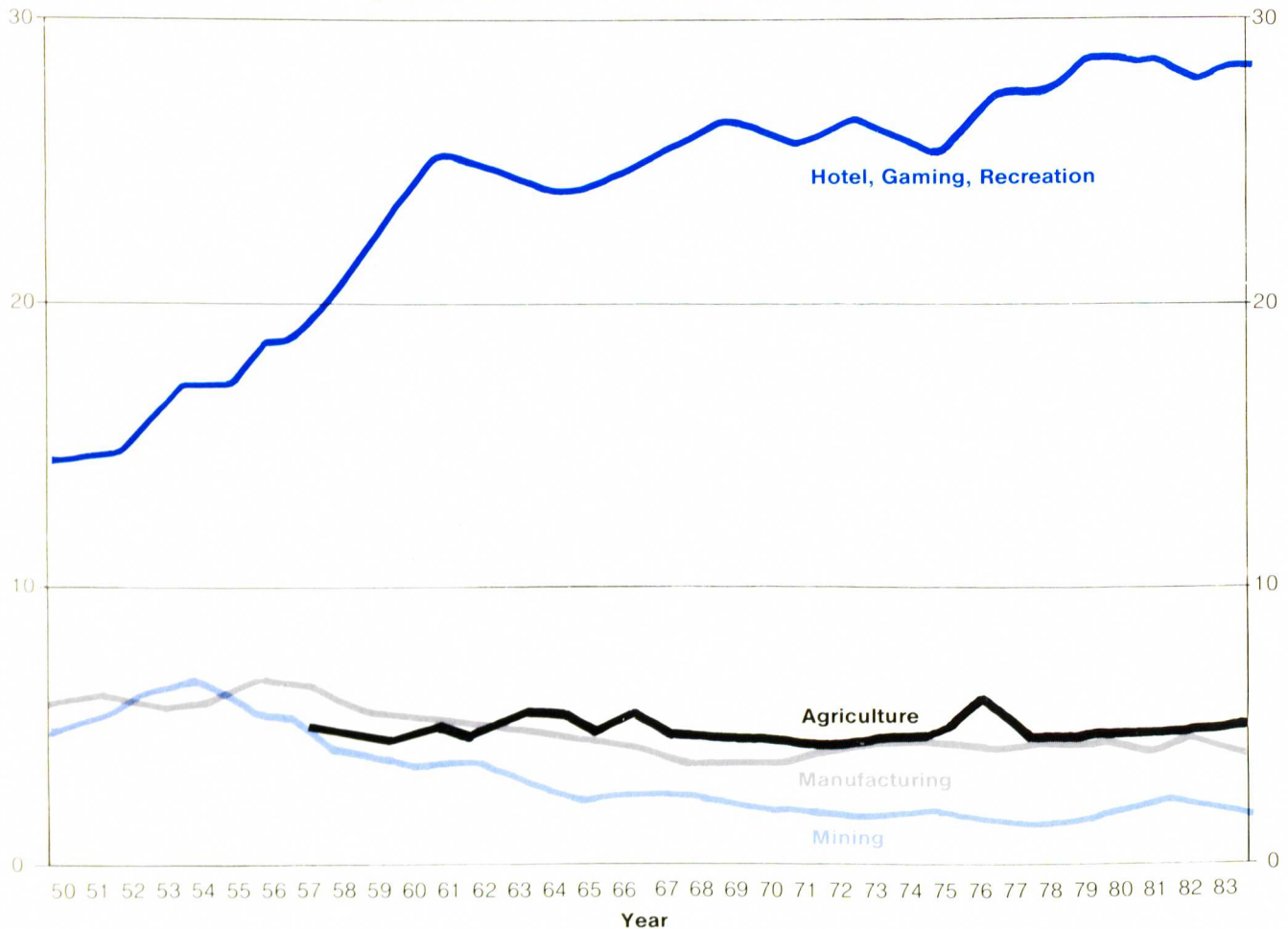
Overview and Comment, Nevada State Department of  
Employment Security Research Section

There is no question that gaming has been good for Nevada. Given its uniqueness and the development of modern transportation systems and a growing level of disposable income, visitors have flocked to Nevada in ever-growing numbers. Correspondingly, Nevada has benefited by: (1) rapid growth in gaming and related industries (e.g., trade) as well as those serving the resident population, (2) an enviable level of affluence as reflected in per-capita income levels that have consistently ranked the state in the top ten; and (3) an economic structure that has demon-

strated a significant resistance to national economic slow-downs.

During the last three decades, the growth of gaming as measured by the hotel, gaming and recreation sector (HG&R), has outstripped the other parts of the state's economy. As indicated in the following chart, HG&R increased from approximately 15 percent of the total non-agricultural employment in 1950 to nearly 30 percent in 1983. Reflecting the growing dominance of this industry is the fact that manufacturing generally declined over this

**Selected Industries As A Percent of Total Employment  
STATEWIDE NEVADA — IN PERCENT**





same period and currently represents less than five percent of total employment.

In spite of the obvious benefits that gaming has brought to Nevada, there is justification for the concern that the state is becoming too dependent on gaming. Perhaps most notable is the legalization of casino gambling in Atlantic City and with such things as lotteries and other forms of betting in different parts of the country. While voter initiatives have not been successful in introducing casino games in states other than New Jersey (e.g., Florida, New York, Texas, etc.), the very fact that they have occurred is an indication of changing public attitudes toward this type of activity. California recently established a state lottery and other states are expected to follow in the next decade.

In addition to the above, events in recent years support the notion that gaming is not as "recession proof" as it once was. As indicated below, employment actually declined

**Hotel, Gaming, and Recreation Employment  
August 1981—August 1984**

|      | (in thousands) |
|------|----------------|
| 1981 | 123.0          |
| 1982 | 117.7          |
| 1983 | 121.4          |
| 1984 | 123.0          |

during the 1981-82 recession and today remains unchanged from August 1981.

While gaming's performance still managed to exceed nearly all of the other major industrial sectors in the state during this period, it represents a major change from the positive growth patterns experienced in other national recessionary periods. What this probably reflects is a maturing of the industry and correspondingly slower growth rates. In any event, Nevada can no longer depend on the tremendous momentum of its gaming sector to carry it through such periods.

Considering all of the above, it is evident that Nevada needs to pursue a policy of economic diversification. The influx of new industry will not only revitalize the economy, but will considerably reduce the risks associated with having an economic structure largely dependent on one industry.

# ACKNOWLEDGMENTS

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- EDAWN in Washoe County
- Churchill County Chamber of Commerce in Fallon
- Humboldt County Chamber of Commerce in Winnemucca
- Mineral County Diversification Committee in Hawthorne
- Northern Nevada Development District
- Southern Nevada Ad Hoc Development Committee
- White Pine County Diversification Committee
- City of Caliente
- Elko Chamber of Commerce and City of Elko
- Nye County Diversification Committee

Each of these groups encouraged members of their communities interested in diversifying the state to attend the forums with the result that over 300 leaders in the private and public sectors came and commented on the recommendations.

Finally, the Commission thanks Caroline J. Hadley and the staff of Nevada Magazine for editorial, design and printing assistance.

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