



Development Incentives: A Guide for Nevada Legislators

Executive Summary

This policy brief presents independent analysis designed to inform discussions during the upcoming special session (September 2014) of the Nevada Legislature that will consider Governor Brian Sandoval's recently proposed \$1.3 billion development incentive package to Tesla Motors.

The following pages contain a description of the components of the proposed Tesla deal and the reported benefits of the business agreement to both Tesla and the Silver State. We review the current literature on the impact of development incentives, and find that a growing number of states are designing incentive packages with provisions that promote greater transparency and accountability, emphasize performance, encourage local hiring, and focus on job training.

There are a number of issues that legislators should consider as they prepare for discussions in the special session:

- Has the state identified sufficient revenue streams to respond to increased demand for infrastructure (roads, schools, services)?
- How can legislators guarantee that the proposed number of jobs will be created?
- How can legislators ensure that local Nevadans are hired?
- How can legislators strengthen the K-16 pipeline to ensure that Nevadans are well positioned to fill jobs at Tesla (or other similar companies)?
- What market signals does the Tesla \$1.3 billion mega-deal send to other businesses that are seeking to operate in Nevada?
- Does Nevada's economic development plan contain clear criteria for the use and award of development incentives?

Based on our review of recent reforms and the literature on best practices, the Guinn Center proposes the following recommendations for Legislators to consider:

- Require that transferable credits (valued at \$120 million) included in the Tesla tax incentive package are transferred at their original value (and not at a discount).
- Include clawback (recapture) provisions in the final agreement with Tesla.
- Include performance-based measures in the final agreement.
- Reduce sales and use tax abatements relative to property tax abatements, and lower the overall amount of sales and use tax and property tax abatements.
- Establish a government commission to monitor the contract and performance targets.
- Establish a standing committee between Tesla and Nevada System of Higher Education to build the workforce pipeline.