MINUTES OF THE MEETING OF THE
ECONOMIC FORUM
(NRS 353.226 – NRS 353.229)
December 3, 2018

The meeting of the Economic Forum (created by Senate Bill 23, 1993) was held at 9:00 a.m. on Monday, December 3, 2018, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada, with videoconference to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada.

ECONOMIC FORUM MEMBERS PRESENT IN LAS VEGAS:
None

ECONOMIC FORUM MEMBERS PRESENT IN CARSON CITY:
Linda Rosenthal, Chair
Frank Streshley
Marvin Leavitt
Jennifer Lewis

ECONOMIC FORUM MEMBERS ABSENT:
Craig Billings, Vice Chair (absent excused)

STAFF:
Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division
Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division
Judy Lyons, Committee Secretary, Fiscal Analysis Division
Susanna Powers, Executive Branch Economist, Governor's Finance Office

EXHIBITS:

(Exhibit A)	Meeting Packet and Agenda
(Exhibit B)	Moody's Analytics Revenue Outlook: State 2% Sales and Use Tax, Gaming Percentage Fees
(Exhibit C)	Gaming Control Board - Fiscal Years 2019-2021, Gaming Revenue Forecasts
(Exhibit D)	Department of Taxation – Major Revenue Forecasts
(Exhibit E)	Executive Budget Office Forecast
(Exhibit F)	Fiscal Analysis Division – Forecast Information Packet
(Exhibit G)	MBT Forecasts – Without Rate Reduction in FY 2020 and FY 2021
(Exhibit H)	TABLE 1 – Estimates Based on Fiscal Year Activity Period – December 2018 Estimates, Commerce Tax Estimates Under Alternative Growth Rate Scenarios

(Exhibit I) TABLES 1 and 2 – Commerce Tax and Commerce Tax Credits Against the Modified Business Tax (MBT) – Actual and Forecast: FY 2017 – FY 2021, Fiscal Year Business Activity Period and Fiscal Year Accounting Period Basis

(Exhibit J) TABLE 3: Congressional Budget Office and Moody's Analytics Forecasts for Gross Domestic Product (GDP), Real GDP and Total Nonfarm Employment

(Exhibit K) General Fund Revenues – Economic Forum December 3, 2018, Forecast, Actual: FY 2016 through FY 2018 and Forecast: FY 2019 through FY 2021

(Exhibit L) State of Nevada Economic Forum – Forecast of Future State Revenues, December 3, 2018

I. ROLL CALL.

The meeting of the Economic Forum (Forum) came to order at 9:03 a.m. and the secretary called roll. All of the members were present, expect for Mr. Billings, who was excused.

II. OPENING REMARKS.

Chairwoman Rosenthal said that at the November 8, 2018, meeting, the Forum heard several presentations and received preliminary forecasts for the major and minor General Fund revenue sources. Today, the Forum would review revisions to the forecasts for the major and minor General Fund revenue sources that may have changed based on actual collections and other information obtained since the November meeting.

Chairwoman Rosenthal noted that the forecast presented to and approved by the Forum was required under the provisions in current statute. The Forum was required to approve the official General Fund revenue forecast that must be used by the Governor in developing The Executive Budget that would be presented to the Legislature in January 2019. In order to do so, the Forum would need to consider and approve forecasts for each of the major revenue sources listed under Agenda Item V, Review and Approval of Forecasts of Major General Fund Revenues for FY 2019, FY 2020, and FY 2021 as well as the Technical Advisory Committee's (TAC) forecast presented under Agenda Item VI, Review and Approval of Forecasts of Minor General Fund Revenues and Tax Credits for FY 2019, FY 2020, and FY 2021, Approved by the Technical Advisory Committee on Future State Revenues (NRS 353.229) at its November 28, 2018, Meeting (Exhibit A).

Finally, as part of the statutory requirements, the Forum must provide a written report of its forecast to the Governor and the Legislature. A draft of the report was prepared by staff for consideration by the Forum members under Agenda Item VII. As was done in the past, Agenda Item VII would be taken out of order and considered first so that any comments or changes recommended by the Forum could be addressed by staff, while the Forum proceeded with consideration and approval of the revenue forecast.

Chairwoman Rosenthal explained that after approval of the revenue forecast under Agenda Items V and VI, the Forum would recess while staff incorporated the information into the forecast report that would be presented to the Forum for final consideration and approval.

III. PUBLIC COMMENT.

Ray Bacon, Nevada Manufacturer's Association, said in May 2018, Tesla was producing 5,000 vehicles per month. Tesla now planned to produce 20,000 vehicles per month. At that rate, the battery production at the Tesla Gigafactory would reach roughly one trillion batteries in the next 12 months, which would affect the Commerce Tax. It was not abated, because it did not exist when the abatements were granted. He said the Commerce Tax was affected by the production of 66 vehicles, so there would definitely be an impact with the production of 20,000 vehicles per month. He noted this activity was not readily visible in May 2017. Mr. Bacon asked the Forum to consider the impact to the Commerce Tax in its forecast.

The next agenda item was taken out of order.

VII. APPROVAL OF THE ECONOMIC FORUM'S DECEMBER 3, 2018, REVENUE FORECAST REPORT.

Chairwoman Rosenthal said Agenda Item VII concerned the approval of the Economic Forum's December 3, 2018, Revenue Forecast Report, which was a review of the shell of the report before the numbers were filled in.

Mr. Guindon noted that TABLE 3, Congressional Budget Office (CBO) and Moody's Analytics Forecasts for GDP, Real GDP and Total Nonfarm Employment (Exhibit J) was not included in the meeting packet. He said TABLE 3 provided two different outlooks, the first of which was the CBO outlook prepared in August 2018. The second outlook was Moody's Analytics' November 2018 forecasts for GDP, real GDP and total nonfarm employment at the national level. Both outlooks included the slowdown scenario in terms of real GDP and nonfarm employment; however, the CBO outlook indicated that GDP would stabilize and remain low, whereas Moody's Analytics indicated that Real GDP would decline by -0.1% in the second quarter of FY 2020 and then increase again. Mr. Guindon said the Fiscal Division thought it was important for the forecasters to take that information into consideration.

The next agenda item was taken out of order.

IV. PRESENTATION OF HISTORICAL TAXABLE SALES AND GAMING MARKET STATISTICS.

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), referred to TABLE 1 on page 3 of the meeting packet (Exhibit A), which showed four years of actual fiscal year history, as well as the fiscal year -to-date (YTD) for each minor and major revenue source through November 2018. Mr. Guindon noted that TABLE 3 on page 13 of the meeting packet showed each forecaster's forecast by fiscal year for each revenue source, and TABLE 4 on page 21 showed each forecaster's forecast by fiscal year for each major revenue source. TABLE 8, beginning on page 25 of the meeting packet, showed the current forecast that was being presented to the Forum, as well as the forecast that was presented on November 8, 2018. On page 33 of the meeting packet, TABLE 9 displayed the YTD for the last three fiscal years, the forecast by each forecaster, the amount of actual fiscal YTD collection information that was available, and the average growth required to reach the FY 2019 forecast for each forecaster.

Mr. Guindon noted that additional handouts containing forecast information were provided by Moody's Analytics (Exhibit B), the Nevada Gaming Control Board (Exhibit C), the Nevada Department of Taxation (Exhibit D), the Executive Budget Office (Exhibit E), and the Fiscal Analysis Division of the Legislative Counsel Bureau (Exhibit F).

V. REVIEW AND APPROVAL OF FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FY 2019, FY 2020, AND FY 2021.

A. Gaming Percentage Fee Tax
B. Live Entertainment Tax
- Gaming
- Non-Gaming

C. State 2% Sales Tax
D. Insurance Premium Tax
E. Modified Business Tax
- Nonfinancial Institutions
- Financial Institutions
- Mining

F. Real Property Transfer Tax
G. Commerce Tax

A. GAMING PERCENTAGE FEE TAX

Michael Lawton, Senior Research Analyst, Nevada Gaming Control Board

Mr. Lawton noted that the Nevada Gaming Control Board (GCB) forecast for Gaming Percentage Fees was revised slightly from the November 8, 2018, meeting. No major adjustments were made; however, the October 2018 actual gaming win numbers were incorporated into the GCB's models. He noted that total win for October 2018 was $1.1 billion, which was an increase of 7.5%, or $73.8 million, over October 2017. For comparison, he noted October 2017 gaming win was down by 0.2%.

Mr. Lawton reported that statewide gaming win was up 0.9% fiscal YTD through October 2018. He also reported that every major market in the state was in positive territory, with the exception of the Las Vegas Strip, which was down 1.1%.

To illustrate how spectacular October 2018 collections were, Mr. Lawton said it was the largest win amount recorded since February 2013. It represented the fifth time since calendar year (CY) 2008 in which gaming revenue totaled a billion dollars. It was also the highest win amount since CY 2008.

Mr. Lawton said there was a 5.8%, or $37.7 million increase, in slot win, and a 2.5% increase in slot volume. That was accompanied by a good table games month, which was up 10.8%, or $36.1 million, with volume for table games up 15.9%, or $382.7 million.

Mr. Lawton said those results were in spite of Baccarat, with a win amount of $77.3 million, which was a decrease of 13%, or $11.4 million. Volume for Baccarat during the month of October 2018 increased significantly, $297 million, or 49.3%, but Baccarat was volatile, and the hold was a disappointing rate of 8.7%.

Mr. Lawton said, after three months of soft results, the Las Vegas Strip gaming win was up 12.2%, or $64.7 million, for October 2018. The Las Vegas Strip win changed from being down 4.3% through September 2018 to down 1.1% through October 2018. The table win went from being down 9.1% through September 2018 to down 4.4% through October 2018.

Mr. Lawton said, overall, he expected October 2018 to be a good month, but did not expect the highest win total since February 2013. Unfortunately, the corresponding Gaming Percentage Fees collections decreased by 10.2%, or $7.2 million. However, there was a significant amount of credit activity associated with October's gaming win. It was expected that the credit would be paid back in the coming months, which should translate to growth in tax collections.

Mr. Lawton said, due to the increase in gaming win, and the expectation of the credit pay back, the forecast was positively impacted. The total win forecast was increased by $115.5 million, or 1%, from the November 2018 forecast, with a total win amount of $11.9 billion, which represented a 1.8% increase over FY 2018. For FY 2020, the forecast for gaming win was to increase 2.6%, totaling $12.3 billion. For FY 2021, the forecast for gaming win was to increase 2.9%, totaling $12.6 billion.

Mr. Lawton noted gaming win was up 0.9% fiscal YTD. The growth rate over the last seven months was 2.8%. In order to reach the GCB forecast, gaming win would need to increase by 2.5% over the remaining seven months. He said the remainder of the fiscal year could be broken into two parts. November and December 2018 were facing relatively soft comparisons – down 1.3% for the state. However, in the following four months, the comparisons were much more difficult, with an increase of 5.8%.

Mr. Lawton said, because of the gaming win results in October 2018, the all-time record in passenger traffic at McCarran International Airport, and an increase in room inventory, the GCB had increased confidence in its gaming win forecast.

Mr. Lawton said, considering the October 2018 gaming win results, the GCB forecast for slot win in FY 2019 was increased by $20.4 million, or 0.3%, totaling $7.749 billion in win, which was a 2.67% increase over FY 2018. For FY 2020, slot win was forecast at $7.9 billion, which was an increase of 2.73%. In FY 2021, slot win was forecast to total $8.2 billion, an increase of 2.1%. Fiscal YTD slot win was up 3.2%, which was an increase of 4% during the last seven months. The average growth needed over the remainder of the fiscal year to meet the current slot win forecast for FY 2019 was 2.3%.

Mr. Lawton said the October 2018 results for game and table win caused the forecast for FY 2019 to increase 2%, or $85.1 million, but the growth rate for the fiscal year was only projected to be 0.5%, totaling $4.2 billion. That may appear to be aggressive, but Mr. Lawton reiterated that the Las Vegas Strip went from being down 9.1% in game and table win to down 4.4% in one month, despite a disappointing Baccarat month. The forecast for FY 2020 was $4.3 billion, an increase of 2.4%. For FY 2021, the forecast was $4.4 billion, a 2.6% increase. Fiscal YTD statewide game and table win was down 3.2%. Baccarat was down 12.5% primarily due to hold, as volume was down just 0.9%. Non-Baccarat game and table win was up 0.2%, and volume was up 0.5%.

Mr. Lawton said the game and table win growth comparison for the remainder of the fiscal year was just 0.7%. In order to meet the GCB's game and table win forecast, revenue would need to increase by just 3% for the remainder of the fiscal year. The Baccarat comparison for the remainder of the fiscal year was an increase of 3.5%, and the non-Baccarat comparison was a decrease of 0.5%.

Mr. Lawton said the GCB expected an increase of just 1.2%, or $9.1 million, with $766.3 million in collections, which compared to the GCB's initial forecast presented to the Forum in November 2018 of $763.3 million in collections. Fiscal YTD, collections were down 5.2%, or $16.6 million. Percentage fees on taxable gaming revenue (TGR) were down just 0.1%, or $285,000. The Estimated Fee Adjustment (EFA) was down $16.4 million, or 238.5%. The average growth required to meet the GCB forecast would be an increase of 5.9%, meanwhile the comparison over the last seven months of the fiscal year was growth of just 0.7%.

Mr. Lawton reiterated that the spectacular gaming results in October 2018 did not translate into robust Gaming Percentage Fee collections due to the large amount of credit activity associated with October's gaming win. However, there was a material amount of outstanding credit, which was expected to be paid back, consistent with levels experienced over the last few years, which would translate into growth in collections for the remainder of the fiscal year. The GCB forecast growth of 3.3% percent, with $792.1 million in collections in FY 2020, and growth of 2.9% growth, with $815.6 million in collections in FY 2021. The assumptions were based on continued growth due to positive national economic indicators, along with what was being seen in Nevada. Additionally, the anticipated completion of projects in Southern Nevada in FY 2021 totaling $7 billion should assist in contributing to the momentum the state was experiencing.

Mr. Lawton said the GCB thought the model of widespread growth would continue. He noted the reliance on Baccarat in the past had been extremely volatile, and it was concentrated in fewer markets.

Mr. Streshley asked for the dollar amount that would need to be made up to account for the gaming win that would not become taxable until the credit was collected. Mr. Lawton replied that the deficit was $16.4 million, which comprised -$9.5 million fiscal YTD, and -$6.9 million for FY 2018.

Mr. Streshley asked if the EFA would range between $4 million to $5 million. Mr. Lawton explained that the GCB decreased the EFA forecast to $2.7 million.

Mr. Leavitt said there were several months of minimal growth, followed by one month of considerable growth. He asked if there was anything unusual that caused the significant growth in October 2018. He asked if the slow-growth period or the sudden growth in October were aberrations.

Mr. Lawton said the operators indicated that the quarter of slow growth was an anomaly. He said the quarter in FY 2017 could have been an anomaly as well, because of the two mega-fights. The operators went on record that there would be a poor third quarter, but there was a good outlook for the remainder of CY 2018. The outlook for the first part of CY 2019 was also expected to be good. Based on the statistics in October 2018, the narrative for one month appeared to be holding true. Revenue collections were soft after the tragic mass shooting on October 1, 2017; therefore, growth should be higher than those three months. He said the forecast was taking a leap of faith that Gaming Percentage Fees would be revived. Mr. Lawton noted there was a poor TGR-to-win ratio, but historically, the credit would be paid, which should translate into increases in Gaming Percentage Fees collections for the remainder of the fiscal year.

Mr. Leavitt asked whether the heavy credit play in October 2018 indicated something about the nature of the people who were gaming. For example, were fewer wealthy people gaming? Mr. Lawton replied that credit play was down, but slowly increasing. He noted that total credit fiscal YTD was up 2.6%, but October 2018 credit was up 37%. He had not heard of any structural change in credit play. He added that there was significant Baccarat play on the Las Vegas Strip in October 2018.

Susanna Powers, Executive Branch Economist, Governor's Finance Office

Ms. Powers presented information on slot volume, slot win and slot coin-in and win, which was included in the Executive Budget Office (EBO) Forecast (pages 3 through 5, Exhibit E). She said there were no major revisions to the EBO forecast for slot volume and win, but there were adjustments for the YTD actual numbers. She noted the win-to-drop ratio was adjusted upward based on the YTD actual. For the rest of the fiscal year, historical averages were used. Initially, the ratio ranged from 6.8% to 6.81%, but it now ranged from 6.85% to 6.89% (page 5, Exhibit E).

Ms. Powers said the EBO believed the strong job market and improved growth rates among Nevada residents and visitors would continue to provide support for modest increases in slot volume. The underlying growth in the national and Nevada economies appeared solid. The forecast for Las Vegas visitors was located on page 17 of the handout (Exhibit E). Visitation was at near record levels, and Ms. Powers believed that would remain steady. She noted the forecast for employment and wages was located on pages 24 through 32 of the handout (Exhibit E).

Referring to page 6, Ms. Powers said games and tables volume was difficult to forecast due to the volatility of Baccarat play (Exhibit E). She explained that the forecasting process for Baccarat involved making YTD adjustments, and holding that number steady for the remainder of the forecast horizon. Ms. Powers noted she made adjustments to the November 8, 2018, forecast based on the additional month of actual information, which resulted in a slight downward adjustment to the forecast.

Ms. Powers noted that the table on page 9 summarized total gaming volume, win, TGR and collections (Exhibit E). Total volume and win were the sum of the individual pieces for slots, tables and games. She said there was a change to TGR-to-win based on YTD actuals, and historical average was factored in for the remainder of the month using the two-year average. Gaming volume and win increased moderately; however, collections did not do as well because of the lower TGR-to-win ratio due to increased credit play.

Ms. Powers said the TGR-to-win ratio was forecast to increase modestly over the forecast horizon. Percentage Fee Collections were expected to be flat in the current fiscal year and improve in FY 2020 and FY 2021.

Mr. Leavitt noted that at the November 8, 2018, meeting, Moody's Analytics predicted a recession in the third year of the forecast period. He asked Ms. Powers for her view of the current economic situation. Ms. Powers said she believed there would be a slowdown over the next two and one-half fiscal years, but not necessarily a recession. She had been watching the yield curve since summer. The yield curve was just one indicator of a potential slowdown; however, it had predicted each of the last seven recessions. Ms. Powers expected there would be continued growth, but slower growth. She noted that all of her forecasts reflected that assumption.

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Guindon noted that after the presentation by Moody's Analytics at the November 2018 meeting, he reviewed the Federal Reserve Bank and Congressional Budget Office forecasts. He noted that Moody's Analytics was not forecasting a recession; rather, a slowdown, with one quarter declining by -0.1%, then increasing again. He noted that the National Bureau of Economic Research would not classify that as a recession.

Mr. Guindon said the Fiscal Division staff reviewed data from prior recessions in terms of the relationship between Nevada and the nation. Based on that review, it was determined that the Fiscal Division may have projected too much growth for employment and wages in the second year of the 2019-21 biennium; however, the Fiscal Division was not comfortable with Moody's Analytics outlook for Nevada for employment.

Referring to page 2 of the Fiscal Analysis Division Forecast Information Packet (Exhibit F), Mr. Guindon agreed there could be employment loss at the national level, but observed that if the chart extended to 2022, employment would increase above the peak. After a review of each of the employment industry sectors – construction retail trade and wholesale trade – Fiscal Division staff was not comfortable that Moody's Analytics outlook required a higher percentage of job losses in Nevada than the rest of the nation. Based on the number of new projects and other indicators, Fiscal Division staff did not agree with Moody's Analytics forecast for job losses in Nevada, but agreed with the forecast of a slowdown in employment.

Mr. Guindon noted the chart on page 3 compared actual historical data and forecasts for Nevada total employment, including Moody's Analytics forecast and the Fiscal Division's forecasts presented at the October and November 2018 meetings (Exhibit F). The Fiscal Division's current forecast predicted growth of 2.9% in FY 2019, 2.2% in FY 2020 and a revised forecast of 1.2% in FY 2021.

Mr. Guindon noted that Chart 2A on page 4 showed the average wage per employee (Exhibit F). He noted that Moody's Analytics predicted an increase in the average wage per employee that leveled out when employment declined.

Referring to Chart 3A, Mr. Guindon said it should not be a surprise to see a flattening in total wages if employment slowed, but wages per employee would not necessarily decline (page 6, Exhibit F). Specifically, the FY 2021 November 2018 forecast for total wages was expected to grow 4.9%; however, the forecast was revised downward to 3.9%.

Mr. Guindon said real growth in wages was expected to be 1.7% if inflation was around 2.2%. Referring to Chart 4A on page 8, he noted the forecast for the non-wage component was not revised (Exhibit F). He explained that the non-wage component was composed of dividends, interest, transfer payments and rent. Mr. Guindon said, it did not appear there would be much degradation in that component of personal income, even with the anticipated economic slowdown.

Referring to Chart 6A on page 12, Mr. Guindon said there was a little slowdown in the growth of total personal income, because the forecast for wages was reduced, but nonwage income stayed the same. (Exhibit F). He said the November 2018 forecast for FY 2021 was reduced from 4.8% to 4.3%.

Referring to Chart 7A, Mr. Guindon said, if there was a slowdown at the national level that reverberated into the Nevada economy, construction could pause for a while after the major projects were completed in 2020 (page 14, Exhibit F). In the November 2018 forecast, construction employment was forecast to grow 3.5% for FY 2021, but that was revised to 0.3%. He did not think the other sectors such as retail trade, wholesale trade, finance and insurance would slow down as much as the construction sector.

Mr. Leavitt noted that at the beginning of the last recession, the state experienced a decline in employment as well as a decline in the state's overall economy, more so than most other places in the nation. At that time, there were a significant number of employees in the construction industry. He noted that construction employment in the state had grown in the last several years, but not to the level it was before the last recession. Mr. Leavitt asked whether, in the case of an economic slowdown, the state's construction employment would decline more than other places in the nation. He noted that sales tax and other revenue were impacted by the construction sector.

Mr. Guindon replied that Fiscal Division staff assessed whether the state would experience a decline in construction employment again due to the anticipated economic slowdown. He did not expect the slowdown to be like the Great Recession. Nevada was one of the fastest growing states in the country before and after the Great Recession. He said the current situation was not like before the Great Recession when there was a high level of construction employment. That level of construction employment had not been recovered. Mr. Guindon said he would be concerned if the state was experiencing the pre-recession levels of construction employment, because it would be setting the state up for another fall in the future. He thought the level of construction employment in Nevada was at a more normal level compared to prior to the Great Recession. The recession of 1990 and 1991, and the recession in the early 2000s were much weaker than the Great Recession. If not for the events of September 11, 2001, and the impact on visitor volume, Nevada may not have been affected by those economic slowdowns. Mr. Guindon said the economy of Nevada was a little different now than before the Great Recession in terms of the mix of revenue. Also, it was more difficult to find skilled construction workers right now, which may prevent construction employment from becoming too high.

Mr. Leavitt noted that before the Great Recession, housing prices were over exaggerated. Almost immediately, many of the state's homeowners were underwater in their mortgages. Although the housing market had recovered, he did not think it had grown to the point where underwater mortgages would occur as rapidly as they had prior to the Great Recession.

Ms. Lewis said before the Great Recession, people were waiting in line to buy houses. She said the current growth in the housing market was more modest, especially with rising interest rates. She noted that the construction industry was changing in that there were more prefabricated materials that allowed the project to be completed faster and with fewer workers. Additionally, out-of-state trusses were being used for some projects. Further, there was a shortage of construction workers, because, people avoided working in the construction industry, while at the same time existing employees were retiring.

Mr. Streshley noted that at the economic peak prior to the Great Recession there were approximately 80,000 construction employees working in residential construction, which was subject to a quick downturn. He assumed those construction workers were currently working on commercial projects such as the Las Vegas Raiders' stadium and resort projects, which would not be subject to a downturn if the anticipated economic slowdown was stronger than expected.

Mr. Guindon clarified that at the peak, there were approximately 150,000 workers in the construction industry, which decreased to 50,000 at the lowest point. In some sense, current employment levels were similar to the employment levels in 2000. On larger projects, not all of the workers were on the property at once. Metal workers, plumbers, electricians and other skilled-trades cycled through the project at different times depending on the demand for those services. During the economic boom, those various trades may have been needed on multiple sites at once. Mr. Guindon said he was unsure what proportion of those tradesmen were working, and how they were cycling through industrial, commercial and residential projects in terms of the construction skillsets that were needed for each project. He said it was a very competitive job market, and construction workers were being hired away from projects.

Mr. Guindon noted that details of the forecast for Gaming Percentage Fees were shown on Table 1A (page 35, Exhibit F). Table 1B on page 36 showed revenue collections through the first five months YTD and the growth required to reach the forecast. Lastly, Table 1C on page 37 compared the current forecast to the forecast presented to the Forum on November 8, 2018.

Mr. Guindon said the slot win forecast for FY 2019 was revised by approximately 0.5%, and the games win forecast was revised downward by 1%; however, the total win forecast for FY 2019 remained the same.

Mr. Guindon noted that TGR took into account credit play. The TGR was revised downward by 0.5%, primarily because of the TGR-to-win ratio. The average tax rate was revised slightly upward. Consequently, Gaming Percentage Fees from TGR were revised downward by 0.3%, but the EFA was revised downward by about $980,000; therefore, the forecast for total collections was revised downward by about 0.4%, or approximately $3.1 million.

Mr. Guindon referred to Chart 5A on page 46, which illustrated TGR-to-win ratio by quarter (Exhibit F). He noted that FY 2019 information for the first quarter was based on actual collections. The level was much lower based on actual second quarter data for the first two-thirds of the quarter.

Mr. Guindon referred to Chart 5B, which illustrated TGR-to-win ratio cumulative fiscal YTD by quarter (page 47, Exhibit F). He noted there could be anomalies quarter-to-quarter, but by the end of the fiscal year, the numbers were usually more normal. Mr. Guindon said, even at the end of a fiscal year, there could be outliers from time to time. For example, a new property could open at the end of a fiscal year. Part of the reason that FY 2021 was slightly weaker than in the November 2018 forecast was because of the anticipated economic slowdown in FY 2021. Also, with the Resorts International property opening in February 2021, there could be credit again with that type of property. The credit would be paid, but it would be included in the collections for FY 2021. Therefore, the TGR-to-win was expected to decrease slightly in FY 2021 compared to FY 2020.

Mr. Guindon said, overall, the forecast did not change much. There was a front end adjustment for actual YTD information, and an adjustment on the back end for the revised economic outlook.

Mr. Leavitt noted that the Fiscal Division forecast for FY 2019 was in the middle of the other forecasts, but in the other two years of the 2019-21 biennium, the Fiscal Division forecast was slightly lower. He asked why the Fiscal Division forecast was more conservative than the others.

Mr. Guindon said he expected slots to increase by 3.3% in FY 2019, 2.3% in FY 2020 and 1.9% in FY 2021, which reflected the slowdown in visitor volume in FY 2021. Games win was expected to grow 1.1% in FY 2020 and 2.4% in FY 2021 due to the new property coming online. He agreed that the Fiscal Division forecast predicted slower growth than the other forecasts.

Mr. Streshley noted that the range between the forecasts was narrow with a difference of only $7 million to $8 million. He leaned toward the Fiscal Division forecast, even though it was on the low end of the range. Considering that the Las Vegas Strip accounted for up to 50% of the gaming win for the state, he was not sure there would be significant growth until the Resorts International property opened in the second half of FY 2021. As Mr. Guindon noted, it could take three to four months to collect the credit play generated by a new property, so that activity may not affect Gaming Percentage Fees in the forecast period.

> MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL DIVISION'S FORECAST FOR GAMING PERCENTAGE FEES REVENUE OF $763,360,000 IN FY 2019, $777,248,000 IN FY 2020 AND $792,106,000 IN FY 2021.
>
> THE MOTION WAS SECONDED BY MR. STRESHLEY.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

B. LIVE ENTERTAINMENT TAX – GAMING AND NONGAMING

Michael Lawton, Senior Research Analyst, Nevada Gaming Control Board

Mr. Lawton referred to page 6 of the GCB Gaming Revenue Forecasts handout (Exhibit C). He said the forecast was increased slightly from the November 2018 forecast. Collections for the October 2018 total Live Entertainment Tax (LET) totaled $8.3 million, which was an increase of 2.8%, or $220,000, from October 2017. He reported that fiscal YTD LET collections were down 1.4%, or $474,000. He explained that those results fit into the narrative that he discussed with the Forum at the November 2018 meeting regarding the LET moving horizontally. In October 2018, there was a very soft comparable due to the tragic mass shooting on October 1, 2017, which resulted in the cancellation of several shows. As a result of those cancellations, LET collections in October 2017 decreased 13.6%. Compared to the previous fiscal year, October 2018 was a phenomenal gaming win month with an increase in visitation and rooms, but that did not necessarily translate into a significant increase in LET collections. He said the forecast projected collections to decrease 0.8%, or $803,000, in FY 2019, with $101 million in collections. The average growth required over the last eight months to achieve the forecast was a decrease of 0.5%. The comparable over the last eight months was a decrease of 0.2%. For FY 2020, LET was forecast to decrease 0.3%, with $99.7 million in collections. For FY 2021, there would be a slight upward movement of 0.3%, with $101 million in collections.

Mr. Lawton said the current forecast assumed the continued trend of production show attendance being impacted by more compelling entertainment options; the fact that several nightclubs and bars had fewer nights of operations with taxable admissions; and the exciting trend of residencies, which was thought to increase visitation. However, it would appear that on their own, those shows were not necessarily enough to move the direction of the tax revenue collection in an upward trajectory. Mr. Lawton said it was his opinion and the opinion of operators that this trend would continue. He said there was nothing on the horizon that would change the trajectory, like a new venue or show.

Mr. Leavitt noted that the three forecasts were only a couple of million dollars apart, which was almost a negligible difference. He said it was difficult to find a reason to select one forecast over another. He suggested that the Forum consider the middle forecast for each of the three fiscal years.

Chairwoman Rosenthal noted, Table 8, which compared the November and December 2018 forecasts for each forecaster, had not changed significantly. She agreed with Mr. Leavitt that the forecasts were very close. Unless one of the forecasters wanted to point out something specific, she said the Forum could probably move to the discussion and consideration of Mr. Leavitt's proposal for LET-Gaming revenue.

> MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE GAMING CONTROL BOARD'S FORECAST FOR THE LIVE ENTERTAINMENT TAX – GAMING REVENUE OF $100,061,000 IN FY 2019, $99,746,000 IN FY 2020 AND $100,128,000 IN FY 2021.
>
> THE MOTION WAS SECONDED BY MR. STRESHLEY.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

Chairwoman Rosenthal noted that the same approach could be used to select a forecast for LET-Nongaming revenue. She observed there were no major changes from the November 2018 forecast when the Forum received a detailed review. Mr. Leavitt agreed, and suggested that the Forum adopt the middle number of the three forecasts.

> MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE A FORECAST FOR THE LIVE ENTERTAINMENT TAX – NONGAMING REVENUE OF $26,725,000 IN FY 2019, $28,392,000 IN FY 2020 AND $29,339,000 IN FY 2021.
>
> THE MOTION WAS SECONDED BY MR. STRESHLEY.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

C. STATE 2% SALES TAX

Hayley Owens, Economist, Department of Taxation

Ms. Owens referenced the Department of Taxation – Major Revenue Forecasts – Sales and Use Tax General Fund – 2% Portion located on pages 6 through 12 of the handout (Exhibit D). No significant changes were made to the methodology in forecasting the 2% General Fund portion of the Sales and Use Tax (SUT). Nevada's unemployment rate was used as an indicator in the model.

Referring to page 8 of the handout, Ms. Owens noted that the U.S. Consumer Price Index (CPI) forecast remained unchanged from November 2018 (Exhibit D). She said the department produced its forecast for the General Fund revenue by forecasting taxable sales (page 10, Exhibit D). In November 2018, the department used 2% of taxable sales to derive the 2% General Fund portion of taxable sales; however, after further discussion, the department found that General Fund revenue was rarely 2% of taxable sales due to refunds, Sales Tax Revenue (STAR) Bonds and improvement in economic development districts. Thus, the department used a factor of 1.94% of taxable sales, which was the approximate return over the past two years. Ms. Owens said the department's SUT forecast was still strong for FY 2019, but more modest than the forecast presented in November 2018. She said the department's forecast for FY 2020 and FY 2021 closely followed that of Moody's Analytics and indicated a slowdown in growth rates.

Mr. Streshley noted the Department of Taxation's forecasted growth rate decreased from 3.7% in FY 2020 to 1.7% in FY 2021, which differed from the other forecasts. He asked what adjustments had been made to the department's forecast to create the difference.

Ms. Owens replied that the reason for the slowdown in FY 2021 compared to the Fiscal Division and EBO forecasts was likely due to the indicators used by the Department of Taxation. She said, even if all three forecasters used the unemployment rate as an indicator, the forecast for sales tax would still differ based on each individual unemployment rate forecast. Ms. Owens noted that Moody's Analytics used new vehicle registrations and U.S. recreational spending as two major indicators in its forecast for sales tax while the Department of Taxation used the unemployment rate and CPI; however, the growth rates were similar.

Susanna Powers, Executive Branch Economist, Governor's Finance Office

Ms. Powers referenced the Executive Budget Office (EBO) Forecast – 2% Sales and Use Tax on pages 16 through 18 of the handout (Exhibit E). She said Las Vegas visitation statistics were a major driver for all major revenue sources. Las Vegas visitation statistics for October 2018 were better than expected; therefore, the EBO made upward revisions to the forecasts for Las Vegas visitors and FY 2019 sales tax. Ms. Powers said visitation to Las Vegas was expected to remain steady. People would continue to visit as long as disposable income was available. She said consumer confidence remained high.

Turning to page 18 of the handout, Ms. Powers said a tightening labor market added to the upward pressure on wages, which, in turn, would boost consumer spending. A stronger economy would also lead to increased business spending. She said the SUT forecast for FY 2020 did not change from the November 2018 forecast; however, the EBO made a downward revision for FY 2021 to account for an expected economic slowdown. Sales taxes were expected to increase 7% in FY 2019 and then decrease in FY 2020 and FY 2021. Growth rates were forecast at 5.2% in FY 2020 and 4.1% in FY 2021; therefore, growth was about 2% with inflation, which was fairly modest.

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Guindon referenced the Fiscal Analysis Division – Forecast Information Packet – State Sales Tax Collections Forecast beginning on page 61 of the handout (Exhibit F). He stated that the taxable sales forecast was driven by employment, personal income, visitors, new car registrations and construction employment. No significant changes were made to the SUT forecast from November to December 2018. He said the SUT was forecast quarterly, and sales tax collections for September 2018 were lower than expected. Consequently, the Fiscal Division decreased the FY 2019 forecast by approximately $500,000, which slightly impacted the forecast for FY 2020. Continuing, Mr. Guindon said the FY 2021 forecast between November and December 2018 decreased from 4.8% to 4.0%, or approximately $12.6 million, in sales tax collections. He said the 4% growth in FY 2021 would likely result in 1.9% real growth of sales tax collections given that Moody's Analytics projected inflation to be around 2.1%. Mr. Guindon said, even though employment growth and wages were expected to experience a slowdown in FY 2021, a new stadium, convention center and casino were still expected in Las Vegas.

Mr. Leavitt said the Forum historically overestimated sales tax. He thought there were enough large construction projects scheduled over the next two years to guarantee a certain level of sales tax; however, without those projects in FY 2021, it was difficult to predict how sales tax would be impacted by the anticipated economic slowdown. Mr. Leavitt thought it would be best to use the Fiscal Division forecast for FYs 2019 and 2020; however, he was uncertain which forecast the Forum should approve for FY 2021.

Mr. Streshley observed that the average growth rate for 2% collections was about 5% over the past ten years. Mr. Guindon agreed. He added that it was important to take into consideration what was happening during that ten-year period. During the economic boom as well as the recession recovery period, sales tax collections ranged between 5% and 6%. With anticipated inflation of 2.1%, it was unlikely that real taxable sales would experience growth. Mr. Guindon said, as a forecaster, he was not comfortable with negative or zero real growth in sales tax collections for FY 2021, even with the potential of an economic slowdown.

Mr. Streshley said even though sales tax collections were expected to grow by 3.8%, it was still a decline from the ten-year average. Mr. Guindon agreed. He added that the Fiscal Division reduced the sales tax forecast by 0.8% based on economic indicators.

Chairwoman Rosenthal agreed with Mr. Leavitt's comments concerning the growth rates for sales tax. She noted that the Fiscal Division and EBO forecasts for FY 2021 sales tax were very similar; therefore, she was comfortable approving either forecast for FY 2021.

Mr. Streshley said he was also comfortable with the Fiscal Division's sales tax forecast for FYs 2019 and 2020.

Mr. Leavitt thought the Department of Taxation's FY 2021 sales tax forecast of 1.7% was too low. Given the fact that the FY 2021 forecast provided by the Fiscal Division was slightly lower than the EBO forecast, he thought the Forum should approve the Fiscal Division forecasts for FYs 2019, 2020 and 2021.

> MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL DIVISION'S STATE 2% SALES TAX REVENUE FORECAST OF $1,219,396,000 IN FY 2019, $1,283,340,000 IN FY 2020 AND $1,334,223,000 IN FY 2021.
>
> THE MOTION WAS SECONDED BY MR. STRESHLEY.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

D. INSURANCE PREMIUM TAX

Hayley Owens, Economist, Department of Taxation

Ms. Owens referenced the Department of Taxation – Major Revenue Forecasts – Insurance Premium Tax on pages 13 through 17 of the handout (Exhibit D). Page 14 of the handout displayed the index value of growth in Insurance Premium Tax (IPT) collections by category, which was done using the North American Industry Classification System (NAICS) code. She noted that the red line represented direct health and medical insurance carriers. Ms. Owens said there had been fantastic growth in that area of the IPT over the past five fiscal years.

Turning to page 15, Ms. Owens stated that the forecast for Nevada's personal consumption expenditures on health care was provided by Moody's Analytics (Exhibit D). The data itself came from the Bureau of Economic Analysis (BEA), the entity responsible for tracking personal consumption expenditures on health care. She said the Department of Taxation used population as the metric for the November 2018 forecast; however, the department decided to use personal consumption expenditures on health care as the metric, because it accounted for rising health care costs. Additionally, since personal consumption expenditures on health care included nominal values, it would likely capture population growth, or at least utilization rate increases, as well as other expected demographic changes, such as changing age structure. Ms. Owens said the Department of Taxation's IPT forecast for FY 2019 increased by almost 3 percentage points between November and December 2018, and between 1 and 1.5 percentage points for FYs 2020 and 2021. She said growth rates remained steady around 6.5%.

Susanna Powers, Executive Branch Economist, Governor's Finance Office

Ms. Powers referenced the EBO Forecast – Insurance Premium Tax on pages 19 through 21 of the handout (Exhibit E). The chart on page 20 showed the relationship between Nevada personal consumption expenditures (PCE) and implied insurance premiums. She noted that applicable tax credits were accounted for in the data, which reflected actual statistics from FY 1999 to FY 2018. Ms. Powers said the purpose of the chart was to illustrate the model that was used, so Nevada PCE data was incorporated into the model.

Ms. Powers said the chart on page 21 reflected the output of the model and included a slight revision from November 2018 (Exhibit E). She said the EBO used a simple model, which included Moody's Analytics forecast for Nevada personal consumption for finance and insurance as the main driver. The first quarter estimate was slightly high; therefore, year-to-date (YTD) was revised to include an additional quarter of actuals, which led to a subsequent downward revision in FYs 2019, 2020 and 2021. Ms. Powers said she anticipated better IPT collections in the first quarter due to the impact from the change in minimum liability insurance required for Nevada drivers; however, the prior quarter may have already reflected the increase as many insurance providers probably adjusted their policies in advance of the effective date. Additionally, the Department of Taxation indicated there were some collection issues in terms of payments being realized late and recorded in the second quarter. Ms. Powers said the EBO's overall forecast was adjusted downward. The IPT collections were estimated at $445.0 million in FY 2019, $467.3 million in FY 2020 and $481.9 million in FY 2021.

Mr. Leavitt remarked that the EBO's estimated growth for the IPT in FY 2021 was less than the estimated growth for FYs 2019 and 2020. He asked why growth was expected to decline.

Ms. Powers thought health care premium amounts would have flat year-over-year rate changes, and the premium amount changes would also be flat in FY 2021. Thus, the reduced growth estimates reflected population growth and deceleration in the state's economic growth. She said one of the biggest drivers was Moody's Analytics' forecast for Nevada personal consumption for finance and insurance, which was factored into the model.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Nakamoto referenced the Fiscal Analysis Division – Forecast Information Packet – Insurance Premium Tax Collections Forecast beginning on page 77 (Exhibit F). He said the FY 2019 IPT actual growth for the quarter ending September 30, 2018, was -12.9%. As Ms. Powers alluded to, the forecasters were informed that payments of approximately $19.4 million that would have been attributable to the first quarter of FY 2019 were not paid on time; therefore, those payments were not included in the data provided by the Department of Taxation. Those figures would be included in the second quarter data. He said the -12.9% carried over and that would make it appear that second quarter growth was 25.5%, because the $19.4 million was included. Mr. Nakamoto said the

Fiscal Division accounted for that in the IPT forecast by moving the $19.4 million to the first quarter to run the equation and then moving it back to the second quarter for presentation purposes. If the $19.4 million had been processed in the first quarter, the growth would have been 6.7% rather than -12.9%, and the growth for the second quarter would have been 6.9% as opposed to 25.5%.

Referring to TABLE 8 in the meeting packet, Mr. Nakamoto said there were no significant revisions to the Fiscal Division forecast for the IPT (page 26, Exhibit A). The IPT forecast for FY 2019 increased by $581,000, which reflected the difference between the model and actuals. He explained that the IPT was over forecast in the model by approximately $800,000. Referring to the Prior Fiscal Year Tax category, Mr. Nakamoto noted that FY 2019 was previously forecast at $0 compared to the current forecast of $1.3 million based on actual YTD of approximately $1.1 million. The forecast for FY 2020 decreased by $113,000, and the forecast for FY 2021 decreased by $5.8 million (page 79, Exhibit F).

Mr. Nakamoto said the IPT forecast was driven by total employment as well as wage and non-wage components of personal income, which were expected to slow down in FY 2021. Thus, the forecast was revised downward by $5.8 million for FY 2021. He stated that $5.0 million would be added to the third quarter of FY 2021 for the elimination of the Home Office credit effective January 1, 2021 (28th Special Session, 2014). Without the $5.0 million, the growth rate for FY 2021 would be 4% rather than 5.1%.

Referring to the graph on page 81, Mr. Leavitt thought it was amazing that the IPT seemed to be recession-proof (Exhibit F). Even during the Great Recession, the IPT only experienced a slight, temporary decline. Given that, he preferred to see growth projected for the IPT, even during the anticipated slowdown in FY 2021.

Mr. Nakamoto agreed. The chart on page 81 showed the effect of the Great Recession on the IPT (Exhibit F). Collections declined by approximately $20.0 million to $30.0 million, which was about 10% of total collections for the IPT. The chart presented IPT collections back to FY 1992. In that time, there was rarely a significant decline in collections, which was likely due to the fact that people still required insurance. Mr. Nakamoto said 4% to 5% growth was probably reasonable even during an economic slowdown, because of the ongoing need for insurance. He recalled that the other presenters alluded to rising health care costs. Keeping all those factors in mind, he reiterated that it was not unreasonable to expect IPT collections to grow by 4% or 5%, especially with the 4% growth factor after the Home Office credit was eliminated in FY 2021.

> MR. STRESHLEY MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL DIVISION'S INSURANCE PREMIUM TAX REVENUE FORECAST OF $441,481,000 IN FY 2019, $463,592,000 IN FY 2020 AND $487,126,000 IN FY 2021.
>
> THE MOTION WAS SECONDED BY MR. LEAVITT.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

E. MODIFIED BUSINESS TAX

Hayley Owens, Economist, Department of Taxation

Ms. Owens referred to the Nonfinancial, Financial and Mining portions of the Modified Business Tax (MBT) on TABLE 8 (page 28, Exhibit A). She noted the only major change for the MBT-Nonfinancial was in FY 2020. She explained that the Department of Taxation used the U.S. Employment Cost Index – Wages Only as one of the indicators for the model, which matched the historical series (page 19, Exhibit D).

Ms. Owens said the graph on page 20 of the handout showed the gross tax due, which experienced a large increase in FY 2016 as a result of legislative changes, followed by slight growth moving forward (Exhibit D). She noted that the dashed red line on the graph on page 21 indicated what the forecast would have been without the rate change, while the solid red line indicated the actual forecast (Exhibit D).

Turning to page 22 of the handout, Ms. Owens noted that the rate change was scheduled to take effect in FY 2020 as noted by the asterisk (Exhibit D). She said the method by which the rate change was accounted for was changed between November and December 2018, which moderated the negative impact expected from the rate change. In November 2018, the Department of Taxation presented a decline of 3.6% in FY 2020 from FY 2019; however, the forecast was revised to reflect a decline of only 0.4% in FY 2020 from FY 2019. Modeling the rate change, the department did not anticipate as strong of an impact on MBT-Nonfinancial collections.

Ms. Owens noted that the MBT-Financial decreased, but there were no major changes. The Department of Taxation utilized the U.S. Employment Cost Index – Wages Only and the unemployment rate as indicators for the MBT-Financial. Referring to page 26 of the handout, she noted that the dashed red line on the graph represented the forecast without the rate change (Exhibit D). She said the MBT-Financial would experience a decline in FY 2020 and a slight increase in FY 2021.

Turning to MBT-Mining, Ms. Owens noted that the dashed red line on the graph on page 29 indicated what the forecast would have been without the rate change (Exhibit D). She said the MBT-Mining forecast for FY 2020 was increased to account for the rate change.

Susanna Powers, Executive Branch Economist, Governor's Finance Office

Ms. Powers referenced the EBO Forecast – Modified Business Tax – General Business (or MBT-Nonfinancial) beginning on page 22 of the handout (Exhibit E). She reported that the employment outlook was steady, and no changes had been made to the forecast since November 2018. Referring to the graph on page 24 of the handout, Ms. Powers said the EBO used BEA wage data to predict movements in MBT payroll (Exhibit E). She said minor technical revisions were made across the board. Additionally, a technical adjustment was made to Mining wages. She explained that the EBO changed the method by which the wages were accounted for in the data set, which affected the forecast series.

The EBO obtained private payroll and removed MBT-Financial and MBT-Mining data, which subsequently provided the data for the MBT-Nonfinancial. Ms. Powers said the model did well in terms of percentage changes.

Ms. Powers said the MBT-Nonfinancial forecast was adjusted to include first quarter data. Minor revisions related to health care expenses deducted in the first quarter were made to taxable wages.

Moving to MBT-Financial, Ms. Powers said the financial employment outlook was very stable with a moderate increase expected (page 27, Exhibit E). After reviewing actual MBT wage data, it did not appear that wages would grow at the predicted rate; therefore, the EBO made an adjustment to the financial wages forecast (page 28, Exhibit E). She said it was likely that one-time bonuses were previously included in the data series and should not have been carried forward in the model. Referring to page 29 of the handout, Ms. Powers noted that the graph showed tax collections from financial institutions (Exhibit E). She said the forecast was revised to reflect small downward revisions in wage growth.

Ms. Powers said there were no changes to mining employment; however, adjustments were made to the mining wage forecast (page 32, Exhibit E). She explained that the wage series previously included subsectors that were not subject to the MBT. While examining the details and definitions of how the BEA accounted for mining, the EBO became aware of other data that better accounted for mining wages that may be subject to the MBT; therefore, an adjustment was made accordingly. Consequently, the technical adjustment resulted in a slight revision in wages. She stated that the most significant revision to the forecast was the amount of health care deductions. The data showed more health care deductions than originally accounted for, which resulted in the aforementioned revisions combined with the wage series adjustment in the chart on page 33 (Exhibit E).

Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Reel referred to the blue handout titled *MBT FORECASTS – WITHOUT RATE REDUCTION in FY 2020 and FY 2021*. He explained that the handout displayed the MBT forecast for each forecaster taking into account if the rate reduction did not occur in order to show the growth rates for the underlying wage activity (Exhibit F).

Mr. Reel referenced the Fiscal Analysis Division – Forecast Information Packet – Modified Business Tax Forecast (Exhibit F). The YTD first quarter results for MBT-Nonfinancial were 6% (page 34, Exhibit A). He said the Fiscal Division initially forecast a much stronger quarter at 9.4%, thus the forecast was reduced by approximately $4.2 million and $4.6 million in FYs 2019 and 2020, respectively. In FY 2021, employment for MBT-Nonfinancial was reduced from 2.2% to 1.2% due to the anticipated economic slowdown, which reduced the forecast by $11.9 million. Consequently, the FY 2021 forecast was reduced from 5.2% to 4%. Mr. Reel said the growth rate would need to be 5.3% in the remaining three quarters to meet the FY 2019 forecast.

Mr. Reel said the Fiscal Division's initial forecast for MBT-Financial was 5.2%; however, it came in at -2.7%, which required the Fiscal Division to reduce the forecasts for FY 2019 and FY 2020. He said the employment outlook was modified from 2.3% to 0.9% for FY 2021, which subsequently reduced the forecast. Mr. Reel said, although the rate for the first quarter was 2%, the average effective tax rate was slightly less. Historically, the effective rate for the MBT exceeded 2% during the course of the fiscal year; therefore, the Fiscal Division was hopeful the trend would continue for FY 2019.

Turning to MBT-Mining, Mr. Reel said the Fiscal Division expected a much stronger quarter at 8.8%; however, it came in at 2.6%, which required an adjustment in the first two fiscal years. There were no changes to the employment forecast for mining, so a slowdown was not expected in FY 2021. Mr. Reel noted that the only change to the MBT-Mining forecast was an adjustment in the first quarter.

Mr. Leavitt asked why the first quarter estimates for FY 2019 were significantly higher than the actuals. Mr. Reel replied that the MBT-Mining forecast was fairly accurate in terms of gross wages. The Fiscal Division expected growth of about 7.7% in gross wages, resulting in about 8.8% in collections; however, that did not occur due to the change in health care deductions. With regard to the MBT-Financial forecast, volatility made it difficult to forecast. Lastly, the Fiscal Division's MBT-Nonfinancial forecast was a little high across all sectors in the first quarter. Mr. Reel said the 6% growth in the first quarter of FY 2019 was still good compared to -3.7% growth in the first quarter of FY 2018, which preceded a large one-time event in the first quarter of FY 2017 resulting in a growth rate of 19.5%. Overall, Nevada experienced stronger growth in the first quarter of FY 2019 in addition to a more flat quarter than the aforementioned -3.7%.

Mr. Leavitt said mining tax revenue was unusual in that when the economy was strong, people were less likely to invest in minerals; however, when the economy was experiencing a downturn, people typically invested in minerals, especially gold.

Mr. Reel agreed that the behavior of the mining industry was typically countercyclical. He said the Fiscal Division was not uncomfortable with the Department of Employment, Training and Rehabilitation's forecast for mining, which showed slight growth at 0.7%, but evaluating that relative to other industries, the Fiscal Division was uncomfortable maintaining the higher growth rate for mining.

Mr. Leavitt said the Fiscal Division and EBO forecasts for MBT-Nonfinancial were similar in FY 2019; however, there was a difference of approximately $6 million in FY 2020 and a fairly substantial difference in FY 2021. He said the Fiscal Division's forecast was slightly higher in FY 2019 compared to the EBO forecast, and it was in line with what the Forum had been discussing. He said he was more comfortable using the lower forecast for FY 2021.

Modified Business Tax-Nonfinancial Revenue:

MR. STRESHLEY MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL DIVISION'S MODIFIED BUSINESS TAX-NONFINANCIAL REVENUE FORECAST OF $636,968,000 IN FY 2019 AND $626,877,000 IN FY 2020, AND THE BUDGET DIVISION'S 2.4% MODIFIED BUSINESS TAX-NONFINANCIAL REVENUE FORECAST OF $635,008,000 IN FY 2021.

THE MOTION WAS SECONDED BY MS. LEWIS.

THE MOTION WAS UNANIMOUSLY APPROVED.

Mr. Guindon said the Forum's decision to reduce the 2.4% growth in the Fiscal Division's MBT-Nonfinancial forecast for FY 2020 would result in a forecast of $641.922 million. Chairwoman Rosenthal thanked Mr. Guindon for the clarification. She recalled that the recommendation was to take 2.4%, but she thought the intent was to keep the $635 million proposed by the EBO. She recommended revising the motion for the MBT-Nonfinancial forecast.

The motion concerning the MBT-Nonfinancial forecast was revised as follows:

MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL DIVISION'S MODIFIED BUSINESS TAX-NONFINANCIAL REVENUE FORECAST OF $636,968,000 IN FY 2019 AND $626,877,000 IN FY 2020, AND THE BUDGET DIVISION'S MODIFIED BUSINESS TAX-NONFINANCIAL REVENUE FORECAST OF $635,008,000 IN FY 2021.

THE MOTION WAS SECONDED BY MS. LEWIS.

THE MOTION WAS UNANIMOUSLY APPROVED.

Modified Business Tax-Financial Revenue:

MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL DIVISION'S MODIFIED BUSINESS TAX-FINANCIAL REVENUE FORECAST OF $30,049,000 IN FY 2019, $29,439,000 IN FY 2020 AND $30,508,000 IN FY 2021.

THE MOTION WAS SECONDED BY MS. LEWIS.

THE MOTION WAS UNANIMOUSLY APPROVED.

Modified Business Tax-Mining Revenue:

MS. LEWIS MOVED THAT THE ECONOMIC FORUM APPROVE THE BUDGET DIVISION'S MODIFIED BUSINESS TAX-MINING REVENUE FORECAST OF $22,907,000 IN FY 2019, $21,813,000 IN FY 2020 AND $22,067,000 IN FY 2021.

THE MOTION WAS SECONDED BY MR. STRESHLEY.

THE MOTION WAS UNANIMOUSLY APPROVED.

F. REAL PROPERTY TRANSFER TAX

Hayley Owens, Economist, Department of Taxation

Ms. Owens noted that the Department of Taxation revised the Real Property Transfer Tax (RPTT) forecast since the November 2018 meeting.

Ms. Owens referenced the Department of Taxation – Major Revenue Forecasts – Real Property Transfer Tax beginning on page 32 of the handout (Exhibit D). The Department of Taxation used the median Nevada home price as an indicator for the RPTT. Referring to the chart on page 32, Ms. Owens said Moody's Analytics expected strong growth in FY 2019 in the baseline scenario for median Nevada home prices, significantly slower growth in FY 2020, and then nearly leveling off in FY 2021 (Exhibit D). She said the growth trend for Nevada housing completions was stronger. Growth was forecast at 12% in FY 2019, 16% in FY 2020 and 15% in FY 2021.

Ms. Owens said, after the November 2018 Economic Forum meeting, the department noticed a weakness in the Department of Taxation's model in that only residential factors were considered. Therefore, Moody's Analytics' forecast for Nevada Private Non-Residential Construction Put in Place was added to the model. She said the forecast predicted 4% growth in FY 2019, 6% in FY 2020 and 1% in FY 2021. As a result, the RPTT was forecast at 4% growth in FY 2019, 8.3% in FY 2020 and 5% in FY 2021.

Ms. Owens noted that numerical values for the RPTT forecast as well as YTD figures were listed on page 36 of the handout (Exhibit D).

Susanna Powers, Executive Branch Economist, Governor's Finance Office

Ms. Powers referenced the EBO Forecast – Modified Business Tax – Real Property Transfer Tax beginning on page 35 of the handout (Exhibit E). She said the Nevada New Residential Building Permits chart remained unchanged from November 2018. The chart showed multi-family and single-family permit activity from calendar year 2000 through October 2018. She said single-family home permits were expected to remain at the same level as 2017.

Referring to page 36 of the handout, Ms. Powers noted that the Nevada Single Family Permits chart was based on fiscal year rather than calendar year (Exhibit E). Single-family permits were still improving and expected to remain at the same level as the last few years.

Ms. Powers reported that home inventory was improving, and the housing market was beginning to normalize. Sales volume was declining slightly as home prices increased, especially as mortgage rates continued to rise. The forecast for the median existing single-family home price was shown on page 37 of the handout (Exhibit E). Historical data was obtained from Moody's Analytics Housing Forecast Database for Nevada. The median home price data source was the National Association of Realtors. Ms. Powers said the housing market had fluctuated several times over the last 15 years. She said home price increases were strong, but expected to become more in line with wage growth. She said the recent home price appreciation was not sustainable.

Ms. Powers said the YTD RPTT data indicated that collections were flat. Based on data through November 2018, collections in Washoe County were down 8% year-over-year, and Clark County data for the first quarter of FY 2019 indicated collections were flat. Ms. Powers said the largest portion of RPTT revenue came from Clark County, so it was difficult to predict how the numbers would change over the next three quarters; however, she thought there was some downward pressure on RPTT collections year-over-year based on the fact that Washoe County sales volume was down even though home prices were up year-over-year. The RPTT estimate for FY 2019 was $100.8 million, which was a 2.5% decline over the previous fiscal year. Collections were expected to decline in FY 2020 and FY 2021 stemming from a decline in sales volume. Ms. Powers noted that sales volume was still relatively high. Nevada benefitted from low interest rates and relatively affordable home prices, but that had diminished. She said the Nevada housing market was beginning to settle into a new normal.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Nakamoto provided the economic outlook for the housing market. He said CHART 9A on page 18 of the handout (Exhibit F) showed total existing single-family home sales. In October 2018, the Fiscal Division forecast a decline of 14% for FY 2019; however, the current forecast anticipated a decline of only 6.8%. The change was due to a significant revision in Moody's Analytics November 2018 forecast for reported actuals of existing single-family home sales compared to reported actuals through the fourth quarter of calendar year 2017 reported by Moody's Analytics in October 2018. Based on the revised history and the addition of a couple of quarters of actual data, the starting point for the housing forecasts were different from November 2018. Going into FY 2020, the growth rate remained unchanged at 2.5%. The Fiscal Division's forecast for November 2018 predicted a growth rate of 1.5% compared to a growth rate of 4.1% in the October 2018 forecast to reflect the economic slowdown. Mr. Nakamoto said the state was recovering from the decline in home sales that occurred in the last year or two, primarily due to constraint in supply as well as increased mortgage rates. Home sales were expected to stabilize compared to the large fluctuations over the past few years. He said home sales in Nevada were expected to range between 75,000 and 80,000 homes per year.

Mr. Nakamoto said page 20 of the handout showed the forecast for single-family home completions (Exhibit F). He said the Fiscal Division assessed the number of permits that were pulled to gauge when a decline might occur. In the history of single-family home completions, there was a large run close to the 15,000 annual rate. Subsequently, the number of single-family home completions was forecast to decline, which it did; however, it declined a quarter earlier than anticipated. Mr. Nakamoto said single-family home completions were expected to level out in FY 2020 and FY 2021 coinciding with a slowdown in construction employment. In the October 2018 forecast, growth rates for single-family home completions were expected to be 7.3% in FY 2019, 4.7% in FY 2020 and 8.2% in FY 2021; however, the November 2018 forecast was revised to reflect growth rates of 4.8% in FY 2019, 5.5% in FY 2020 and 2.1% growth in FY 2021.

Mr. Nakamoto said the Case-Shiller House Price Index was used as the price proxy for the Fiscal Division's forecast (page 22, Exhibit F). He said every forecast included a stabilization of prices; it was just a question of when that would occur and at what point it would truly be stabilized. As the Fiscal Division assessed interest rates, market condition and other factors, it was determined that the forecast might show housing prices stabilizing later than they should. The growth rates in October 2018 included a 9.7% increase in FY 2019, 5% increase in FY 2020 and 1.6% increase in FY 2021. The revised growth rates reflected an increase of 8.9% in FY 2019, 3.9% in FY 2020 and 1.4% in FY 2021. Mr. Nakamoto noted that growth was high for FY 2019, because it reflected the low prices at the beginning of FY 2018. Even though prices were stabilizing, they were still higher than during FY 2018.

Mr. Nakamoto referred to page 127 of the handout (Exhibit F) and TABLE 8 on page 26 of the meeting packet (Exhibit A). There were minimal revisions to the forecast. Third quarter actuals for FY 2018 did not increase beyond the $27.1 million that was presented in November 2018. As mentioned by Ms. Powers, Washoe County collections for October 2018 had been received. Additionally, collections from some of the smaller counties such as Lander, Eureka and Lyon had been received, but the revenue was not significant enough to impact the forecast. Mr. Nakamoto said more than 75% of RPTT collections came from Clark County. He noted that second quarter data would not be available from Clark County until January 2019.

Mr. Nakamoto said there were minimal revisions to the FY 2019 and FY 2020 forecasts for housing indicators. The forecast increased by $332,000 for FY 2019 and $131,000 for FY 2020. The forecast for FY 2021 was reduced by approximately $2.3 million. Growth for FY 2021 remained at 2.5%, but it translated to a forecast decrease of approximately $2.3 million.

Mr. Nakamoto referred to the graph on page 130 of the handout (Exhibit F), which compared total single-family home completions per Nevada construction employee. The figures had remained stable, peaked slightly and then declined sharply. He explained that the steep decline occurred during a time when few houses were being built and fewer construction workers were employed. In 2013, the number of home completions per construction employee settled around 0.13 and 0.15, which was one house completion for approximately every six construction employees. Those statistics were used by the Fiscal Division as a gauge for total single-family home completions and construction employee forecasts. He said the forecasts for FY 2020 and FY 2021 were shown to be stabilizing or increasing slightly to account for a change in the type of construction work being done, such as residential rather than non-residential. Mr. Nakamoto reiterated that the forecast was indicative of the Fiscal Division's forecasts in general in that the economic slowdown would impact many things, this particular sector included; however, growth was expected to continue, because there was still room for demand due to the current supply of existing houses. Despite current interest rates, people still wanted to purchase homes. He said, with non-single family and multi-family construction becoming an emphasis and non-residential also playing a role, growth was insignificant compared to three consecutive years of double-digit growth; however, there was still room for growth.

Mr. Leavitt said there were many variables that affected the RPTT. Interest rate changes responded quickly to changes in the economy, and people often bought homes when an economic downturn was anticipated. He said the Fiscal Division's forecast anticipated a 7% increase in the first year of the next biennium, when the economy was predicted to remain stable. He agreed with the 2.5% growth forecast for the second year of the biennium. Mr. Leavitt thought it might be best to use the Fiscal Division forecast for FYs 2019, 2020 and 2021.

Ms. Lewis agreed with Mr. Leavitt's comments. She said she was uncomfortable with 7% or 8% growth for the FY 2020 forecast. She said it was rare to see a large swing in the forecasts. Southern Nevada was beginning to experience land shortages, and the wage-to-home price was concerning. Consequently, she was uncertain which forecast to approve.

Chairwoman Rosenthal agreed it was a difficult decision, because there were many data inputs and conflicting market data. Land was rare and housing was expensive, but wages were increasing, the economy was thriving, and people still wanted to purchase homes. She said increasing interest rates should help reduce housing prices. Based on Moody's Analytics forecast for FY 2021, there may be a decrease in interest rates, wages may become stable, or there may be an unemployment factor. The actual dollars were not significant, which was helpful. Chairwoman Rosenthal said, as she understood Mr. Leavitt and Ms. Lewis, the higher percentages in FY 2020 were concerning. She thought it might be prudent to reduce the percentage slightly. Chairwoman Rosenthal believed there would be growth, and she was uneasy with declines in any of the fiscal years. She thought the Forum should moderate the forecast for FY 2020.

> MR. STRESHLEY MOVED THAT THE ECONOMIC FORUM APPROVE THE FISCAL DIVISION'S REAL PROPERTY TRANSFER TAX REVENUE FORECAST OF $106,932,000 IN FY 2019, A GROWTH RATE OF 5%, OR $112,279,000, IN FY 2020, AND THE FISCAL DIVISION'S GROWTH RATE OF 2.5%, OR $115,086,000, IN FY 2021.
>
> THE MOTION WAS SECONDED BY MS. LEWIS.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

G. COMMERCE TAX

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Guindon referred to TABLE 1, Estimates Based on Fiscal Year Activity Period – December 2018 Estimates (Exhibit H) and TABLES 1 and 2, Commerce Tax and Commerce Tax Credits Against the MBT - Actual and Forecast: FY 2017 – FY 2021 (Exhibit I). He said the Commerce Tax was still new to the state, especially in terms actual collections to be used for forecasting.

Mr. Guindon noted that TABLE 1 displayed Commerce Tax data for the fiscal year business activity period (Exhibit H). The figures included all collections reported in the fiscal year for the tax period, irrespective of the fiscal year the tax payments were made. He said the figures shown for FY 2016 and FY 2017 were actuals. The figures shown for FY 2018 remained unchanged from the November 2018 meeting. Additional collections were received, but the Department of Taxation, EBO and Fiscal Division staff agreed that the forecast should remain the same. Mr. Guindon said the figures may need to be adjusted in May 2019, but those adjustments would probably be insignificant.

Mr. Guindon said the far left column in TABLE 1 showed growth rates for FYs 2019, 2020 and 2021 (Exhibit H), based on Moody's Analytics November 2018 projected growth rates for Nevada Gross Domestic Product (GDP), including job losses. Staff thought Nevada GDP was a reasonable indicator, because it represented total Nevada output. The Commerce Tax tried to capture the gross revenue of all businesses, even businesses that did not have a formal physical presence or employees in Nevada, but still generated revenue in the state. The Fiscal Division provided alternate scenarios ranging from 6% to 5.5%, 5.5% to 5% and 4% to 3%. He noted that the grey column on the right side of the chart indicated the consensus by the Department of Taxation, EBO and Fiscal Division of 6% growth in FY 2019, 5% growth in FY 2020 and 4% growth in FY 2021, which was lower than the Nevada GDP projected growth rates forecast by Moody's Analytics. Mr. Guindon said 4% growth in FY 2021 with inflation of approximately 2.1% to 2.2% resulted in growth of approximately 1.9% to 2.0% in the underlying real activity for the tax base for the Commerce Tax.

Referring to TABLE 2 of the handout, Mr. Guindon said the Commerce Tax revenue was recorded in the fiscal year in which it was received (page 2, Exhibit H). Based on available collections data, the "95% / 5%" rule was used for the forecast, in that 95% of the revenue would be collected within the fiscal year and 5% would be collected in future fiscal years. The forecast realized 4.1% growth in FY 2019 and 3.8% in FY 2020, and annualized changes resulted in 4% growth in FY 2021.

Mr. Guindon referred to TABLES 1 and 2, Commerce Tax and Commerce Tax Credits Against the MBT (Exhibit I), which displayed the Commerce Tax for the current fiscal year activity period. With regard to MBT Commerce Tax credits, the table included the amount of credits taken against the MBT for the first quarter of FY 2019 as well as credits taken against the MBT for FY 2017 and FY 2018 based on the FY 2016 and FY 2017 Commerce Tax. He noted the amount of credits taken against the MBT for FY 2018 based on FY 2017 Commerce Tax was less than expected. Mr. Guindon said the forecast for the percentage of Commerce Tax credits that would be taken against the MBT for FY 2019, FY 2020 and FY 2021 would be 30%. The assumption was that 25% of the credits would be taken within the fiscal year period, and 5% would be taken in future fiscal year periods. In the November 2018 forecast, the forecast percentage for the tax credits was 33%. The decision to reduce the percentage to 30% in the December 2018 forecast was the result of lowering the percentage taken in future fiscal year periods from 8% to 5%. This was based on the current YTD information that lead staff from the Department of Taxation, EBO, and the Fiscal Division to conclude that the percentage should be lowered by 3% to 5% with the total percentage being 30%, not the 33% used in the November 2018 forecast.

If additional credits were taken against the FY 2019 MBT, then the forecast for FY 2019, as well as possibly FY 2020 and FY 2021, would have to be adjusted at the May 2019 forecast meeting, but it was not anticipated that the adjustment would be significant.

Mr. Guindon noted the forecasts for FY 2019, FY 2020 and FY 2021 for the Commerce Tax and the MBT Commerce Tax credits were presented in Table 2 on page 1 of the handout (Exhibit I). The consensus forecast approved by the Department of Taxation, EBO and the Fiscal Division for the Commerce Tax was $210,160,000 for FY 2019, $218,054,000 for FY 2020 and $226,880,000 for FY 2021. The consensus forecast for the MBT Commerce Tax credits was $59,213,000 for FY 2019, $61,861,000 for FY 2020 and $65,052,000 for FY 2021.

Mr. Leavitt said, unlike other taxes, Nevada had not experienced a recession since the Commerce Tax was enacted; therefore, he thought the Forum should approve the Commerce Tax estimates as presented.

> MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE COMMERCE TAX REVENUE CONSENSUS ESTIMATE OF $210,160,000 IN FY 2019, $218,054,000 IN FY 2020 AND $226,880,000 IN FY 2021.
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> THE MOTION WAS SECONDED BY MS. LEWIS.
>
> THE MOTION WAS UNANIMOUSLY APPROVED.

VI. REVIEW AND APPROVAL OF FORECASTS OF MINOR GENERAL FUND REVENUES AND TAX CREDITS FOR FY 2019, FY 2020, AND FY 2021 APPROVED BY THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) AT ITS NOVEMBER 28, 2018, MEETING.

Mr. Guindon discussed the forecast for the minor General Fund revenues as provided by the Technical Advisory Committee (TAC) on Future State Revenues (page 37, Exhibit A). TABLE 5 on page 37 of the meeting packet presented the TAC-approved forecast as well as the Department of Taxation, EBO and Fiscal Division forecasts for the “major-minor” General Fund revenues. TABLE 6, beginning on page 39 of the meeting packet, displayed the consensus forecast for all General Fund revenue sources that the Forum directed the TAC to prepare forecasts for (Exhibit A). Mr. Guindon stated that TABLE 7 summarized the tax forecast for FYs 2019, 2020 and 2021 and showed it on a biennial basis for the major-minors as well as the tax credits (page 49, Exhibit A).

Mr. Guindon said the main changes on TABLE 6 were due to the tax credits in terms of dollar amounts (Exhibit A). There were also minor changes to the table, because each forecaster used their regular forecasting process where forecasts were updated to account for the latest actual YTD collections, just like with the major revenue sources. He said the tables presented to the TAC, and ultimately the Forum, reflected minor changes of a few thousand dollars.

Mr. Guindon said changes were made to the forecasts for the minor revenue sources upon receipt of additional month of actual revenue for the monthly revenue sources and the first quarter for the quarterly revenue sources. Thus, the changes reflected a true up between the forecasted amount and actual collections. Subsequently, adjustments were made for many of the minor revenue sources in FY 2019. He said a base adjustment as well as a path adjustment to the forecast had to be made. Revisions were also made to Gaming Penalties and Advance License Fees due to additional actuals reported by the Gaming Control Board.

Mr. Guindon said there were slight changes to the Business License Fee, other Tobacco Tax and Liquor Tax. The most significant change was to Unclaimed Property, because additional YTD information became available (page 43, Exhibit A). The Fiscal Division was the leading factor in the upward revision. Because FY 2018 was a good year for Unclaimed Property, Mr. Guindon thought it was unlikely to happen again in FY 2019 based on the information set for the November 2018 Economic Forum meeting. However, Unclaimed Property for FY 2018 YTD was already tracking above the Fiscal Division forecast. Mr. Guindon explained that *Nevada Revised Statutes* required unclaimed property to be reported to the Office of the State Treasurer. The Office of the State Treasurer was then responsible for locating the rightful property owner. He said the Fiscal Division increased its Unclaimed Property forecast by approximately $10 million in FY 2019, which subsequently increased the average of the Department of Taxation, EBO and Fiscal Division forecasts. Thus, the Unclaimed Property forecast for FY 2019 was increased by approximately $2.4 million, and minor downward revisions were made to the forecast for FY 2020 and FY 2021.

Mr. Guindon said there was an upward revision of approximately $3.7 million in the FY 2019 forecast for all the revenues listed above the Tax Credit section, a downward revision of approximately $4.3 million for FY 2020, and a downward revision of approximately $5.2 million for FY 2021.

Mr. Guindon said there were substantial changes in the tax credit programs, specifically, Film Tax credits. The allowable amount of Film Tax credits per year was $10 million; however, any amount exceeding that could be carried forward and allocated in the following year. The Nevada Film Office provided information on film projects that were already awarded credits or in the audit process to be awarded credits. Additionally, the Nevada Film Office provided information on projects awaiting approval or projects that had been approved, but not yet awarded credits. Based on that information, the forecast for Film Tax credits in FY 2019 was approximately -$3.7 million in tax credits compared to -$10.0 million as previously anticipated (page 43, Exhibit A). The result of that change was $6.2 million to the positive. Thus, there was an upward revision of approximately $6.6 million for FY 2019 from tax credits and $3.7 million from the revenues. He said the forecast for FY 2020 was currently -$5.0 million for the Film Tax credits, which was a change of $5 million to the positive. Similarly, the FY 2021 forecast was currently -$6.0 million for the Film Tax credits, which was a change of $4 million to the positive. Mr. Guindon said the downward revision of -$4.3 million for the revenues and $4.6 million for tax credits resulted in a net change of $363,000 in FY 2020. The revenue portion for FY 2021 was reduced by $5.2 million, but due to approximately $4 million in tax credits, there was a revenue adjustment of -$1.2 million. Mr. Guindon said, overall, there was an upward revision of $10.3 million for FY 2019 and a net of approximately $800,000 for FYs 2020 and 2021 combined.

MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE TECHNICAL ADVISORY COMMITTEE FORECAST FOR THE MINOR GENERAL FUND REVENUE SOURCES OF $677,043,592 IN FY 2019, $692,747,752 IN FY 2020 AND $729,295,276 IN FY 2021.

THE MOTION WAS SECONDED BY MS. LEWIS.

THE MOTION WAS UNANIMOUSLY APPROVED.

The next agenda item was taken out of order.

IX. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

Mr. Guindon recommended that the Economic Forum meet on or before May 1, 2019, to approve the final revenue forecast report.

VIII. INSTRUCTIONS TO THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) CONCERNING THE GENERAL FUND REVENUE FORECASTS.

Chairwoman Rosenthal asked if Forum members had any recommended changes to the instructions given to the TAC in terms of which revenue sources to forecast. There were no recommended changes. The Forum instructed the TAC to continue to forecast the major-minors that were forecast in the meeting today.

Mr. Guindon said he would notify the TAC of the Forum's direction. He said the next TAC meeting would be scheduled in conjunction with the next meeting of the Economic Forum in April or May 2019.

Chairwoman Rosenthal called a recess at 11:52 a.m. The meeting reconvened at 1:21 p.m.

The next agenda item was taken out of order.

VII. APPROVAL OF THE ECONOMIC FORUM'S DECEMBER 3, 2018, REVENUE FORECAST REPORT.

Mr. Guindon referred to the handout titled *General Fund Revenues – Economic Forum December 3, 2018, Forecast* (Exhibit K), which tabulated the results of the Forum's decisions concerning the forecasts that were approved for FYs 2019, 2020 and 2021 for the major General Fund revenue forecasts under Agenda Item V and the TAC forecast under Agenda Item VI. The document would be included as an appendix in the Economic Forum's Forecast of Future State Revenues report (Exhibit L). Mr. Guindon noted that the forecast was incorporated into the text of the report as well as the chart on page 18 (Exhibit L).

Mr. Guindon referred to GL 3001, Sales and Use Tax on the first page of the table (Exhibit I), which was the 2% General Fund sales tax rate approved by the Forum. The four items that followed were referred to as the "General Fund commissions" and were not explicitly approved by the Forum as separate revenue forecasts; however, they would be approved when the overall forecast and report were approved. With regard to the first commission, Local School Support Tax (LSST), the Department of Taxation was required by law to withhold 0.75% of collections before distributing the funds. Likewise, the Department of Taxation was required to withhold 1.75% of the collections for the Basic City-County Relief Tax (BCCRT), Supplemental City-County Relief Tax (SCCRT) and other local optional sales taxes before making distributions to the appropriate statutory entities. Mr. Guindon said the final numbers in the Economic Forum's table could not be obtained without taking into account those commissions. He also noted that TABLE 5 and TABLE 6 in the meeting packet did not balance, because the minor revenues were not included in TABLE 5 (Exhibit A). Upon approval of the 2% sales tax forecast, staff calculated what the forecasts would be for the 0.75% and 1.75% General Fund commissions.

Mr. Guindon requested the Forum's permission to revise the chart on page 18 of the report to include verbiage indicating that the select revenues were a percentage of the total General Fund (Exhibit L).

Mr. Guindon reported that the total for the 2017-19 biennium, after tax credits and based on FY 2018 actuals and the revised forecast for FY 2019, was $8,244,210,048. The total for the 2019-21 biennium was $8,834,914,868, which was an increase of approximately 7.2%, or $590,704,820, compared to the 2017-19 biennium. He noted that the revised forecast of $4,225,498,592 for FY 2019 was approximately $149 million more than the Forum's forecast of $4,076,528,303 in May 2017.

> MR. LEAVITT MOVED THAT THE ECONOMIC FORUM APPROVE THE FORECAST OF FUTURE STATE REVENUES AND THE REPORT INCLUDING THE NOTED REVISION TO THE NEVADA GENERAL FUND REVENUES CHART.
>
> THE MOTION WAS SECONDED BY MR. STRESHLEY.
>
> THE MOTION WAS APPROVED UNANIMOUSLY.

X. PUBLIC COMMENT.

There was no public comment.

XI. ADJOURNMENT.

The meeting was adjourned at 1:31 p.m.

Respectfully submitted,

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Carla Ulrych, Committee Secretary

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Becky Lowe, Committee Secretary

APPROVED:

____
Chairwoman Rosenthal

Date:____________________________________

Copies of exhibits mentioned in these minutes are on file in the Fiscal Analysis Division at the Legislative Counsel Bureau, Carson City, Nevada. The division may be contacted at (775) 684-6821.