

**Statement by Karsten Heise, Senior Director of Strategic Programs & Innovation, GOED
Before the Assembly Committee on Revenue on AB 41
February 23rd, 2023**

Chairwoman Backus and members of the Assembly Committee on Revenue, thank you for this opportunity to testify in support of Assembly Bill (AB) 41. For the record, my name is Karsten Heise, and I am the Senior Director of Strategic Programs & Innovation for the Nevada Governor's Office of Economic Development.

I would like to give you first a brief background why this bill is needed and why it matters to Nevada. I will then highlight the components of the bill.

The goal of AB41 is to strengthen the formation and growth of technology-based small businesses in Nevada and particularly those which are being formed or have been formed recently. In other words, Nevada startups or early-stage high growth and highly scalable small businesses will be the beneficiaries of this bill.

Steve Blank, the grandfather of the Lean Startup movement, states that – quote: *“a startup is a temporary organization formed to search for a repeatable and scalable business model”* – end quote. Brad Feld, author of ‘The Startup Community Way’ adds – quote: *“this temporary phase tests and validates a business model before a shift in strategy to achieve high rates of growth and market share (scaling up), or conversely, failing and ceasing operations.”* – end quote.

Because of the stage in their development these companies are small with limited resources and are therefore crucially dependent on an external environment in order to secure those resources which are essential to their businesses but simultaneously are out of their direct control.

Hence, in order to strengthen startups we need to strengthen the environment in which they operate, that is addressing weaknesses in support structures.

This is the rationale for this bill: with AB41 we are targeting gaps in these essential support structures with dedicated programs to fill those shortcomings, and as a side benefit we will also align/ catch up with other states where such programs have been in operation for much longer periods of time.

This can be graphically depicted on **Slide 1**:

this slide shows the 6 incremental stages of a young technology-based company's progression. It also identifies crucial gaps in the support fabric that exist today.

Slide 2 shows content of slide 1 with superimposed proposed remedies addressing those respective gaps. Those four remedies form the core components of AB41.

Please allow me to take you through the main sections of the bill in more detail:

Section 2 sets out to define the terminologies used in the bill.

Section 3.4. allows for gift, grant, donation and federal allocation to be deposited into the Nevada Innovation Account. We therefore would now have a vehicle in place to actively seek federal grants comprising technology startups and the development of entrepreneurial ecosystem. A recent example would be the opportunity offered by the National Science Foundation (NSF) Regional Innovation Engines.

Section 4. allows for utilizing GOED's non-profit corporation, a corporation for public benefit. This would be Nevada Battle Born Growth Escalator, Inc. which was created through AB17 of the 2015 Nevada Legislative Session. The non-profit currently operates all programs under the State Small Business Credit Initiative (SSBCI) for GOED and would therefore be the organization of choice given the objectives of this bill.

Section 5.1.a. allows for establishing a competitive Research & Development grant program to support startups and early-stage high growth companies in Nevada developing technologies with strong market potential and addressing market gaps in this state. Importantly, eligible companies are only those that do not have more than \$2million in combined financing, grant funding or revenue within 3 years immediately preceding the application and in addition do not have more than 10 full-time equivalent employees (we adopted the federal definition of "very small businesses" used by SSBCI). Furthermore, there is a minimum requirement of technology readiness utilizing the widely used Technology Readiness Level scale (aka "TRL"). Only companies' technologies between the levels of 3 to 5 would be eligible. For illustration TRL 3 constitutes "experimental proof of concept", TRL 4 "Technology validated in a laboratory", and TRL 5 "Technology validated in a relevant environment".

Section 5.1.b. allows for establishing a Small Business Innovation Research (SBIR) matching program. SBIR is often called "America's Seed Fund" and a matching program would amplify this highly successful federal program. Such programs exist in many states, most prominently in North Carolina, dating back to 2005. The proposed program would match the SBIR Phase I award technology start-up monies obtained from Federal Agencies with up to \$100k. These funds would be paid in two stages and linked to Phase I success.

Section 5.1.c. allows for systematic support of support organizations operating accelerators and incubators in Nevada. Currently, linked to the SSBCI program GOED is supporting StartUpNV's and gener8tor's accelerators. This bill would provide a more systematic mechanism to continue and broaden support for such organizations.

Section 5.1.d. allows for the creation of an internship program for NSHE students in the fields of computer science, business, engineering, or science. The intent is to build upon GOED's recently launched "talent retention program" for UNR and UNLV students supported by the Attorney General's Office settlement funds, which will be running for three years. The intent here is to broaden such program and provide a path to sustainability.

Thank you for your time, and we welcome any questions that you might have.