

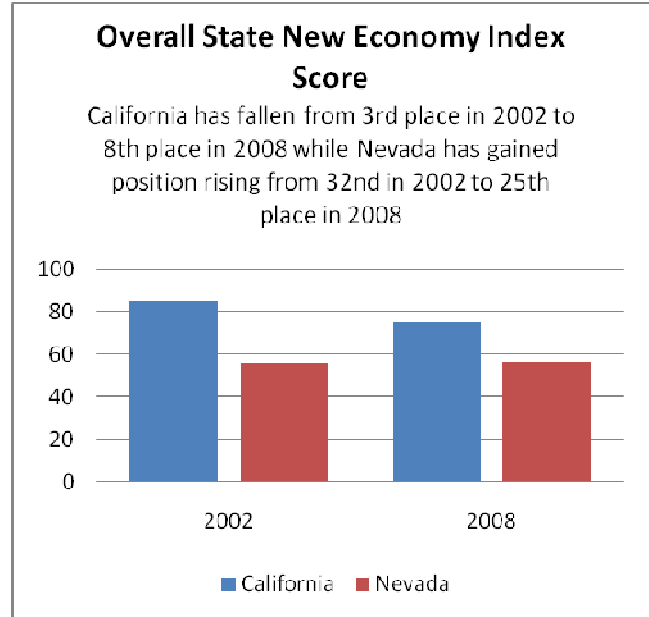
Nevada Talking Points

Kauffman Foundation New Economy Index

Overall Ranking

Nevada's ranking in the Kauffman Foundation's New Economy Index, an index that measures to what extent the economic structure of the state matches the ideal structure of the New Economy, has improved from 31st in 2002 to 25th in 2008, whereas California has slipped from 2nd in 2002 to 8th in 2008. California's overall score from 2002 to 2008 decreased from 85.5 to 75.02 while Nevada's score improved from 55.7 to 56.7 in that same timeframe.

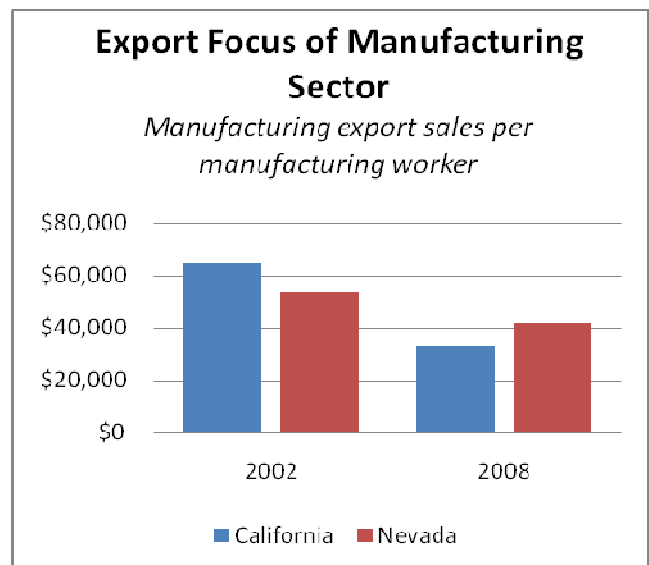
Of the 19 measures that were included in 2002 (in 2008 the number of variables measured was increased to 29), Nevada is performing relatively better in 10 of those measures when compared to California. That means Nevada's ranking in that particular measurement improved while California's ranking decreased.



Export Focus of Manufacturing Sector

Trade has become an integral part of the United States and world economies. The combined total of U.S. exports and imports has increased from just 11% of GDP in 1970 to 20% in 1990, reaching 25% in 2004.

While manufacturing and service exports in the United State has seen a general decline in the last few years, California saw a much more severe decline than Nevada. California's export sales per manufacturing worker declined from \$65,000 in 2002 to \$33,000 in 2008, a decline of 49%, whereas, Nevada's export sales per manufacturing worker declined from \$54,000 to \$42,000, a decline of only 22%. Therefore, in terms of manufacturing sales per manufacturing worker, Nevada is currently ranked 4th, and California is ranked 10th in the Country.



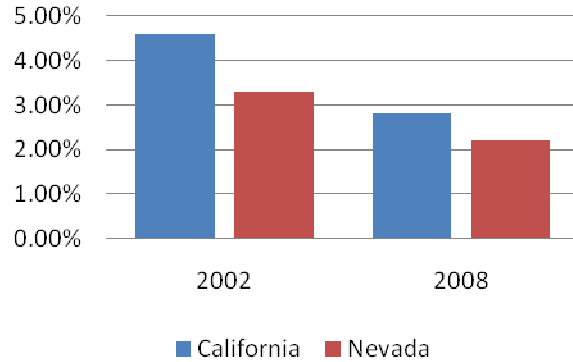
Foreign Direct Investment

Incoming foreign direct investment (FDI) includes significant investments by foreign companies in new facilities in the United States that employ workers in economic-base activities. FDI grew rapidly in the late 1990s, reaching an apex in 2000 of \$336 billion, before dropping precipitously to \$52 billion in 2002. Since then, FDI has rebounded by 50% to \$77 billion in 2005 (all in 2000 dollars). In 2006, more than 80% of states saw an increase in FDI. However, FDI has decreased significantly in 2008 due to the global economic slowdown.

While the measure of FDI (the percentage of each state's workforce employed by foreign companies) has decreased in most of the states, the decline has, again, been sharper in California than in Nevada. The percentage of workforce employed by foreign companies in California declined by 39% between 2002 and 2008, while it only declined by 33% in Nevada. Therefore Nevada's FDI ranking improved significantly from 40th to 34th while California's declined from 21st to 23rd.

Foreign Direct Investment

The percentage of each state's workforce employed by foreign companies.



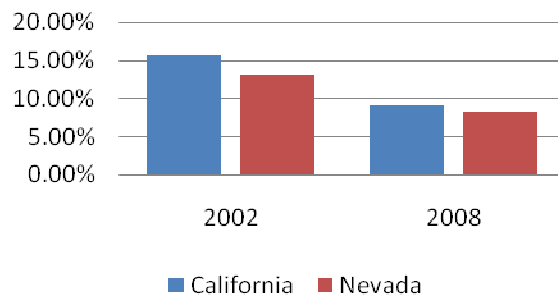
Gazelle Jobs

The prevalence of new, rapidly growing firms - gazelles - is the sign of a dynamic and adaptive state economy. States that offer fertile ground for the entrepreneurial activity that spawns gazelles reap the harvest of robust job creation. In fact, it is the relatively small number of fast-growing firms of all sizes that accounted for the lion's share of new jobs created in the 1990s. Between 1993 and 1999, the number of gazelles grew almost 40%, to more than 350,000. One study estimates that such gazelles (termed "high-expectations entrepreneurs") are responsible for 80% of the jobs created by entrepreneurs.¹

Nevada was one of the biggest gainers among the states with the highest employment percentage of "Gazelle" jobs (jobs in companies with annual sales revenue that has grown 20% or more in the last four consecutive years as a share of total employment) with an increase in ranking from 33rd place with 13.1% Gazelle jobs in 2002 to 13th with 8.3% Gazelle jobs in 2008. California on the other hand has fallen from 3rd place in 2002 with 15.6% Gazelle jobs to 9th place with 9.2% Gazelle jobs.

Gazelle Jobs

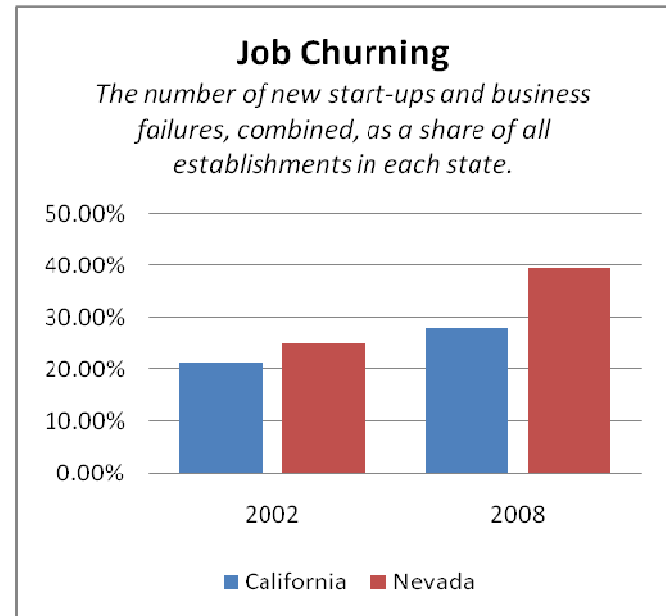
Jobs in gazelle companies (companies with annual sales revenue that has grown 20 percent or more for four straight years) as a share of total employment.



Job Churning

Steady growth in employment masks the constant churning of job creation and destruction, as less-innovative and -efficient companies downsize or go out of business, and more-innovative and -efficient companies grow or take their places. Almost 1 million jobs were added to the economy between 2002 and 2003, but that was after startup firms had created 6.4 million jobs and failing firms had eliminated 6.1 million others.

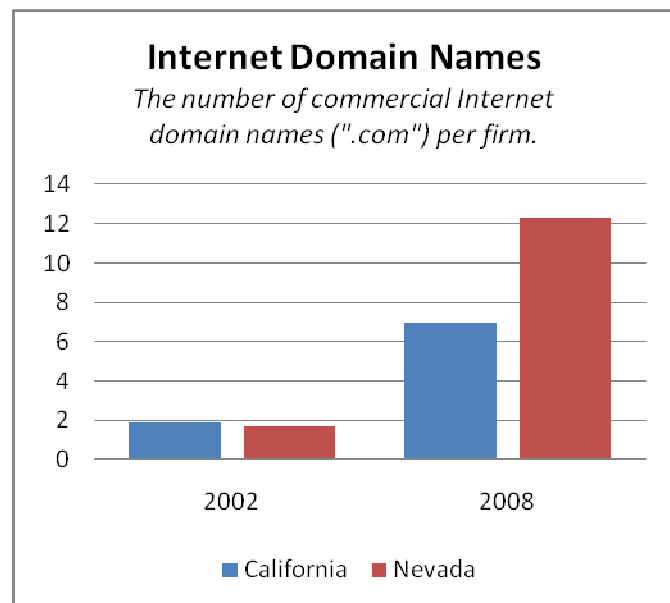
Nevada has ranked high in this measure ever since the New Economy Index was first published in 1998. In 2002, the state topped the ranks in Job Churning, the number of new startups and business failures combined, as a share of the total firms in each state. California's rank has decreased from 8th in 2002 to 47th in 2008, even though its job churning rate increased from 21% in 2002 to 30% in 2008. Nevada's job churning rate in 2008 was almost 10 percentage points higher in 2008 at 39.6%.



Internet Domain Names

Use of the Internet by organizations continues to grow at a rapid pace. The number of “.com” domain names registered in the United States grew by more than 75 percent between 2004 and 2007. For even small local businesses, a Web site has become the storefront of the 21st century. More importantly, an increasing number of firms, regardless of industry, have made a highly functional Web site integral to their business models, as doing so has become a competitive necessity.

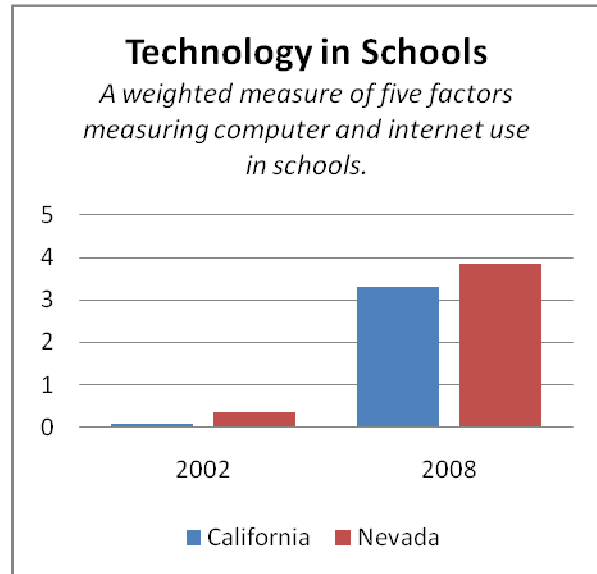
Though California led the nation in the number of domain names registration per firm in 2002, Nevada has outpaced California in this measure. In 2008, Nevada was ranked in this measure with an average of 12 domain names per firm in the state compared to just 7 in California.²



Technology in Schools

There is increasing evidence that, when employed correctly, computers and the Internet boost educational outcomes. Not surprisingly, the use of information technology in America's schools is growing. Virtually every public school now has access to the Internet. In 2000, there were 7.9 students per Internet-connected computer, but, by 2005, the number of students per high speed Internet-connected computer had dropped to 3.9. And, in 2007, there were 180,000 more instructional computers in the schools than in 2006. Even so, with the increase in students, the levels of student computer access have shown little improvement since 2002, with the number of students per instructional computer remaining close to four.

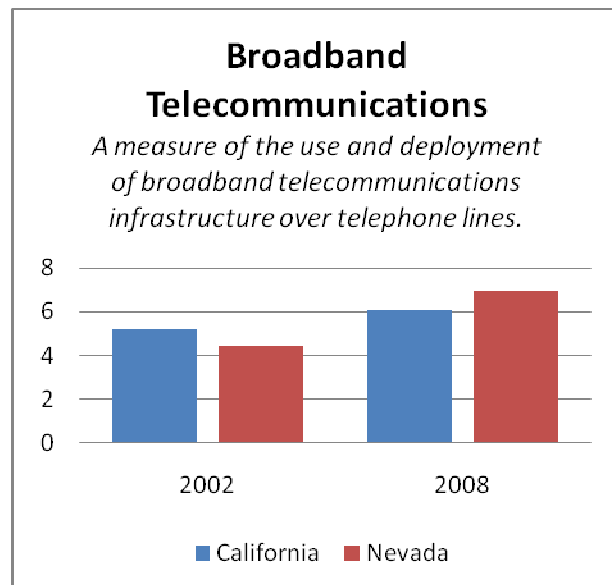
Though it may not be significant to boast about, the Kauffman Foundation ranks Nevada higher than California in the measure of technology usage at schools. California is ranked second lowest among the 50 states in 2008, while Nevada is ranked 44th. Nevada has improved its ranking from 49th to 44th from 2002 to 2008.



Broadband Telecommunications

Over computer networks, bandwidth measures the “size of the pipes” between the sender and receiver of the data. Greater bandwidth allows faster transmission of larger amounts of data, which is critical for the increasing number of businesses that use the Internet to communicate with customers, suppliers, and other parts of the company. Broadband access for households also is important, not only allowing a state's residents to more robustly engage in e-commerce, but also enabling telecommuting, distance education, tele-medicine, and a host of other applications that can boost productivity and quality of life. It is no surprise, then, that broadband deployment is proceeding at a rapid pace. The number of high-speed lines increased by 22 percent during the first half of 2007, from 82.8 million to 100.9 million lines in service.³

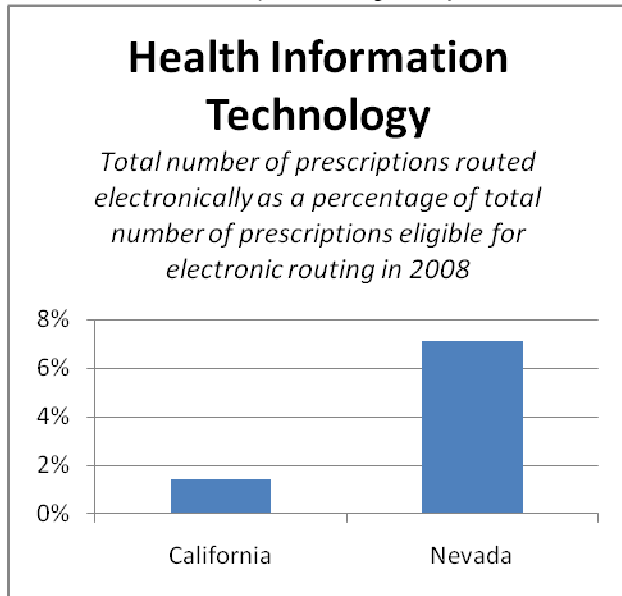
The Kauffman Foundation study ranks Nevada's use and deployment of broadband networks higher than California. The two Western States have always been at the forefront of internet technologies; however, California broadband deployment has not caught up with developments in other states as its ranking declined from 2nd in 2002 to 11th in 2008.



Health IT

Significant improvements in future health care will come from increased use of IT. Robust adoption of health IT could reduce America's health bill by \$80 billion annually. And, with health care costs rising annually, the need for innovative, cost-saving strategies has never been more important. Since 1980, health care, as a share of U.S. GDP, almost doubled from 8.8 percent to 15.3 percent in 2005.⁴ To date, adoption of health IT has been relatively slow, but in one area, electronic prescribing, adoption has been faster and, as such, can serve as a proxy for overall health IT adoption. In 2007, 35 million prescriptions were routed electronically. E-prescribing cuts medical transaction costs by eliminating the need for confirmation phone calls and faxes and reduces the chance of health risks due to prescription delays.

Health IT is one of the measures that Kauffmann Foundation began tracking since 2008. Nevada ranked 3rd in the measure of the total number of prescriptions routed electronically as a percentage of total number of prescriptions eligible for electronic routing. Nevada's E-prescribing rate was more than five times higher than that of California in 2008.



Other Studies:

- *According to Forbes Magazine, California is the most expensive state to do business and is ranked lowest among the 50 states when comparing overall operating costs for businesses (accounts for cost of labor, energy, and taxes). Nevada is ranked 22nd among the 50 states for Business Costs.^[i]*
- *California's cost of living is second highest among 50 states according to CNBC's Top States for Business. Nevada is ranked 38th.^[ii]*
- *The CNBC survey also ranks California among the most unfriendly states for business after West Virginia and Hawaii. Nevada, on the other hand, is ranked 23rd.^[iii]*
- *According to the Small Business & Entrepreneurship Council, Nevada ranks 2nd among the 50 states in terms of policy environment for entrepreneurship for small businesses. California, on the other hand, ranks 49th.^[iv]*

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- ¹ Erkko Autio, “High-Expectation Entrepreneurship 2005,” Global Entrepreneurship Monitor, 2005.
www.gemconsortium.org/document.asp?id=444.
- ² Nevada’s particularly high score likely is attributable to the large number of gambling and adult industry sites located there, as firms in these industries may register a disproportionate number of domain names.
- ³ Industry Analysis and Technology Division Wireline Competition Bureau, Federal Communications Commission, “High-Speed Services for Internet Access: Status as of December 31, 2007,” (July 2008).
- ⁴ RAND researchers estimate, for example, that the annual savings from health IT for the United States could average almost \$81 billion. Federico Girosi, Robin Meili, and Richard Scoville, *Extrapolating Evidence of Health Information Technology Savings and Costs* (Santa Monica, CA: RAND Corporation, 2005).
rand.org/pubs/monographs/2005/RAND_MG410.pdf (accessed July 23, 2008). Other researchers have estimated national savings for the United States of \$78 billion per year. Jan Walker et al. “The Value of Health Care Information Exchange and Interoperability,” *Health Affairs* (Web exclusive, posted January 19, 2005).
content.healthaffairs.org/cgi/content/full/hlthaff.w5.10/DC1 (accessed July 23, 2008).
- ^[i] http://www.forbes.com/2008/07/30/virginia-georgia-utah-biz-cz_kb_0731beststates_table.html
- ^[ii] <http://www.cnbc.com/id/25501974>
- ^[iii] <http://www.cnbc.com/id/25501983>
- ^[iv] [http://www.sbecouncil.org/uploads/sbsi%202008\[1\]1.pdf](http://www.sbecouncil.org/uploads/sbsi%202008[1]1.pdf)