MINUTES OF THE MEETING OF THE
ECONOMIC FORUM
(NRS 353.226 – NRS 353.229)
DECEMBER 10, 2019

The meeting of the Economic Forum (created by Senate Bill 23, 1993) was held at 9:00 a.m. on December 10, 2019, in Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, with videoconference to Room 4100 of the Nevada Legislative Building, 401 South Carson Street, Carson City, Nevada.

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

ECONOMIC FORUM MEMBERS PRESENT IN CARSON CITY:
None.

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, Economist, Governor's Finance Office

EXHIBITS:
(Exhibit A) Meeting Packet and Agenda

I. ROLL CALL.
The meeting of the Economic Forum (Forum) came to order at 9:01 a.m. and the secretary called roll. The members attended the meeting in Las Vegas with the exception of Mr. Craig Billings (absent excused).

II. OPENING REMARKS.
Chair Rosenthal announced that Mr. Billings' had an excused absence, as his business duties did not allow him to attend the meeting. She welcomed those following the meeting, and emphasized that the Economic Forum (Forum) would not be considering or approving any revised revenue forecasts. Meeting objectives would focus on present

actions approved by the 2019 Legislature that impact General Fund revenue sources as well as the estimated revenue impact on the forecast approved at the Forum's May 1, 2019, meeting. Additionally, staff will address actual collections for FY 2019 compared to the Forum's FY 2019 forecast; provide a summary on the *Report on the Forecast Accuracy of the Economic Forum for Selected Revenues,* updated to reflect the results for FY 2019 and the 2017-19 biennium; and speak to informational items that are typically discussed at the December meetings of odd-numbered year. Mr. David Schmidt, Department of Employment, Training and Rehabilitation, Research and Analysis Bureau, will provide an update relevant to Nevada's employment outlook, and Mr. Jeff Hardcastle, State Demographer, Department of Taxation, will present his outlook on the state population. At the request of Chair Rosenthal, Mr. Hardcastle will also provide information on the 2020 Census.

III. PUBLIC COMMENT.

Chair Rosenthal asked for public comment from attendees in Carson City and Las Vegas. There was no public comment at either location.

IV. APPROVAL OF THE MINUTES OF THE MAY 1, 2019, MEETING.

MR. LEAVITT MOVED FOR APPROVAL OF THE MINUTES OF THE MAY 1, 2019, ECONOMIC FORUM MEETING.

MR. STRESHLEY SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

V. PRESENTATION ON THE STATE EMPLOYMENT OUTLOOK.

David Schmidt, Chief Economist, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation

Mr. Schmidt, Chief Economist, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation, maintained that the state employment outlook was positive and continued to add jobs. In October 2019, total nonfarm employment showed an increase of 30,000 jobs over the year, which was less than the 40,000 to 50,000 jobs typically added annually since 2014. The 2.2% growth over the year compared to 3.0% growth since 2014 still puts Nevada in a minority of states that grew faster than the nation's 1.4% growth.

Mr. Schmidt reported that job growth in the U.S. has been on a declining trend over the last several months, dropping from about 2.0% growth in October 2019 to 1.4%. He said the national trend has fluctuated since coming out of the recession, but has slowed overall. He acknowledged the professional and business services sector as having the most rapid job growth over the last 12 months, followed by construction, as seen charted on page 48 (Exhibit A) of the meeting packet. The chart showed broad growth across a number of industries versus a single sector carrying the slower sectors.

Mr. Schmidt stated Nevada's unemployment rate measured 4.1% in October 2019 and has been consistent for several months. Nevada's unemployment rate was down 0.3% from 4.4% a year ago, and sat slightly above the U.S. unemployment rate of 3.6%. He noted Nevada's all-time low unemployment rate was 3.8%.

Mr. Schmidt conveyed that the state's unemployment insurance benefits system provides a window to the state's unemployment because it gives a comprehensive look at a particular group of people, specifically those who are filing for unemployment benefits. For context, in Nevada, approximately 17,000 people claim unemployment benefits per week compared to a total unemployed population of approximately 61,000 people.

The number of new unemployment insurance (UI) claimants in Nevada has fallen steadily since 2009/2010 and has reached nearly 10,000 claims per month on average, which is the lowest number seen relative to the size of the state's employment base. Mr. Schmidt communicated the same trend was true for the U.S., as the total initial weekly claims for unemployment benefits at the national level were near four-week average lows that had not been seen since the 1960s/1970s. He emphasized that the U.S. population was much larger today than it was 50 years ago.

Mr. Schmidt said he utilizes the state's UI claims to research the volume of people who are collecting UI benefits as well as the active duration periods in terms of the number of weeks collecting. He assumed that if the labor market turned south, those unemployed for a longer period would have more difficulty finding work. However, UI benefit aging reports showed a slow, declining pace of those filing claims with no increased trend of those collecting requiring longer durations of unemployment. The data showed no break in trend in terms of the unemployed population, no shift in the labor market, and no indication that jobs were harder to find.

Mr. Schmidt communicated that alternative measures of labor underutilization give better insight into the unemployment picture. He explained that unemployment rates are derived each month from the Current Population Survey (CPS). The survey data measures people who are unemployed as well as tracks specific measures such as those who have been unemployed at least 15 weeks or have lost their job as opposed to entering the workforce or are between jobs, or have moved to the area and are looking for their first job. Mr. Schmidt said some definitions of underutilization are more restrictive (U1 and U2) and some are more expansive (U4 and U5), such as those unemployed who have not looked for work in the last month because they do not believe there is work available or because they are in school or taking care of a family member.

Mr. Schmidt reported that the number of people unemployed 15 weeks or longer (U-1 Alternative Measure) rose from 1.4% of the total labor market in 2018 to 1.5% in 2019, but all other alternative measures showed declines (page 52, Exhibit A). Discouraged workers (U-4) have trended down from 2015, and marginally attached workers have been flat or down slightly compared to other periods in Nevada's unemployment recovery period.

The number of people who are part-time workers for economic reasons, but want to work full time, has also seen large declines. Mr. Schmidt indicated that about 80% of the people who worked part time voluntarily chose to for noneconomic-related reasons, maybe to have more flexibility or to supplement family income. He noted the 80% statistic closely matched part-time worker statistics from the 1995 to 2008/2009 timeframe. Coming out of the recession, three out of five people worked part time by choice versus four out of five people today. He said that part-time employment is significant in Nevada. Although it rose during the recession, it never really fell from that point whereas full-time employment in the state has been on a steady rise and has reached peak levels.

Mr. Schmidt explained that the overall unemployment rate was at 4.1%; however, considerable variation within various demographic groups was apparent across the state. He referred to the maps charted on page 56 (Exhibit A) of the meeting packet, and explained that the highlighted regions were based on three criteria: 1) demographic groups that have an unemployment rate that doubles the county rate as a whole for which the group is located; 2) demographic groups with unemployment that measures 4.0% higher than the county as a whole for which the group is located; and 3) demographic groups with unemployment that measures higher than the county as a whole for three consecutive years. Groups that met at least one of those criteria, which were present in at least ten counties in the state (highlighted in red), represented the highest rates of unemployment compared to the county as a whole. The groups include the following: people age 16-20, people age 20-24, people age 75 and older, the American Indian population (in almost every county in the state), people who are below poverty level, people who have a disability, and people who have a high school degree or equivalent, or less. Mr. Schmidt stated these groups have the highest potential value for businesses to recruit from to fill jobs in Nevada's strong labor market.

Annual statewide job growth was down from 3.0%, or 40,000 jobs, to 2.2%, or 30,000 jobs. Mr. Schmidt stated that further analysis directly related to specific industries within the economy along with monthly employment estimates negated any concern from him personally. His research concluded that the decline in jobs was not due to sectors of the economy losing jobs and pulling the number down, instead it was rationalized by a growth picture that pushed the number of jobs up to where Nevada was the fastest-growing state in the nation for twelve months in a row. Driving that growth were expansions that have since occurred and baked into the picture. Mr. Schmidt referred to the total statewide nonfarm employment trends charted on page 58 (Exhibit A) of the meeting packet. He pointed out the black line representing the current change in employment, the red line representing the one-year growth average, the gold line representing the three-year growth average, the dark shading representing three-year low and high values, and the light shading representing ten-year low and high values. The way the numbers lined up with trends for statewide total nonfarm employment implied that current total jobs (black line) was at the top of every trend, higher than one-year and three-year averages, and was at the peak of three-year and ten-year highs. Mr. Schmidt noted current total statewide nonfarm employment change (page 59) was trending in the 40,000 jobs range; however, the level of current jobs was the lowest seen in a while.

Mr. Schmidt provided additional input pertinent to specific major industry sectors.

- Durable Goods Manufacturing: Many companies added jobs in this sector from 2015/2016 to the present, but those companies are no longer in the rapid expansion phase and have already baked those jobs into the picture. Total employment was largely flat over 2019, and jobs were added at a much lower level than the 7,500 jobs added during its peak a little over a year ago (page 60, Exhibit A).

- Administrative and Support Services: These business/support type services include temporary help workers or call centers, things of that nature. A year ago, an upward shift occurred that increased jobs by 10,000 in this sector to 110,000 jobs. Since then, growth has leveled off and jobs have been growing at a much slower rate.

- Healthcare and Social Assistance: Job growth in this sector was steady for a long time, but a dramatic shift occurred in 2019 from 6,000 added jobs to a potential loss of jobs. Mr. Schmidt explained that DETR's employment trend statistics captures data from two resources, including monthly estimates produced relative to different industries across the state, based on a monthly survey conducted through the Current Employment Statistics (CES) program, and the quarterly data and estimates derived from unemployment insurance records specifically from employers that file quarterly unemployment insurance tax forms. He said although the later resource is very detailed and helpful, a six-month lag occurs in the reported data. Monthly estimates receive adjustments at the end of each calendar year to match shifts in concept. Mr. Schmidt noted, because of the six-month lag in data, those two resources could potentially tell a slightly different story.

Mr. Schmidt introduced charts showing projected top-growing industries, beginning on page 66 (Exhibit A) of the meeting packet, that compared actual second-quarter employment data for 2019 and DETR's employment projections, which were based on a similar series for all of the industries listed. The results were as follows:

- **Accommodation Employment:** DETR projected an increase in jobs, but some jobs were lost between the second quarter of 2018 and the second quarter of 2019
- **Food Services and Drinking Places Employment:** Measured slightly above DETR's projections
- **Specialty Trade Contractors Employment:** Construction industry employment in general exceeded DETR's expectations
- **Professional and Technical Services Employment:** Exceeded DETR's expectations
- **Ambulatory Health Care Service Employment:** Jobs grew faster than expected while hospital employment was on trend
- **Warehousing and Storage Employment:** Measured slightly above trend

Mr. Schmidt conveyed that the two industries that made up roughly three quarters of Nevada's total health care employment were at or above DETR's expectations, yet the CES monthly employment estimates reflected that healthcare and social assistance employment as a whole had slowed down significantly. He believed the monthly CES numbers were the best data resource, but looked forward to receiving the next comprehensive data set from the six-month lag to find out if that slowdown continued. Mr. Schmidt referred to the CES trend on page 65 and pointed out the shift that already occurred in healthcare and social assistance employment prior to the beginning of 2019. He said if a downward shift was occurring, it would be reflected in the second quarter of 2019 (black line), and because it had not, it led him to believe that something less-concerning was going on in the data.

Mr. Schmidt summarized that many Nevada industries grew from May 2019 to December 2019 with not much of a downward shift in employment; therefore, DETR had little reason to change their employment projections. The following industries were noteworthy based on second-quarter data:

- **Transit and Ground Passenger Transportation Employment:** Down largely because of the taxi industry. More jobs were lost than expected, particularly in Las Vegas, due to the competition from transportation network companies. Jobs were down from 10,000 jobs to about 6,000 jobs.
- **Clothing and Clothing Accessories Stores Employment:** A slowdown occurred in several retail industries, including clothing, food and beverages, etc. compared to previous trends, specifically in the second quarter of 2019.
- **Electrical Equipment and Appliances Employment:** This industry reflects durable goods manufacturing employment based on the monthly CES data, which produced less jobs than projected. DETR's 2-year ahead projection captured how a small number of employers could affect a large swing in employment.
- **Mining Employment:** No large shifts occurred, but produced slightly less jobs than DETR projected.

Mr. Streshley asked if the considerably low construction employment, below pre-recession levels, was due to a labor shortage and the constraints with getting qualified workers in the state.

Mr. Schmidt replied that back in 2005/2006, the construction industry represented 10.0% of Nevada's total economy versus 6.0% to 7.0% today. He said the opportunity exists for more jobs; however, difficulty finding qualified workers was common across the state in both urban and rural areas. He noted specialty trade contractors in Nevada measure in the 70,000 range today compared to 100,000 prior to the recession. The industry as a whole had 150,000 jobs prior to the recession, 50,000 jobs in the depth of the recession, and 100,000 jobs currently. The construction industry is still 50,000 jobs short of where it was in 2005, and with a considerably larger economy. Mr. Schmidt stated that he did not expect construction to return to 2005 levels as its share of the economy, but thought there was room to grow because of the infrastructure needed to accommodate growth in Nevada.

Mr. Leavitt asked Mr. Schmidt if he could identify the industries associated with the UI claims.

Mr. Schmidt stated that he did not have details that correspond with the mix of claims. He said jobs associated with shifts, seasons, on call, or intermittent work tend to have a higher concentration of people receiving unemployment benefits, which include jobs in construction, food and beverage, retail, etc. He said the unemployment insurance system requires a person to have a sufficient level of prior wages within a certain amount of time to qualify for benefits so, depending on the time of year, maybe 50% to 60% of those people filing a claim actually receive unemployment benefits. About one out of three people exhaust their unemployment insurance benefits.

Ms. Lewis observed the downward trend in transit and ground passenger transport employment and asked where Uber and Lyft drivers fit in the mix. She questioned if cab drivers had transitioned to Uber or Lyft drivers.

Mr. Schmidt clarified that independent contractors are not included in nonfarm employment numbers because they are not employees. He said the only way to target the independently working population is by survey. Surveys exist that try to pick up employment by household employment versus industry-based employment, but they show very different pictures and are not detailed enough to identify which ride-hailing company someone works for. He said surveys provide more of an estimate of every person who lives in the state who is working rather than by every filled job in the state.

Chair Rosenthal asked if any Tesla-like projects were on the horizon that could potentially reduce the unemployment rate.

Mr. Schmidt responded that he was unaware of any single project that would have a huge impact on jobs. He acknowledged Resorts World in Las Vegas, scheduled to open in 2021, that would help hotel/casino employment; however, the long-term trend for that industry as a whole was flat. He expressed uncertainty as to whether that project would actually add new jobs or merely change the allocation of existing jobs.

Chair Rosenthal stated that many reports project a large influx of people moving to Nevada from neighboring states and elsewhere. She questioned if those migrants will be included in DETR's unemployment outlook if they do not qualify to claim benefits under Nevada's UI system.

Mr. Schmidt said DETR compiles their unemployment data through various resources. The survey data collected by the U.S. Census Bureau in cooperation with the Bureau of Labor Statistics' Current Population Survey (CPS) samples about 800 to 900 households in Nevada and tends to be slightly volatile. Additional information gathered from unemployment insurance claimant estimates of current monthly employment, as well as interstate factors, helps produce an estimate of the number of unemployed people in the state. He said data is inputted from the Nevada UI benefits system, as it is personally collected from the claimants and depicts detailed information about the claimant. He confirmed that DETR included migrants from other states in their estimates, because although there are people who live in one state and file for benefits in another state, that information is all part of the total picture.

Mr. Streshley stated one of the goals coming out of the recession was to add new industries, specifically industries with higher average wages. He asked if that had occurred and if those new, high-paying jobs "moved the needle."

In response, Mr. Schmidt commented that the state's goal is to diversify in terms of industry; however, diversification takes time. For example, if the leisure and hospitality industry suddenly dropped employment from an upward of 300,000 jobs to 150,000 jobs, the state would endure a large impact because that industry represents a large share of Nevada's total economy. If a sector with 5,000 employees grew to 10,000 employees, compared to a much larger industry such as leisure and hospitality, the needle would move slowly. Therefore, growth needed to occur in other industries to make an impact. He referred back to the chart on page 48 (Exhibit A) of the meeting packet and explained that while leisure and hospitality added a large number of jobs (6,100), the industry only grew by 1.7%, whereas construction grew 11.9%; professional and business services grew 6.0%; and manufacturing grew 10.0%, which are all considered diversified industries. He reported that employment growth varied depending on the type of industry and occupation. Observations indicated there has been some growth in jobs that pay average wages (above minimum wage); large growth in jobs associated with food services and drinking establishments, which pay low wages because they are such a large industry; and considerable growth in a number of different industries and occupations that pay high wages. He reiterated that diversification was good and was moving in the right direction; however, diversification will not push average wages up at a fast pace.

VI. PRESENTATION ON THE STATE POPULATION OUTLOOK.

Jeff Hardcastle, State Demographer, Department of Taxation

Mr. Hardcastle, State Demographer, Department of Taxation, communicated that state law requires a 20-year, long-range population projection be released every year on October 1. He reported the assumptions and underlying data were essentially the same in the 2018 and 2019 population projections, with one exception. The 2018 projection used the Regional Economic Models, Inc. (REMI) model, which allowed for the housing price shock in 2017, whereas the 2019 projection did not incorporate a housing price shock. Mr. Hardcastle explained that he used Reno housing prices in 2018 to shock the model and as a result, home prices dropped rapidly in the following year but then recovered because the prices appeared much lower relative to the nation, which drove up migration quite dramatically. He noted that Reno's housing price situation relative to the nation does not quite fit into how models work at times and can give at best noisy, if not odd results.

When comparing the 20-year population estimates released in 2018 and 2019, Clark County's population came in slightly lower in the 2019 estimate; Washoe County came in 46,000 people higher in the 2019 estimate; and Lyon County's population came in over 11,000 higher in the 2019 estimate. Mr. Hardcastle attributed the population increase in the 2019 projection to recent historic data from 2016 and 2017, specifically influenced by commuting patterns between Washoe, Carson City, Douglas, Lyon and Storey counties. Additionally, Nevada Copper's Pumpkin Hollow project, located in

Lyon County, likely contributed to the increased population via mining employment. He referred to the population growth chart on page 75 (Exhibit A) and stated the annualized growth rate going out 20 years was less than 1.0%, but the near-term growth rate was much higher. He said overall levels in population projections over the past seven to eight years had been stable and foresaw nothing in the future that would change those levels.

Comparative historical research in the Census Bureau's growth rate estimates showed population change from 2014 through 2018 averaged 1.90%, with the highest rate of change occurring from 2017 to 2018 at 2.10% (page 76). Other average rates of growth through 2018 included school enrollment population at 1.24%; Nevada Energy premise counts at 1.68%; Gross Domestic Product (GDP), as reported by the Bureau of Economic Analysis, at 2.7%; and employment change at 3.3%. Mr. Hardcastle stated the different growth rates appeared disconnected and puzzling.

Based on Census Bureau estimates, Mr. Hardcastle reported that since 2014, an upward shift occurred in the GDP per capita, but a downward trend occurred in the GDP per worker since 2015. He said the disconnect between GDP per worker and GDP per capita was unique to Nevada, as the surrounding states of California, Oregon, Idaho, Utah and Arizona reported upward trends in both scenarios.

Mr. Hardcastle referred to the long-term trend for U.S. population growth on page 78, provided by Bill Frey at the Metropolitan Policy Institute, and communicated that the projected population growth rate showed a slow down over time due to demographics of an aging population, a lowering birth rate, and a long-term slowdown in international migration.

Mr. Hardcastle stated that annual labor force statistics from the Current Population Survey date back to 1981. The CPS data collection showed that working people who move from one house to another peaked in 1985 and declined over time. He said the percentage of people moving across state lines peaked in 2000/2001, hit a low in 2010, and has trended upward since, but at levels lower than seen between 1981 and 2001. He attributed the decline in total movers and interstate movers to an aging population and the fact that people were locked into their housing and job situations and were not being forced to move across state lines for economic opportunity.

Mr. Hardcastle referred the members to page 80 (Exhibit A) of the meeting packet. He explained that the most recent Census Bureau population estimates for 2018 showed net migration across the state of approximately 50,000. For Washoe County specifically, county-to-county migration data provided by the Internal Revenue Service (IRS) showed a consistent upward trend in migration since 2011. In 2017, the American Community Survey (ACS) data from the Census Bureau showed a net out-migration from Washoe County, whereas the Census Bureau's population estimates reflected a net increase in population of approximately 5,200 migrants. For 2018, the Census Bureau's population estimates for Washoe County assessed net migration at approximately 5,000 migrants compared to the ACS data of approximately 2,500 migrants. Mr. Hardcastle said the disconnection between the ACS data and the administrative record data used by the Census Bureau fell in the neighborhood of reasonableness despite their differences.

Nevada's population by select age groups from 2014 to 2018 supports an aging population. Relative to changes in total population, much of the growth occurred in the 55 to 64 years of age range and 65 and over population. He said the aging population was something to be aware of regarding consumption patterns and the need for public services moving forward.

Mr. Hardcastle guided the members to the chart on page 82 (Exhibit A) that provided a comparison of the median age in all 17 Nevada counties to the national median age, using 2000 and 2016 as base years. The small, rural counties were aging must faster than both the rest of the state and the rest of the country, while a number of counties were catching up to the national median age.

Mr. Hardcastle indicated that migration was not a one-way street in Washoe County. He referenced the chart on page 83 and acknowledged the significant statistical differences in terms of in-migration (solid green and blue lines) in 2011 and 2014, as well as the level of out-migration (broken green and blue lines) in other years.

Cost-burden households are those paying more than 30% of their income for housing. The chart on page 84 showed a cost-burden comparison between Washoe County and Santa Clara County (Silicon Valley). Mr. Hardcastle stated that, per ACS data, the cost burden from Washoe County rental households peaked in 2012, whereas the cost burden in Santa Clara County had increased over time. He observed a downward trend in both counties in terms of owner-occupied units; however, the cost burden in Santa Clara had leveled. Mr. Hardcastle explained that household burden from owner-occupied units differed between the two counties, and that the downward trend supported by the ACS data was impacted by factors such as length of occupancy, refinancing, and income. He noted Santa Clara County household cost burden received a larger impact on the rental side.

The National Low Income Housing Coalition (NLIHC) issued a report that determined rental housing costs in Nevada's geographical region were lower than rents in the coastal area of California, but relatively higher than in other parts of the region and comparable to other parts of the country. Nevada ranked 24 among states across the country for rent affordability with a state housing wage of $18.59 per hour. Mr. Hardcastle noted the NLIHC performed an extensive analysis of rental costs by state and by county, but did not identify driving factors of high-cost rents specific to the various regions.

Chair Rosenthal asked Mr. Hardcastle to present his 2020 census overview for Nevada.

Mr. Hardcastle stated that he serves in multiple positions, including Chair of the Federal-State Cooperative for Population Estimates steering committee; state liaison identified by the Governor's Office for the decennial census; and State Data Center affiliate. He has worked with the Census Bureau since 2015 as the Federal-State Cooperative for Population Estimates' (FSCPE) contact in Nevada to help plan state activities and inform residents of Census Bureau activity.

Mr. Hardcastle summarized the importance of the census.

- Representation: To allocate members in the House of Representatives. In 2000, Utah claimed that it was shorted a congressional seat to the State of North Carolina over the difference of 856 persons. The case went to federal court.

- Federal Fund Allocation: Nevada received $6.1 billion or $2,086 per person in FY 2016 from the 52 largest federal programs that distributed funds based on the decennial census, per George Washington University, *Counting for Dollars*.

- Decision Making: During Nevada's 2019 Legislative Session, school enrollment projections differed by between 500 and 3,000 pupils.

- State Funds Allocation: Tracked Consolidated Tax (CTX) excess distribution of $79.0 million in 2019 and $1.9 billion between 1999 and 2011.

- Knowing Ourselves: KIDS COUNT, The Children's Cabinet (specific to Nevada) and Southern Nevada Strong are nonprofit organizations that directly affect the well-being of children, supported through scholarships and grants. The census provides 72 years of records available for family history and genealogy purposes.

- Civic Fabric: Article 1, Section 2 of the Constitution of the United Sales.

Mr. Hardcastle communicated that 2020 census activities, both statewide and nationally, began January 20, 2019, and ran through December 20, 2019. The activities included recruitment efforts for infield address canvassing and peak operations, as well as the launch of the national advertising campaign. He announced that the "Awareness Phase," scheduled to begin on January 20, 2020, would include the rollout of national web-based public service announcements, followed by the "Motivation Phase" in March 2020. Census notices and forms are scheduled to arrive in the mail around March 12, 2020; however, April 1, 2020, or "National Census Day," is the key reference date used when completing the census, meaning all census responses should include everyone living in that home as of April 1, 2020. Following these milestone dates will be the release of the 2020 Census Detailed Operational Plan for the Update Leave Operation, the Group Quarters Enumeration, and the Transitory Location Enumeration. Mr. Hardcastle noted the Census Bureau was recruiting volunteers to perform non-response follow up during the "Reminder Phase," which will require door-to-door canvassing to seek data from those who do not respond to the census (May through July).

Mr. Hardcastle conveyed that the Census Bureau conducted the Census Barriers, Attitudes, and Motivators Study in 2008 and 2018. In 2008, 86% of the population across the country said they were likely to respond readily upon receiving the census form; however, only 76% readily responded. In 2018, only 67% of the population said they would readily respond, which raised concern. Another difference since the 2010 census is that census management for Nevada transferred from the Denver Regional Office to the Los Angeles (L.A.) Regional Office. Mr. Hardcastle indicated that the two regional offices function differently in terms of their partnership programs, as the L.A. office strictly looks at community partnership people who not only reach out to governments, but also communities of color, homeless communities, the LGBTQ community, and other groups that may traditionally be hard to count. In 2010, there were three census offices located in Clark County and one office in Washoe County, whereas in 2020 there will only be two census offices located in Clark County. Up until recently, operations were running primarily out of the Census Bureau's office in Riverside, California. Mr. Hardcastle explained that operations have transformed from infield address canvassing, where field representatives go door-to-door to verify addresses prior to conducting the census, to in-house address canvassing where addresses are verified using electronic techniques and other clerical methods. A significant number of Nevada's population lived in daily, weekly and monthly hotel units during the 2010 Census that were identified in the Group Quarters Address Listing phase. National address lists will be used during the 2020 Census to develop those group quarters address listings rather than enlisting door-to-door infield address canvassing. Other changes include in-person supervision moving toward remote supervision through an iPhone application and/or other electronic means, and a transition from questionnaire assistance centers at local public libraries to mobile centers. Additionally, the state will incorporate Non-ID Administrative Record Reliance in 2020 using the Internet as the primary means to collect household data. Mr. Hardcastle noted Nevada's 2010 Census resulted in a net undercount of -0.04%, based on a post-enumeration survey generated by the Census Bureau as follow up to the census.

Mr. Hardcastle communicated that every ten years the decennial census occurs to determine the number of people living in the U.S. and serves as the foundation for a number of other factors during the decade. The census is part of the annual population estimates done by both the Census Bureau and the State of Nevada, which impacts potential information on employment and labor force measures (ACS), as well as national state information on migration and movers (CPS).

Although the 2020 Census will be Internet-driven, approximately 24,000 households across the state are in update leave, meaning the majority of the housing units do not have mail delivered to its physical location or the mail delivery information for the housing unit is unidentifiable. Neighborhoods without Internet access will receive their questionnaire through the mail via update leave, which requires a census representative to travel to the household and drop off the form as well as record the address using the Global Positioning System (GPS). If the bureau does not receive a response, a non-response follow up will occur to make sure the information from that household or housing unit is input into the Census Bureau's system. Mr. Hardcastle stated that update leave impacts a lot of rural communities, especially Elko, White Pine, Humboldt, Eureka, Lander and Lincoln counties as well as Clark County, particularly in Bunkerville and the Moapa Valley.

Mr. Hardcastle identified possible risks pertinent to the 2020 Census. He said the Census Bureau has been impacted by the sequester process, which caused delays in the testing of operations and the fine-tuning of operations, as well as elevated staffing issues. There were cyber security concerns raised by the Office of Inspector General, U.S. Department of Commerce, as well as the bureau's general accounting office.

He said staffing presents an issue as the Census Bureau is recruiting for non-response follow up with assistance from state and local governments, yet there is still the potential risk of a government shutdown. Mr. Hardcastle relayed that the Census Bureau was somewhat impacted by a government shutdown during the early stages of 2020 Census operations; however, the decennial census was tied to separate funding that stayed in place. He said Census Bureau staff from the population estimates branch were limited to working four hours per day, which disrupted the continuity of operations and preparation for the 2020 Census.

Mr. Hardcastle indicated that survey data implied people who pursue a higher education are more likely to submit an online response to the census and older people are likely to respond via the paper questionnaire. Those results combined with the fact that over 178,000 homes in Nevada do not have internet access could affect census responses.

Mr. Hardcastle said the table on page 99 detailed the various languages spoken within Clark County households, and were ranked by the ability to speak English. He indicated that Nevada consists of a large Spanish-speaking population, and the number that speak English "less than very well" was manageable.

According to research performed by the Census Bureau, less than 50% of governmental entities are not trusted, across all jurisdictional levels, by the people. The bureau expects that it will be much harder for governments to encourage the population to respond to the census as a trusted voice; therefore, the bureau established partnership programs to with faith-based community leaders, non-profits, and other civic organizations to encourage response to the 2020 Census.

The Census Bureau identified nationally hard-to-count groups that tend to be the least likely to respond to the census, which included veterans, people with disabilities, farm workers, homeless, immigrants or foreign born, senior citizens, non-English speakers, and children under five. Mr. Hardcastle explained that today's complex households contribute to the undercounted children under the age of five. As an example, he said a mom and her kids might be temporarily living with grandparents so the grandparents do not think to include the children when responding to their census questionnaire; therefore, the census does not capture that subfamily unit. Mr. Hardcastle explained that demographic analysis determines how the U.S. population has grown and changed over time through the demographic processes of birth, death, migration, etc. He said long-term population of demographic history dates back to the 1930s and is used in comparisons to census results over time.

The Census Bureau identified hard-to-count areas based on response rates from the 2010 Census. Mr. Hardcastle conveyed that Nevada had lower response scores than the nation as a whole with a higher distribution, which indicated that Nevada's population was less likely to respond to the census.

Mr. Hardcastle explained that misinformation and disinformation proposes a challenge to the census.

- Misinformation is a trade-off in resources and outreach. Some people are misinformed about the concept of "usual place of residence" and "residence rules," which are critical terms when filling out the census questionnaire. Mr. Hardcastle defined usual residence as the place where a person lives and sleeps most of the time on or around Census Day (April 1), which is not necessarily a person's legal address or voting residence. Examples of living arrangements that sometimes get miscounted include people with a seasonal residence (snowbirds), college students living in dormitories versus at home with their parents, and people at transitory locations such as daily, weekly, or monthly motels or hotels.

- Disinformation is intended to mislead and can drive down response rates. Examples include direct mail solicitations that mimic a census questionnaire not affiliated with the Census Bureau that trick people into thinking they have filled out the real survey. Questions on the survey associated with citizenship may cause reluctance to respond or people in the immigration process may fear their lack to respond could upset the process of becoming a permanent resident (page 103, Exhibit A).

Mr. Hardcastle conveyed that local governments have been engaged in census activity over the past couple of years primarily through the Local Update of Census Addresses Program (LUCA). The LUCA allows local governments to review and comment on the U.S. Census Bureau's residential address list for completion and accuracy prior to Census Day in an effort to ensure an accurate decennial census count for their communities. He confirmed there was complete coverage of the state, with spot checks done for Esmerelda and Lander counties. No major areas were missing. He noted significant changes across the state, and that Nevada governments continue to participate in the LUCA program.

The State of Nevada allocated $788,400 to help promote a successful count within its borders for the 2000 Census. For the 2010 Census, funding allocations incurred upward adjustments for inflation to $961,000. For the 2020 Census, the state allocated $5.0 million to support outreach and education activities in an effort to get an accurate tabulation of the state's population.

The establishment of Nevada's Complete Count Committee occurred April 1, 2019, and the state hired Kerry Durmick as the statewide coordinator. Mr. Hardcastle indicated that the engagement of civic and nonprofit organizations occurred early on in 2020 census activity. Silver State Voices, a consortium with 15 nonprofit groups in the state, was researching methods to promote census participation; the Nevada State Data Center program, a service of the Nevada State Library, Archives and Public Records, was providing training and technical assistance regarding accessing and using census data; and the Nevada Census 2020 website was established at census.nv.gov. Mr. Hardcastle encouraged the members of the Forum to promote census job opportunities.

VII. PRESENTATION OF THE TAX CHANGES APPROVED BY THE LEGISLATURE DURING THE 2019 SESSION AND THE ECONOMIC FORUM MAY 1, 2019, FORECAST FOR FY 2020 AND FY 2021, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2019 SESSION.

Mr. Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, directed the members to the Economic Forum revenue forecast table on page 109 (Exhibit A) of the meeting packet. He said that on May 1, 2019, the Forum approved a set of forecasts and sent them to the Governor and members of the 80th Legislature for the legislative process. Throughout session, there were bills passed by the Legislature and approved by the Governor that created an impact to General Fund revenue sources, which required staff from the Fiscal Analysis Division, and sometimes the Budget Division, to estimate the impact of that legislative action and adjust the revenue forecast for the applicable General Fund revenue source. The table on page 109 reflects the Forum's May 1, 2019, forecast, approved by the Forum, including adjustments for legislative actions.

Tables 1, 2 and 3, beginning on page 118 (Exhibit A), account for the Forum's decisions made regarding the General Fund revenue sources for which the Forum is legally required to prepare forecasts for, as well as the tax credits (TABLE 1) and adjustments for legislative actions (TABLE 2). TABLE 3 ties TABLES 1 and 2 together. Mr. Guindon stated that all of the tables under this agenda item were included in the 2019 Appropriations Report, a report compiled and distributed by the Fiscal Analysis Division that provides a summary of legislative budgetary and taxation actions taken by the Nevada Legislature during the 80th Legislative Session. He conveyed that the 2019 Appropriations Report was posted on the Nevada Legislature's website, and that hard copies were available upon request.

Mr. Guindon focused on TABLE 2 (page 122, Exhibit A) and provided a summary of the adjustments made to the Economic Forum's May 1, 2019, forecast for the 2019-21 biennium for measures approved by the 2019 Nevada Legislature.

Several items listed on TABLE 2 affected sales and use tax as well as the General Fund commissions that come from various other rates deposited in the State General Fund. The revenue impact listed was a result of the passage of Assembly Bill (A.B.) 445, also referred to as the Marketplace Facilitator Bill. Mr. Guindon recalled the Wayfair decision by the Supreme Court regarding online sales tax laws passed by the State of South Dakota. He communicated that the ruling allowed states to mandate businesses at a specific retail level, without a physical presence in a state and with more than 200 transactions or $100,000 in-state sales, to collect and remit sales taxes on transactions in that state. Mr. Guindon explained that A.B. 445, effective October 1, 2019, requires marketplace facilitators, such as EBay, Amazon, and Etsy, to collect sales tax on sales made by third-party retailers that those marketplace facilitators are in contract with. If the marketplace facilitator meets the safe harbor provisions, which is the $100,000 in sales or 200 transactions, irrespective of whether the third-party retailer meets the safe harbor of $100,000 or 200 transactions, the marketplace facilitator is required to collect the sales tax on that third-party retailer's sales made on their website.

The passage of A.B. 445 requires the Fiscal Analysis Division to provide an estimated revenue impact for the 2% State Sales and Use Tax for the 2019-21 biennium. Mr. Guindon said estimated increases for the 2% State Sales and Use Tax totaled approximately $16.5 million for FY 2020 and approximately $22.0 million for FY 2021. The estimated amounts were based on information provided in confidence by a few marketplace facilitators and the Department of Taxation. Mr. Guindon indicated that verifying the margin of collections expected is a challenge because many online retailers fall in the NAICS 454 category, which is "non-store retailers." Online sales can be complex, as stores such as Best Buy offer online sales that either deliver to a store's physical location or ship to a home address. It can be difficult for staff to track online sales versus sales in brick-and-mortar stores as the associated NAICS codes can differ. Additionally, a store could file different returns for in-state sales versus out-of-state sales. Data pertaining to online retailers under the Wayfair regulation provisions put in place on October 1, 2019, is accessible through the Department of Taxation. In terms of payments and reporting, sales tax filings for the October 2019 business activity were due to the Department of Taxation by late November 2019. Reports from the Department of Taxation would not be accessible until December 2019, thus no information pertaining to actual collections generated from online sales due to A.B. 445 was available to staff at this time. He said the Fiscal Analysis Division will continue to monitor the impacts of A.B. 445 and will report all observations going forward without getting into any confidentiality issues of proprietary information.

Mr. Guindon reiterated that capturing sales tax from online sales was about equalizing the playing field in terms of the competitive advantage online retailers had over brick-and-mortar stores.

Mr. Guindon turned his focus to flat fees for restricted and non-restricted slots. He said statutory provisions require $2 per slot machine from the quarterly fees on restricted and non-restricted slots be earmarked for state problem gambling awareness programs. The 80th (2019) Session of the Nevada Legislature approved eliminating the earmark of $2 per slot machine for the problem gambling awareness programs and retaining the amount in the General Fund. Mr. Guindon clarified that the state did not get rid of the funding for the programs, but instead the Legislature decided to fund the problem gambling awareness programs with General Fund appropriation versus earmarking $2 per slot machine from the quarterly fees. He noted that staff from the Fiscal Analysis Division worked with the Gaming Control Board to determine the estimates provided for the 2019-21 biennium.

Mr. Guindon said A.B. 535 made changes to licensing fees for cigarette and other tobacco product manufacturers, wholesalers and retailers, and implemented the requirement for all license fee proceeds to be retained by the Department of Taxation to administer and enforce the cigarette and other tobacco products (OTP) programs versus deposited in the General Fund. With a de minimis estimate of less than $10,000, the Fiscal Analysis Division refrained from referencing any values associated with this change in TABLE 2 (page 122).

Mr. Guindon conveyed that during the 2015 Legislative Session, the Legislature made provisions requiring the Department of Taxation to reduce tax rates for the MBT if actual collections for the MBT, the Commerce Tax, and the credit of the Commerce Tax against the MBT, as well as other applicable tax credit programs, exceeded the forecast by more than 4.0% of the Economic Forum's May forecast in any even-numbered fiscal year. He said forecasts made at the December 3, 2018, and May 1, 2019, Forum meetings for FY 2020 and FY 2021 were based on a rate of 1.378% for the MBT nonfinancial and 1.853% for the MBT for the financial and mining businesses. During the 2019 Legislative Session, the Legislature passed and the Governor approved S.B. 551 that repealed the reduced rate of 1.378% for all taxable wages in excess of $50,000 per calendar quarter, effective July 1, 2019, and maintained the current rate of 1.475% for the MBT nonfinancial companies and the 2.0% rate for the financial and mining companies. The estimated revenue impact from this change was incorporated in TABLE 2 shown on page 123 (Exhibit A) of the meeting packet.

Mr. Guindon made it known that any changes made to the Commerce Tax or MBT liabilities could affect the Commerce Tax credits taken against the MBT. He explained that if taxpayers were restricted from taking credits using the lower tax rate, because they did not have enough MBT to take the full MBT credits, the higher tax rate might raise their liability where perhaps they could take those credits.

During the Great Recession, 100% of the proceeds from the Governmental Services Tax (GST), generated from the 10% depreciation schedule change, required allocation to the State General Fund. In FY 2017, that allocation changed to deposit 50% of the proceeds in the State General Fund and 50% in the State Highway Fund. In FY 2018, the allocation changed again to deposit 100% of the proceeds in the State Highway Fund. During the 2019 Legislative Session, the Governor recommended and the Legislature approved to allocate 25% of the GST proceeds to the State General Fund on a permanent basis, effective July 1, 2019, and to allocate 75% to the State Highway Fund. During the December 3, 2018, and May 1, 2019, Forum meetings, estimates were based on depositing 100% of proceeds from the GST to the State Highway Fund, beginning in FY 2020 and going forward; therefore, an adjustment was made to TABLE 2 to add 25% of the proceeds from the GST back to the State General Fund (page 123).

The passage of S.B. 263 caused an impact to the Other Tobacco Tax revenue source by requiring certain vapor products and alternative nicotine products to be taxed and regulated as other tobacco products, which subjected those products to a 30% wholesale excise tax. Mr. Guindon explained that, because this law did not take effect until January 1, 2020, or six months into FY 2020, the revenue impact for FY 2020 is approximately half of the estimate for FY 2021. He acknowledged the State of Pennsylvania and the Nevada Department of Taxation as resources for the revenue estimates shown on page 123.

Mr. Guindon explained that the Forum does not provide a forecast for the Court Administrative Assessments revenue source in their May 1 forecasts, because until the Legislature approves the final appropriations and authorizations for the budgets related to the Court Administrative assessments, that amount is zero. If the full amount of the expected revenue estimate for FY 2020 and FY 2021 is not authorized, the excess is deposited to the State General Fund (page 124).

Mr. Guindon informed the members that the Cost Recovery Plan does not true up against the Forum's May 1, 2019, approved estimate until after the statewide cost allocation is determined and the Legislature finalizes the General Fund Appropriation budget.

Mr. Guindon explained the legislative actions made to tax credit programs (page 125, Exhibit A). The passage of A.B. 446 added $116.0 million worth of tax credits to the existing Nevada New Markets Jobs Act Tax Credit program originally approved in the 2013 Legislative Session, which are allocated by the Department of Business and Industry to insurance companies that invest in a qualified community development entity to create jobs and stimulate economic growth. Mr. Guindon emphasized that the provisions are effective in the 2019-21 biennium; however, the tax credits are not allowable against the Insurance Premium Tax until beginning July 1, 2021 (FY 2022), thus no estimated tax credit amount is applicable to the current biennium.

The following two bills in the 2019 Legislative Session made an impact to the Educational Choice Scholarship Program:

1) Assembly Bill 458 eliminated the 10% increase in credits authorized each year, and capped the amount of combined credits that can be taken under both NRS chapters of the MBT (363A and 363B), rather than a separate limit for each chapter, at $6,655,000 per year. This adjustment resulted in reducing the amount of credits that were originally included in TABLE 2, which gained positive revenue for FY 2020 and FY 2021.

2) Senate Bill 551 authorized an additional $4,745,000 in tax credits against the MBT in FY 2020 and FY 2021 to sustain the people who were in the program. The net effect of A.B. 458 and S.B. 551 permanently reduced the available tax credits for this program by $3,241,000 in FY 2020 and $4,705,100 in FY 2021. Mr. Guindon pointed out that the Nevada Educational Choice Scholarship Tax Credit Program has a pending court case relating to the 10% escalator, and that adjustments, if any, will not be addressed by the Forum or its staff until after a resolution is determined.

Mr. Guindon communicated that the Affordable Housing Transferrable Tax Credit Program is a new four-year pilot program that authorizes the Housing Division, Department of Business and Industry, to approve $40.0 million ($10.0 million per year) of transferrable tax credits for use against the Percentage Fees Tax, Insurance Premium Tax or Modified Business Tax. If the qualified entities do not have a liability against one of those taxes, those entities can declare them against one of those three taxes and transfer the credits. The program became effective July 1, 2019, with respect to administrative tasks and the adoption of regulations, but does not become effective until January 1, 2020, for all other purposes. Mr. Guindon said there was not enough time to roll out the program and complete the affordable housing projects; therefore, made it impossible to take credits in FY 2020. For the sake of being cautious, staff applied the full potential maximum of $10.0 million to TABLE 2 (page 125) as the estimated revenue impact for FY 2021 for the 2019-21 biennium. He noted that staff is monitoring the tax credit program and will provide information as the Forum works through the next forecast cycle in FY 2021.

Mr. Guindon relayed that the Economic Development Transferrable Tax Credit Program was specific to Tesla, which has since been exhausted; therefore, is not included in TABLE 2. He said Tesla declared their final tax credits for FY 2019 against the Percentage Fees Tax, recorded and reported by the Gaming Control Board. The tax credit program will become a historical record, and no estimates are required going forward.

Mr. Guindon referred the members to TABLE 2 on page 126 (Exhibit A) and clarified that the Forum was not responsible for providing projections for the taxes listed. TABLE 2 documents the following adjustments approved by the 2019 Legislature that have a revenue impact specific to the Distributive School Account (DSA):

- From sales tax collected under A.B. 445 (internet sales, remote sellers), 2.6% is dedicated to the Local School Support Tax rate that provides a funding source for K-12 programs under the Nevada Plan.

- Proceeds from the State 3% Room Tax will transfer from the State Supplemental School Support Fund to the DSA for FY 2020 and FY 2021, providing a State General Fund appropriation offset for those fiscal years.

- Proceeds from the 10% Retail Marijuana Excise Tax (FY 2017), previously deposited to the State Rainy Day Account, will be permanently deposited in the DSA.

- The passage of A.B. 533 transfers licensing and regulation of recreational and medical marijuana programs from the Department of Taxation to the Cannabis Compliance Board (CCB), effective July 1, 2020. The revenue collected from the 15% wholesale excise tax on marijuana must be distributed to the CCB and to local governments in amounts deemed necessary to carry out the provisions of the law. The remaining revenue, if any, requires deposit to the DSA for Nevada schools. Mr. Guindon noted that marijuana taxes are remitted to and reported by the Department of Taxation.

  Mr. Guindon explained that the ballot question for recreational marijuana received approval in November 2016. Because of its approval by the voters, the Legislature could not amend the provisions to establish the CCB for three years after its passage under the provisions of Article 19 of the Nevada Constitution. Although transitory provisions are in place currently to migrate and establish the CCB, the CCB expects to become effective in FY 2021.

A summary of the estimated revenue impact from legislative actions approved by the 2019 Legislature was provided at the bottom of page 126 (Exhibit A) of the meeting packet, which showed a net General Fund impact before tax credits of $92.9 million for FY 2020 and approximately $104.7 million for FY 2021. The adjustments to the tax credit programs net $3.2 million for FY 2020 and -$5.3 million for FY 2021, principally because of adding the $10.0 million for the Affordable Housing Tax Credit Program. The net General Fund revenue impact, after tax credits from legislative actions, is estimated at $96.1 million for FY 2020 and $99.4 million for FY 2021. The net General Fund and DSA impact was $362.3 million for FY 2020 and $378.7 million for FY 2021.

Mr. Guindon indicated that TABLE 3 looked like TABLE 1, except that it encompassed the changes reflected in TABLE 2. The net estimates (after tax credits) in TABLE 3 showed the amount of General Fund revenue used to approve the General Fund operating budget for FY 2020 and FY 2021 in the 2019-21 biennium.

Chair Rosenthal asked how the estimating process worked during the legislative session and how the economic impact from legislative actions became incorporated into the state budget.

Mr. Guindon stated that staff from the Fiscal Analysis Division worked on revenue impact estimates during session upon requests from the Legislature. He explained that the Legislature worked from the Economic Forum's May 1, 2019, General Fund forecast, which included adjustments provided by the Fiscal Analysis Division to help determine bottom-line spending. He noted that adjustments are made to the forecast after sine die if the estimates are not locked down by the end of session. The final General Fund estimate, which is the Economic Forum's May 1, 2019, estimate adjusted for legislative actions, is included in the 2019 Appropriations Report. This report serves as the Fiscal Analysis Division's record of appropriations made by the Legislature that drives the estimated ending fund balance for FY 2020 and FY 2021. He said most bills that made a large impact to the budget, such as A.B. 445, were addressed during session with staff from Senate Finance and Assembly Ways and Means as money committees. Mr. Guindon said any money not appropriated becomes part of the ending fund balance estimate for each fiscal year of the biennium. He said staff monitors and compares actual collections to the forecasts throughout the fiscal year, and at the end of each fiscal year an accounting and reconciliation is performed for revenues and appropriations that determines the actual ending fund balance in relation to the fiscal year estimate. The reconciliation identifies whether financial resources are long or short at the start of the next fiscal year.

Mr. Streshley commented that, although Tesla tax credits were completely exhausted, it appeared there were more offerings or available money for tax credits for the 2019-21 biennium versus the 2017-19 biennium.

Mr. Guindon confirmed that the Tesla tax credits were exhausted; however, the 2019 Legislature authorized an additional $116.0 million in Nevada New Markets Jobs Act Tax Credits that can be taken after July 1, 2021 (FY 2022). He said prior to that legislative action, the Forum projected this tax credit program would exhaust its credits in FY 2020, with no available credits for FY 2021. Mr. Guindon stated it was probable that forecasts for FY 2022 and FY 2023 will allocate a net impact of $24.0 million to $25.0 million to the Nevada New Markets Jobs Act Tax Credits Program, as well as allocate $10.0 million each of those fiscal years to the Affordable Housing Transferrable Tax Credit Program. He emphasized that although the Tesla program was going away and will amount to zero tax credits for that program in FY 2022 and FY 2023, with the programs just mentioned, potentially there could be another $35.0 million in tax credits added for FY 2022 and FY 2023. Additionally, the Transferrable Film Tax Credit Program was good for $10.0 million per year; however, credits taken at that magnitude were not likely. Mr. Guindon reminded the members that an allocation of $38.0 million in tax credits was set aside for the Faraday Future project, and although the Las Vegas project dissolved, the statutory liability still existed. By law, the Governor's Office of Economic Development (GOED) could allocate those tax credits to another project under revised parameters. Mr. Guindon noted $38.0 million in tax credits may need to be taken into account in the forecast cycle for the 2021-23 biennium.

Mr. Streshley asked if the majority of the transferrable tax credits were taken against the Percentage Fees Tax.

Mr. Guindon confirmed that all of the transferrable tax credits issued to Tesla were taken against the Percentage Fees Tax.

Mr. Streshley asked if there were Transferrable Film Tax Credits taken against the Percentage Fees Tax.

Mr. Guindon explained that not all qualified productions are subject to a Nevada tax liability; therefore, those film companies have the option to sell their credits back to Nevada businesses that can allocate those credits against the Percentage Fees Tax. He noted there was less than $4.0 million allocated to the Film Transferrable Tax Credit program in FY 2019.

Mr. Guindon commented that Tesla still receives tax abatements (not tax credits) for sales tax, property tax and the MBT, so revenues are still being affected by the economic activity that Tesla stimulates through job growth, investment, increased wages, etc.

VIII. REPORT AND DISCUSSION OF FY 2019 ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM DECEMBER 6, 2016, MAY 1, 2017, DECEMBER 3, 2018, AND MAY 1, 2019, FORECASTS, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2019 SESSION.

Mr. Guindon briefly defined the structure of TABLE 1 (page 133, Exhibit A), and explained how it tracked the Forum's forecast error for major General Fund revenue sources, select non-major General Fund revenue sources, and all other revenues based on actual collections compared to their forecasts dated December 6, 2016; May 1, 2017; December 3, 2018; and May 1, 2019. Additional references on TABLE 1 are the December and May forecasts from 2016 and 2017 for FY 2019, which are referred to as 2-year ahead forecasts (December 6, 2016, and May 1, 2017, the base year forecasts made by the Forum for two years out for FY 2019).

TABLE 1 illustrates the forecasts made by the Economic Forum as well as those made by the agency, the Fiscal Analysis Division, the Budget Division and Moody's Analytics. Mr. Guindon pointed out that the Forum's State 2% Sales Tax forecast ended up with a 0.24% forecast error. He rationalized that when forecasting in May each year, about seven months of actual data for the fiscal year has already been reported, so the numbers start to true up. The forecast error associated with the December 6, 2016, and May 1, 2017, forecasts (2-year ahead), was about 1.7%, which dropped to approximately

1.3% for the December 3, 2018, forecast. He emphasized that more actual data collected over the 2-year forecast period should move the forecast, on average, closer toward its target.

Mr. Guindon stated that the Percentage Fees Tax is a much tougher revenue source to forecast due to the nature of the tax and its various components, such as the win and credit play associated with calculating taxable gaming revenue, estimated fee adjustments, economic activity, etc. For example, the Fiscal Analysis Division's percentage forecast error associated with the 2-year ahead forecast dated December 6, 2016, was approximately -0.3% versus the current year forecast at approximately -1.5%. He said the Percentage Fees Tax revenue source typically has a higher forecast error associated with the 2-year ahead forecast versus the current year forecast because of the lack of actual data and the timing between forecasts in conjunction with the target date. He referred to the General Fund Revenue (Net) line item at the bottom of page 138 (Exhibit A) and pointed out the downward progression of the Forum's forecast error: 6.1% (December 6, 2016), 4.9% (May 1, 2017), 1.4% (December 3, 2018), and 0.7% (May 1, 2019). He noted a less than 1.0% forecast error in the base year (May) forecasts for this revenue source is not always consistent; however; the forecast accuracy associated with the total General Fund revenue seemed to be improving as forecasters achieve a better realization of the Commerce Tax and Commerce Tax credits.

Mr. Guindon reported that the Commerce Tax credits taken in FY 2019 came in less than the Economic Forum's May 1, 2019, forecast by $11.3 million. He observed improvement in the forecast accuracy of the Commerce Tax credits; nevertheless, staff from the Executive Budget Office and the Fiscal Analysis Division met with the Department of Taxation to work through and obtain a better understanding of Commerce Tax credits. He reported that after reviewing first-quarter data for FY 2020 MBT and the credits taken against it from the FY 2019 Commerce Tax, it was likely that Commerce Tax credit forecasts for FY 2020 and FY 2021 were overstated. The expectation is to be more in the mid $40.0 million range.

Mr. Guindon acknowledged the 0.00% forecast error regarding the Forum's May 1, 2019, forecast for Economic Development Tax Credits, and stated the forecast was reasonably straight forward per prior discussions.

TABLE 2 on page 141 showed a comparison of the December 3, 2018, and May 1, 2019, forecasts to actual collections for FY 2019. Mr. Guindon noted that TABLE 2 was created in an effort to track the Forum's progress for this forecast period.

Mr. Guindon conveyed that total General Fund revenue, after tax credits, came in at approximately $30.5 million or 0.7% above the forecast for FY 2019, which ended up in the actual ending fund balance and became part of the beginning fund balance for FY 2020. He emphasized the May 1, 2017, 2-year ahead forecast, was used to build the General Fund budget for FY 2018 and FY 2019, whereas the May 1, 2019, base year forecast was significant because depending on whether actual collections were long or short, it could impact the ending fund balance. He said the ending fund balance for FY 2019 was in a good place because General Fund revenues were $30.0 million long.

Chair Rosenthal questioned if the ending fund balance of $30.0 million stayed in the General Fund until the beginning of the 2021 Legislative Session, where it would serve as the beginning fund balance for FY 2022 and FY 2023 appropriations.

Mr. Guindon replied that appropriations approved for FY 2020 and FY 2021 remain the same; however, if the Economic Forum's estimates for FY 2020 and/or FY 2021 were to fall short, then the $30.0 million would help cover the shortfall. He said generally the intent would be to use this money as the ending fund balance estimate in FY 2022, of which the Governor could use for his recommended budget for FY 2022 and FY 2023. He said Fiscal staff views the ending fund balance as one-time money that can be used for one-shot or supplemental appropriations versus a commitment to ongoing appropriations, as underestimating revenue is not a consistent outcome.

Mr. Streshley said he interpreted TABLE 2 (page 145) to read that the Forum missed the gross total General Fund revenue forecast, before tax credits, by 0.1% or $6.0 million.

Mr. Guindon concurred. He explained that the Forum overestimated the Commerce Tax credits taken for FY 2019 by approximately $11.3 million, and missed the total General Fund revenue forecast, before tax credits, by approximately $6.0 million, totaling a forecasting error of approximately $17.5 million or 0.4%. Looking at total General Fund revenue net results, the Forum overestimated the total value of tax credits taken in FY 2019 from All Other Tax Credits programs by approximately $12.9 million. When added to the $17.5 million forecast error, total General Fund revenue, after tax credits, totaled approximately $30.5 million. He clarified that, of the $30.5 million forecast error, $6.0 million was due to underestimating the revenue sources and the rest was due to overestimating the total amount of tax credits taken in FY 2019, including both the Commerce Tax and all other tax credit programs. Mr. Guindon indicated that the tax credit forecast becomes perplexing when the timing of taking those credits comes into play. He said staff works with the Nevada Film Office and other entities to determine authorized credits and remaining credits. He said accounting for those credits in the wrong fiscal year could produce a skewed forecast error in the short term and possibly a zero forecast error in the long term.

IX. REPORT AND DISCUSSION ON COMMERCE TAX STATISTICS BY BUSINESS CATEGORY FOR FY 2016 THROUGH FY 2019 AND THE TAX CREDITS TAKEN AGAINST THE MODIFIED BUSINESS TAX IN FY 2017 THROUGH FY 2019.

Mr. Guindon stated that historically staff presented tabloid-size tables under this agenda item that documented and charted Commerce Tax statistics for 26 business categories and their associated gross revenue, taxable revenue, and tax payments. He explained that although FY 2019 was over, Commerce Tax liabilities were not due until 45 days after the end of the fiscal year and the Department of Taxation had until the third Friday in September to close out the fiscal year. Circumstances occurred that did not allow staff from the Budget Division and the Fiscal Analysis Division to work with the Department of Taxation to get the information compiled for this meeting. Upon Chair Rosenthal's request, this item remained on the agenda to allow staff to the Forum to continue to work with Taxation to compile the tables. Mr. Guindon announced that upon completion, the tables would be posted on the Forum's web page on the Nevada Legislature's website and e-mailed to the members and public entities registered to receive information pertinent to the Forum meetings.

Mr. Guindon thanked Chair Rosenthal for working with staff to keep the discussion on Commerce Tax statistics by business category on the agenda. He apologized for the delay in materials, but assured the charts will become part of the public record upon completion. The charts will include information for the FY 2019 Commerce Tax as well as provide updated summary statistics by business category for FY 2018, FY 2017, and FY 2016. Mr. Guindon said he did not expect the completion of these tables until after the New Year, but plans to include comments addressing key issues and facts at the time of release.

X. REPORT AND DISCUSSION OF FY 2020 YEAR-TO-DATE ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM MAY 1, 2019, FORECAST, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2019 SESSION.

Mr. Reel, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, referred to TABLE 1 on page 149 (Exhibit A). TABLE 1 provided a quarterly update on actual collections for FY 2020 compared to the Forum's forecasts. He explained that the columns highlighted in yellow represented FY 2019 actual collections and the orange columns represented the May 1, 2019, forecast, adjusted for actions approved by the 2019 Legislature. He pointed out the Forum's FY 2020 forecast for total General Fund revenues, after tax credits, was approximately $4.446 billion, with a growth rate of 4.4%. A growth rate of 3.7% was required in order to achieve the FY 2020 forecast based on FY 2019 actual collections coming in higher than the forecast.

Turning the page to TABLE 2, Mr. Reel explained that the columns highlighted in yellow represented FY 2019 actual year-to-date (YTD) collections, the orange columns represented FY 2020 year-to-date actual collections, and the green columns represented the fiscal YTD forecast for each revenue source for FY 2020. The columns on the far right showed the dollar difference between actual collections and the Forum's forecast for FY 2020.

Mr. Reel referred to the Sales and Use Tax revenue source on TABLE 2, and indicated that actual YTD collections for FY 2020, with three months of collections, totaled approximately $321.6 million or 7.5% growth compared to the forecast growth rate of 6.1%. Actual collections for that revenue source for FY 2020 were approximately $4.0 million above the YTD forecast.

Actual collections for the Percentage Fees Tax grew 8.9% YTD compared to the forecast growth of 3.9% for FY 2020, which totaled approximately $15.2 million above the forecast. Mr. Reel noted it was not unusual to see volatility with this revenue source.

Actual collections for the Insurance Premium Tax (IPT) for FY 2020 YTD were approximately $117.4 million and reflected 30.1% growth compared to the forecast of

5.5%, or $95.1 million. Mr. Reel explained that the YTD forecast for FY 2020 was calculated by applying the 5.5% growth rate forecast for FY 2020 to actual collections for FY 2019 YTD (approx. $90.2 million), which resulted in actual collections coming in approximately $22.3 million above the forecast with 23.4% growth. He further explained that an additional $19.4 million of IPT collections reported in the second quarter of FY 2019, due to the submittal of a late payment, understated the forecast. He noted that with the correction, actual collections for FY 2020 would have exceeded the forecast by approximately $1.7 million instead of $22.3 million.

Mr. Reel pointed out on TABLE 2 that total revenue actual collections for FY 2020 YTD for the major revenue sources was $53.2 million above the forecast without including the calculation for the late Insurance Premium Tax payment. Actual collections for the select non-major revenue sources for FY 2020 ran approximately $5.6 million below the forecast or -3.5%. Actual collections for total General Fund revenue, before tax credits, was $48.3 million or 4.1% above the forecast. Including the correction for the late IPT payment, that number would be approximately $27.8 million or 2.4% above the forecast. He noted those statistics were based off of three to five months of revenue reported monthly and the first quarter of the revenue sources reported quarterly.

Mr. Streshley recalled that at the Forum's May 1, 2019, meeting, gaming win forecasts by forecaster were fairly close; however, gaming percentage fees were down approximately $11.0 million. He asked if there were funds collected in FY 2020 that theoretically were forecast to be collected in FY 2019.

Mr. Guindon explained that Percentage Fees Tax collections had to grow 3.9% in the remaining months to meet the forecast for FY 2020. The first month of actual collections produced a growth rate of -1.4%, the second month grew 11.9%, the third month grew 8.1%, the fourth month grew 24.9%, and the latest month grew 0.4%. He said, without having a chance to decompose those results, the effect of credit play spilling from one fiscal year to another could have an impact, as well as could year-ago comparisons. He conveyed that actual collections YTD were above forecast by approximately $15.2 million; however, due to the volatility of that tax, the number could change.

Mr. Guindon directed his focus back to the sales and use tax revenue source on page 150 (Exhibit A) and stated that actual collections for FY 2020 YTD were approximately $3.9 million above the forecast and needed 6.1% growth for the fiscal year to hit the Forum's forecast. He explained that the methodology used to determine the growth target to meet the forecast, on average, was to apply the fiscal year forecast to the actual collections for the quarter or month. He said numerous different algorithms could be used to calculate targeted growth, but the Forum used this method because it was the simplest. He warned that an anomaly in collections in either the current year or the prior year could affect the formula used to calculate the targeted growth rate required to meet the forecast. Mr. Guindon clarified that the 6.1% growth rate needed to hit the Forum's FY 2020 forecast was based on the FY 2020 forecast and nine months of the A.B. 445 effect, whereas YTD collections are actual collections from July, August and September that do not include the effects of A.B. 445. Therefore, to meet the forecast, collections needed to grow by 4.8% for the first three months instead of 6.1%. He noted, since actual collections were up 7.5%, we are really about $7.9 million above the forecast YTD if you try and make the adjustment for the impact of A.B. 445. Mr. Guindon commented that staff to the Forum decided not to incorporate this adjustment in the table because of how lengthy the notes would become and the time it would take to explain it.

XI. REPORT ON FORECAST ACCURACY BY FORECASTER FOR SELECTED REVENUES.

Mr. Guindon referred to the forecast error report beginning on page 169 (Exhibit A) and provided an overall summary of its layout. The report presents by fiscal year and includes updates on performances for FY 2019 as well as the 2017-19 biennium. The tables in the report track the performance of the current year, 1-year ahead, and 2-year ahead forecasts. The 1-year ahead and 2-year ahead forecasts are especially important because they are used to build and administer budgets on a biennial basis. The two fiscal years within the biennium are somewhat related, because some of the program areas have the ability to move appropriations from one year to the next; however, the budgets are ultimately administered on a fiscal year basis. The programs that allow funds to revert or carry forward come into play in the ending fund balance calculation. Mr. Guindon emphasized that money in the ending fund balance can be used for supplemental appropriations to cover a shortage.

A summary of the Forum's forecast performance for the major revenue sources based on May forecasts over 12 biennia could be found on page 174 (Exhibit A) of the meeting packet. The average percent forecast error (meaning positive and negative entries cancel each other out) for State 2% Sales Tax was -0.4%, which implied the Forum's forecast was greater than actual sales tax collections. Relative to the absolute average forecast error (negative entries are turned into positive entries so numbers do not cancel each other out), the result was a forecast error of 5.6%. The average percent forecast error for the 2017-19 biennium had not changed since the accuracy report was presented to the Forum in October 2018, remaining at -0.4%. However, the absolute average percent error dropped from 6.0% to 5.6% because of the -0.4% forecast error for the 2017-19 biennium.

Mr. Guindon said curiosity led him to calculate the Forum's performance without the 2007-09 biennium (Great Recession). He explained that the Forum voted to approve their forecast in May 2007, just prior to the Great Recession. The Forum's percent forecast error for State 2% Sales Tax in the 2007-09 biennium was -22.0% (page 186). Without that biennium included in the calculation, the average percent forecast error would have been 1.6% versus -0.4% for the 2017-19 biennium. The average absolute percent forecast error would have dropped from 5.6% down to 4.1%. He said one could argue the possibility of a recession effect in the 2009-11 biennium; however, the Forum tried to account for that in their forecast.

Mr. Guindon reported that the Percentage Fees Tax ended with a biennium forecast average percent forecast error of -2.5%, but without including the 2007-09 biennium error rate of -25.7% (page 190), the average percent forecast error would have dropped to -0.4%. Additionally, the average biennium absolute percent error would have dropped from 5.6%, excluding the 2007-09 biennium, down to 3.7%.

Jumping ahead to the Total General Fund Revenues line item, the most recent average percent forecast error was 0.4%. Without including the 2007-09 biennium error rate of -18.2% (page 205), the average percent forecast error would have risen to 2.1%. Mr. Guindon pointed out that the absolute average percent forecast error was 5.2%, which was down slightly from the 5.3% rate reported in October 2018 due to the percent forecast error associated with the 2017-19 biennium of 3.8%. Without including the -18.2% forecast error for the total General Fund from the 2007-09 biennium, the average error would have increased from 0.4% to 2.1%, and the absolute average percent error would have dropped from 5.2% to 4.0%, almost a 1.2% difference just for the one biennium observation.

Mr. Guindon concluded that, on average, the Forum's forecast accuracy has been good, especially given some of the complex revenue sources and the significant tax structure changes in the 2003 and 2015 (Commerce Tax) Legislative Sessions. He reiterated there was virtually almost a zero average percent forecast error in terms of the bias, and an approximate 5.0% absolute average percent forecast error given some of the revenue sources and their nuances. Without including the Great Recession period (2007-09 biennium), the absolute average percent forecast error would have dropped closer to 4.0%.

Chair Rosenthal emphasized that the Forum's total General Fund revenue forecast accuracy is the result of forecast errors that average over 25 to 26 years.

Mr. Guindon recapped the Forum's accuracy performance was based on 12 biennia (24 years or 12 statistical observations), since the 1995-97 biennium, that included FY 1996 and FY 1997. He said, when considering Nevada's history over those 24 years, including the boom in the early 2000s and the negative impact from the Great Recession, a biennium forecast error of plus or minus 4.0%, not including the 2007-09 biennium, was manageable in terms of the biennial budget process.

Chair Rosenthal considered the forecast accuracy produced by the Forum a remarkable feat, especially given the $9.0 billion revenue source in general, and over the 24-year period.

Mr. Guindon said the Legislature aims for at least a 5.0% ending fund balance when approving the General Fund Appropriation budget. He pointed out that the absolute average percent forecast error was 5.2% of the actual total General Fund revenue collections, which was manageable when taking into account the ending fund balance for FY 2019 and the buildup of the Rainy Day Account.

Mr. Leavitt asked, regarding the tax revenue sources forecast by the Forum, if any particular area showed concern. Were any components of the sales tax declining even though totals looked typical?

Mr. Guindon stated that without performing a full analysis of all the General Fund revenue sources, his answer was "no." Percentage fees were volatile and needed to be watched, but currently were strong and could endure a couple of bad months. On the sales tax side, he was uncertain whether the Forum's forecast captured enough activity, because actual collections YTD were running above the forecast. It was possible that the forecasters underestimated taxable sales related to construction in Clark County and Northern Nevada, and the addition of online taxable sales (NAICS 454), which Fiscal staff was monitoring. He anticipated a January 2020 release date for online taxable sales data, at which time a comparison will be made to the revenue adjustment implemented in TABLE 2 (page 122) under the provisions of A.B. 445. He said other than those observations, nothing else seemed concerning. He contended that people were engaged in online shopping, thus employment in certain retail brick-and-mortar stores had softened, which could affect sales tax revenue by association with unemployment. Mr. Guindon summarized that construction activity in Nevada was good and had expanded across development in commercial, industrial and residential product, and served as a leading indicator of the economy. He said the construction industry significantly impacts the economy and contributes to the creation of jobs, increased wages and increased tax revenue, which was reflected in FY 2020 YTD actual collections for State 2% Sales Tax and the MBT, both generating actual collections above the forecast. Mr. Guindon reiterated that the Commerce Tax credits posed a challenge, and the estimates for FY 2020 and FY 2021 were high given the most current data.

XII. PRESENTATION ON PERSONAL INCOME AND WAGES IN RELATION TO POPULATION, EMPLOYMENT, AND INFLATION ON A NATIONAL LEVEL AND IN THE STATE OF NEVADA.

Mr. Reel explained that the charts on pages 232 and 233 (Exhibit A) compared current U.S. total nonfarm employment and Nevada total nonfarm employment, respectively, to their previous peaks prior to the recession. He noted the Forum began referencing these charts in 2014, the point at which the U.S. recovered all jobs lost during the recession. As of the second quarter (Q2) of 2019, U.S. total nonfarm employment rose 9.2% above its prior peak (2008Q1), whereas Nevada nonfarm employment rose 10.2% above its prior peak (2007Q2). As of 2018Q2, U.S. nonfarm employment grew 7.5% from its prior peak while nonfarm employment in Nevada grew 6.3%. Mr. Reel emphasized that construction has always been a component of nonfarm employment growth measures, but even with construction excluded from the calculation, Nevada's nonfarm employment has exceeded U.S. growth levels as represented by the green line on page 233.

Mr. Reel reported that construction industry employment measured 31.4% below the prior peak in 2006Q2, whereas a year ago (2018Q2), Nevada construction employment measured 38.4% below that prior peak.

Mr. Reel conveyed that Nevada total nonfarm employment, including construction, averaged 3.6% growth over the last four quarters, whereas growth averaged 3.1% excluding construction. He noted the gap between the two measures was significant due to the number of construction jobs added to Nevada's economy. At this point, the gap had widened, but looked nothing like the separation seen in pre-recession years.

U.S. employment growth rates averaged 1.7% through 2019Q2 compared to Nevada's growth of 2.8% for the same reporting period. (Mr. Reel clarified that the numbers quoted by Mr. Schmidt from DETR took into account third-quarter data based on the ECS survey, not captured in the chart on page 236.) Mr. Reel said, since he produced his charts, he observed a slight decline in Nevada's employment, but overall employment was on an uptick. Nevada's population growth improved over the last year as well.

The Consumer Price Index (CPI) chart on page 238 illustrated the volatility of the energy component (purple line) of the CPI. Mr. Reel reported a drop in the headline CPI growth rate to 1.8%, measured in 2019Q2, versus the 2.7% growth rate measured a year ago in 2018Q2.

U.S. total personal income and U.S. total wages and salaries grew 47.1% and 42.4%, respectively, above their prior peaks, whereas in Nevada total personal income exceeded its prior peak by 47.4%, but total wages and salaries only grew 28.8% above its prior peak. Mr. Reel expressed concern that Nevada wages were lagging and not growing as fast as they could; however, there was improvement in terms of the combined wages and other income that surpassed the national average in terms of growth since its prior peak.

Personal income in the U.S. grew 4.5% since 2010Q1 compared to the 5.0% growth seen in Nevada during that same period. Personal income growth over the last four quarters was strong in Nevada at 6.3% versus the U.S. growth rate of 5.1%.

Nevada wages demonstrated improvement over the last four quarters with 6.1% growth compared to the U.S. at 4.9% growth during the same period.

Mr. Reel reported that, since 2008Q2, U.S. per capita income grew 35.9% in nominal terms and 14.8% in inflation-adjusted terms, whereas since 2007Q4, Nevada grew 25.0% in per capita terms and fell short of its prior peak (2006Q1) in inflation-adjusted terms by only -0.01%, compared to -4.4% growth through 2018Q2. He noted that, as of 2019Q2, Nevada per capita personal income, inflation adjusted, was off by $4.00 in terms of reaching its prior peak (2006Q1).

Over the last four quarters, the U.S. outpaced Nevada's growth in per capita personal income at 4.4% versus 4.0%, respectively. In inflation-adjusted terms, Nevada lagged the U.S. slightly at 1.8% growth compared to 2.0% since 2010Q2, respectively; however, over the last four quarters, growth rates were comparable at 1.9% for Nevada and 2.3% for the U.S.

U.S. Wages and salaries per employee measured 28.3% above its prior peak (2008Q4) in nominal terms and 7.1% in inflation-adjusted terms (2007Q1). Nevada trailed the U.S. in wages and salaries per employee at 16.1% above its prior peak (2008Q1) and 4.0% below its prior peak (2007Q4) in inflation-adjusted terms. Mr. Reel indicated these trends were similar to what was reported by Mr. Hardcastle in terms of the per person stats versus the per employee stats.

Growth in U.S. wages and salaries per employee had been level since 2009Q2 at 2.4%; however, over the last four quarters growth increased 3.1%. In Nevada, growth in this category increased 1.5% on average since its previous peak (2009Q2) and increased 2.5% over the last four quarters. In inflation-adjusted terms, growth in Nevada wages and salaries per employee trailed over the long-term average at -0.1%, but showed positive growth over the last four quarters of 0.4%.

In closing, Mr. Reel stated the median household income in the U.S. and Nevada improved in both nominal and inflation-adjusted terms. Additionally, the Nevada General Fund revenue per $1,000 of personal income slightly increased since FY 2018 and currently measured approximately $28 per $1,000 of personal income.

Ms. Lewis asked Mr. Reel if he was concerned that Nevada wages were not trending the same as the rest of the U.S.

Mr. Reel concurred that Nevada wages trailed the nation, but were catching up in inflation-adjusted terms due to the types of industries that the state has attracted and the associated wages. He noted that staff was researching the disconnection between U.S. and Nevada per capita personal income and wages and salaries on a per employee basis.

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

Mr. Guindon stated updated gaming market statistical charts, reflecting the most current YTD information, were posted on the Forum's webpage on the Nevada Legislature's website. The charts targeted statewide and Clark and Washoe counties in terms of distinctive metrics that drive Nevada's gaming percentage fees tax. He said the charts have become part of the Forum's historical record and are available to discuss during the meeting, if needed. Mr. Guindon drew attention to the chart titled *"Statewide Taxable Sales by NAICS-FY 2016 to FY 2019* that showed the North American Industry Classification System (NAICS) categories reported by the Department of Taxation. The chart showed YTD comparisons over the same reporting period, over multiple years. He indicated that taxable sales by categories such as clothing and furniture did not record increases comparable to some of the other categories, which may have been a side effect of reporting online sales under Category 454 versus another category, specifically the brick-and-mortar stores that also sell their goods online. He acknowledged the countless other clothing and furniture stores that do not have a physical business in the state, but sell their goods online to Nevadans.

Mr. Guindon noted that printed copies of the taxable sales and gaming charts are available through the Fiscal Analysis Division of the Legislative Counsel Bureau.

XIV. DISCUSSION OF THE REPORT BY THE ECONOMIC FORUM TO THE INTERIM FINANCE COMMITTEE REQUIRED PURSUANT TO NRS 353.228.

Mr. Guindon stated that, by law, the Chair of the Economic Forum or a member of the staff of the Economic Forum was required to report to the Interim Finance Committee (IFC) current economic indicators and status of actual State General Fund revenue as determined appropriate. He announced that the next scheduled IFC meeting is on Friday, December 13, 2019, but due to another obligation, Chair Rosenthal directed

Mr. Guindon to make the required presentation to the IFC rather than wait until the following IFC meeting to occur in February 2020.

XV. PUBLIC COMMENT.

Chair Rosenthal asked for public comment at both the Carson City and Las Vegas meeting locations. There was no public comment.

Ms. Lewis thanked staff for compiling excellent tables, and for distributing the meeting packet in a timely manner and allowing ample time for review.

XVI. ADJOURNMENT.

The meeting adjourned at 12:14 p.m.

Respectfully submitted,

____
Judy Lyons, Committee Secretary

APPROVED:

____
Chair Billings

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.