

QUESTION NO. 7

Amendment to the Nevada Constitution

Assembly Joint Resolution No. 35 of the 67th Session

CONDENSATION (ballot question)

Shall the Nevada Constitution be amended to allow the prudent investment of state money in a company, association, or corporation to stimulate economic development or the creation of new jobs?

Yes

No

EXPLANATION

The Nevada Constitution prohibits the State from donating or loaning money or its credit to, or buying the stock of any company, association, or corporation, except corporations formed for educational or charitable purposes. The proposed amendment would enable the Legislature to consider and authorize the investment of state money in companies, associations, or corporations, subject to the following conditions:

1. That the investment supports economic development or the creation of new employment opportunities in the State; and
2. That the State can expect a reasonable rate of return on the investment, adjusted for the relative degree of risk.

Each investment authorized by the Legislature must be made in cooperation with knowledgeable investors and be prudently managed. The State's participation must be on terms that are the same or more favorable than those of any private investors. The proposed amendment would require any law authorizing such investments to be approved by a two-thirds vote of each house of the Nevada Legislature.

ARGUMENTS FOR PASSAGE

New capital investment is needed to diversify Nevada's economy, contribute to the growth of high-quality small businesses, broaden job opportunities, and enhance the standard of living for Nevadans. Passage of this constitutional amendment would allow Nevada to assist investors to develop new sources of capital for the state's business and industry. Most other states permit such investments.

ARGUMENTS AGAINST PASSAGE

The State should not use tax dollars for investment in private companies, associations, or corporations. Any risk or gain associated with investments involving private businesses has traditionally been left to private investors.

FISCAL NOTE

Financial Impact - Cannot be determined. The proposal does not require any investment to be made. The amendment would simply permit the Legislature to consider proposals for investments subject to the terms and conditions in the amendment. Until specific legislation is enacted authorizing an investment, there would be no fiscal impact.

FULL TEXT OF THE MEASURE

ASSEMBLY JOINT RESOLUTION—Proposing to amend the Nevada constitution to allow the investment of state money to stimulate economic development.



WHEREAS, Emerging competition in other states and federally regulated territories threaten the State of Nevada's long-term growth in its vital gaming industry; and

WHEREAS, Finance programs necessary to assure business expansion and high quality job growth do not currently provide Nevada's business sector with adequate access to those types of money and capital essential to support the growth of a diversified economic base; and

WHEREAS, The Nevada constitution currently contains restrictions, based on conditions existing in the 19th century, that have prevented the Legislature from considering legislation similar to laws enacted in several other states, which would permit prudently managed investments in public-private partnerships and corporations designed to provide needed sources of capital for high quality, job-creating businesses within Nevada that cannot feasibly obtain such financing from existing private financial markets in an easily accessible and efficient manner; and

WHEREAS, The State of Nevada must remain competitive with other states in providing the necessary financial tools to attract the types of businesses and industries that would diversify Nevada's economic base and improve the standard of living for Nevada's citizens; and

WHEREAS, The benefits to be derived from a strong economic development effort throughout the state may be jeopardized if current restrictions in the Nevada constitution are not replaced with more flexible and contemporary standards that both protect public investments in economic development projects and provide access to the type of financing needed to stimulate the growth of businesses and industries throughout the state which will provide the high quality jobs, increased property values, and enhanced standard of living desired by Nevadans; now, therefore, be it

RESOLVED BY THE ASSEMBLY AND SENATE OF THE STATE OF NEVADA, JOINTLY, That section 9 of article 8 of the constitution of the State of Nevada is hereby amended to read as follows:

[Sec: 9. The]

Sec. 9. 1. Except as otherwise provided in subsections 2 and 3, the State shall not donate or loan money [,] or its credit [,] to, or subscribe to or be [,] interested in the Stock of any company, association, or corporation. [, except] 2. The legislature may by law, approved by a vote of two-thirds of the members elected to each house, authorize the investment of state money in a company, association or corporation subject to the following conditions:

(a) Before any investment is authorized, a determination must be made, by a person or entity designated in the authorizing legislation, that:

(1) The investment is for the economic development of this state or the creation of new employment opportunities in this state;

(2) The state can reasonably expect to achieve a reasonable rate of return on the investment, adjusted for the relative degree of risk; and

(b) Each investment by the state must be made through a cooperative venture with private investors of reasonable sophistication who participate in the venture on terms that are the same as or less favorable than the terms on which the state is participating. Revenue received from investments pursuant to this subsection may be reinvested subject to the same conditions.

3. The provisions of this section do not apply to corporations formed for educational or charitable purposes.

