MINUTES
ECONOMIC FORUM

June 20, 2008

The Economic Forum met on June 20, 2008, on the second floor of the Capitol Annex, 101 N. Carson St., Carson City, Nevada, at 9:00 a.m. Present were:

Members:
Mike Alastuey
John Restrepo
Linda Rosenthal
Cathy Santoro
Leo Seevers

Others Present:
Buffy Martin Tarbox, Nevada Cancer Institute
David Peterson, Nevada Commission on Tourism
Bill Anderson, Department of Employment, Training and Rehabilitation
Jim Endres, MCW
Mike Reed, NSHE
Michael E. Fischer, NCA
Craig Steels, NSEA
Julie Whitacre, NSEA
Frank Streshley, Gaming Control Board
Scott Anderson, Secretary of State
Kate Thomas, Secretary of State
Steve Robinson, R & R
Dennis Neilander, Gaming Control Board
Wade Iverson, Business and Industry
Ryan McElhinney, Governor's Office
Paul Inos, Nevada Motor Transport
Nancy Bowman, DWSS
Joseph Cooper, Poldficke-NV Comm.
Mark Winebarger, Nevada Treasurer's Office
Ray Bacon, NMA
Jenny Welsh, Carrara Nevada
Mary Lau, Retail Assn. Nevada
Maud Naroll, Department of Administration, Budget and Planning Division
Janet Rogers, Department of Administration, Budget and Planning Division
Russell Guindon, Legislative Counsel Bureau, Fiscal Analysis
Lynne Knack, Department of Taxation
Joe Reel, Legislative Counsel Bureau, Fiscal Analysis
Michael Nakamoto, Fiscal Analysis

Brian Burke, Legislative Counsel Bureau, Fiscal Analysis
Andrew Clinger, Department of Administration, Budget and Planning Division
Karen Hoppe, Controller's Office
Jeff Hardcastle, State Demographer
Ken Cooley, State Farm Insurance Company
Robert Didles, University of Nevada, Reno
Carol Thompson, Lyon County ED
Dino DiCianno, Department of Taxation

PRESS:
Geoff Dornan, Nevada Appeal
Ray Hagar, Reno Gazette Journal

*1. ROLL CALL

*2. INTRODUCTIONS

*3. ELECTION OF CHAIR AND VICE-CHAIR

LEO SEEVERS ELECTED CHAIR.

JOHN RESTREPO ELECTED VICE CHAIR.

*4. PRESENTATION ON THE ROLE OF THE ECONOMIC FORUM

Maud Naroll, Chief Planner, Department of Administration Budget and Planning Division, provided a brief overview of the history and the role of the Economic Forum. She noted that the Nevada Legislature only meets for about four months every two years. Out of the wreckage of the recession of the early nineties, there was a state revenue shortfall, budget cuts, and layoffs. The Economic Forum, a panel of experts outside of state government, and the Technical Advisory Committee, a panel mostly from within state government, were created by the 1993 Legislature to ensure that future state budgets would be based on sound revenue forecasts. The 1993 Legislature called on the Legislative Fiscal Analysis Division and the Budget and Planning Division to support both of these groups.

Ms. Naroll indicated that the Economic Forum is empowered by legislation to create a forecast of general fund revenues by December 1st of even numbered years, and then revisit that forecast by May 1st of the spring of odd numbered years when the Legislature is in session. The December 1st forecast is binding on the Governor's recommended budget, and the May 1st forecast is binding for the Legislatively approved budget.

Ms. Naroll stated that the forecast is for the fiscal year ending during the upcoming legislative session and for the following two fiscal years.

*5. PRESENTATION ON HISTORICAL REVENUE PATTERNS AND CURRENT COLLECTIONS

Ms. Naroll outlined the format for the Economic Forum meeting, noting that forecasts for the larger General Fund revenues had been prepared by the Legislative Counsel Bureau Fiscal Analysis Division, the Department of Administration Budget and Planning Division, and various state agencies. She indicated that the forecasts for each revenue source would be presented to the Economic Forum. After the presentation of the forecasts for a given revenue source, members of the Economic Forum would determine a forecast among themselves, using the information presented as well as their own expectations. The consensus would be presented by one of the Economic Forum members to the Economic Forum as a motion. Once a motion was passed, the Forum would move on to the next revenue.

Russell Guindon, Senior Deputy Fiscal Analyst with the Fiscal Analysis Division of the Legislative Counsel Bureau, described the information package prepared for the Economic Forum. He stated that the yellow sheet presented all the general fund revenues by General Ledger (GL), indicated the top sheet was a summary, followed by additional detail. He noted that the Economic Forum was not considering all of the revenues at this meeting, and that normally all of the revenues aren't considered until fall and spring Economic Forum meetings. The information included three years' worth of history as well as the May 1, 2007 Economic Forum forecast for fiscal years 2007, 2008, and 2009.

Mr. Guindon indicated that the green sheet included nine years of historical information by GL for each of the state's general fund revenue sources.

Mr. Guindon stated that the blue sheet showed the Economic Forum forecast from May 1, 2007, as well as the June 2008 forecasts prepared by the Fiscal Analysis Division, the Budget and Planning Division, and the agencies.

Ms. Naroll noted that for smaller revenues, the Fiscal Analysis Division asks agencies for their forecasts. These are used by the Technical Advisory Committee to prepare a consensus forecast for all of the hundred or so smaller GLs. She indicated that the Technical Advisory Committee's consensus forecast is generally accepted by the Economic Forum.

Ms. Naroll stated that Nevada also has a contract with Global Insight to procure their national and state economic forecasts, as well as forecasts for Nevada's two percent sales tax and gaming percentage fee revenues.

Ms. Naroll indicated that during the September meeting, the Economic Forum is usually presented a more detailed description of all these revenues but that at this meeting the Economic Forum would only discuss the larger revenues, along with a few of the smaller ones that are substantially different from the May 1, 2007 forecast.

*6. PRESENTATION OF NATIONAL AND STATE ECONOMIC OUTLOOK

Janet Rogers, Economist with the Budget and Planning Division of the Department of Administration, presented an overview of the national and Nevada economies. She indicated that inflation was going up, there was not a lot of strength in the US economy, and that Global Insight's forecast was not projecting much in the way of strength next fiscal year.

Ms. Rogers stated that Nevada's economic woes were pretty well known. The U.S. Bureau of Labor Statistics [BLS] reported that May employment in Nevada was down compared with May of 2007. The May 2007 Nevada unemployment rate was 5.7 percent and in May 2008 it was 6.2 percent. Wage and salary growth was running about 2 percentage points below its average.

Ms. Rogers stated that the housing market was having a major correction, with both prices and the number of sales falling. Retail sales had declined for the last couple of months and the number of tourists arriving in Clark County was falling.

Ms. Rogers noted that the Economic Forum does not need to come to a consensus on the Nevada economic outlook and that she was presenting what she thought was happening in the Nevada economy. She indicated that the staff of the Fiscal Analysis Division would disagree on some of these assumptions, and might want to comment following her presentation, or during their forecasts.

Ms. Rogers discussed a graph of data compiled from Global Insight showing historical data for new single-family and multi-family home starts and existing single-family home sales. The graph included the forecast from Global Insight for those three variables, with all data converted to a fiscal year basis. She indicated that a major correction took place in 2007, with home sales down 33 percent compared with fiscal year 2006. Global Insight was forecasting home sales would drop an additional 44 percent in fiscal year 2008 and an additional 20 percent in fiscal year 2009. She noted she didn't have any reason to think that Global Insight's forecast was overly pessimistic. She stated that we had not hit the end of the housing correction and it would be well into 2009 before that correction was completed, which means that fiscal year 2009 would be impacted.

Ms. Rogers next presented Global Insight's forecast for national employment and her forecast for Nevada employment, which she updates monthly when the new BLS numbers are available. She noted that Global Insight does not update their Nevada forecast quite as frequently as she does. She also indicated that she thought that this was one of the areas where Fiscal and Budget might have a disagreement on the forecast.

Ms. Rogers' next slide showed her model for Las Vegas visitors, which displayed year-over-year actual and forecast change in Las Vegas visitors. She noted that this is another area where there is a difference in assumptions between Fiscal and Budget. She indicated that the high price of gas and the weak national economy were causing the further decline in Las Vegas visitors and the decline seemed to be accelerating. She thought it would take a while for the number of visitors to reach bottom and rebound, so for fiscal year 2009 she forecast a 3 percent decline in the number of visitors traveling to Las Vegas.

Ms. Rogers noted that the model for Las Vegas visitors includes a dummy variable to account for the impact of the 9/11 terrorist attacks. However, since the national economy was slowing prior to 9/11, the model trended down as if in anticipation of 9/11. Ms. Rogers also noted that the graph displayed the change in visitors, not number of visitors, and that the forecast did not indicate a positive year-over-year change until late in 2009.

Leo Seevers, Chair of the Economic Forum, asked that the meeting proceed next with the presentations for each of the forecasts and indicated that if the presenters wanted to comment on Ms. Rogers' assumptions they should do so during their presentation.

*7. REVIEW AND APPROVAL OF PRELIMINARY FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FISCAL YEARS 2007-08 AND 2008-09

Live Entertainment Tax Collections

Presentation by Frank Streshley, Senior Research Financial Analyst, Gaming Control Board

Mr. Streshley's presentation began with the Live Entertainment Tax, a 10 percent tax on food, beverage, and merchandise in the entertainment areas of casinos. Sales are not consistent from year to year, so Live Entertainment Tax revenue is constantly changing.

Mr. Streshley's forecast model uses historical trends. He stated that he looks at prior years' data and makes adjustments for economic conditions and new properties coming online, especially those on the Strip.

Mr. Streshley stated that for fiscal year 2008, with 10 months reported, Live Entertainment Tax collections were ahead of last year by 0.1 percent but that spending on entertainment had slowed in the second half of the year. The large venue concert schedules had been very light for this fiscal year and there were not any major concert tours coming through Las Vegas. He also noted that the Celine Dion show at Caesar's Palace closed in December.

Mr. Streshley expected an increase over last years' large venue concert schedule, noting that Madonna, who is one of the biggest draws for Las Vegas, was already scheduled. The average ticket price for that event would be about $200, very high end. He noted that a Cirque de Soleil show would be added at the Luxor in September, which would also affect collections for fiscal year 2009.

Mr. Streshley forecast that Live Entertainment Tax collections would be $120.1 million in fiscal year 2008, down 1.3 percent compared with fiscal year 2007. He forecast fiscal year 2009 Live Entertainment Tax collections would be $125.5 million, an increase of 3.7 percent. He expected collections to decline through the summer and into the fall but that as new properties open, collections would increase from November through the end of the fiscal year.

Presentation by Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Guindon stated that he looks at the visitor volume and at the inflation adjusted Live Entertainment Tax collections per visitor. He forecast inflation-adjusted collections falling 5.1 percent in fiscal year 2008, with 10 of the 12 months in the bank showing a decline.

Mr. Guindon noted that two new properties, with about 4,500 rooms, would come online by thhe end of fiscal year 2009. When the two properties open in January of 2009, he thought there would be a little growth in visitors.

Mr. Guindon stated that he didn't think current capital markets would negatively impact the two properties he was forecasting to open in early calendar year 2009 as ground had already been broken. He acknowledged that capital markets could be a critical element in the forecasts for fiscal year 2010 and 2011.

Mr. Guindon forecast that Live Entertainment Tax revenues would decline 1.7 percent in fiscal year 2008 and then rise 3.7 percent in fiscal year 2009.

Presentation by Janet Rogers, Economist, Budget and Planning Division

Ms. Rogers referred to the handout the Economic Forum received from the Budget and Planning Division (Exhibit B), indicating that it described how the Budget and Planning Division models the Live Entertainment Tax and showed her forecast as well as year-to-date collections, which were up 0.1 percent compared with the same period in fiscal year 2007. She stated that her model was much more economically driven than the other two forecasts that were presented.

Ms. Rogers stated that the last month's Live Entertainment Tax collections were down 10 percent compared with one year earlier, but that she did not assume that collections would continue to decline. The amount for the following year was primarily based on low visitor volume, driving growth to slow significantly compared with historical values.

Ms. Rogers forecast that Live Entertainment Tax revenues would rise 0.3 percent in fiscal year 2008 and climb an additional 1.9 percent in fiscal year 2009.

Discussion and Vote by Economic Forum Members

Mr. Seevers instructed the Forum to address the Live Entertainment Tax and asked for suggestions for a motion.

Ms. Santoro thought the forecasts for fiscal year 2008 and fiscal year 2009 were too high on all forecasts presented. She did not think anyone expected conditions to significantly improve in the short term. Given the economic situation, and given the current capital markets, she did not think there was any expectation of improvements.

MS. SANTORO MOVED THAT FOR LIVE ENTERTAINMENT TAX FOR FISCAL YEAR 2008 THE FORUM FORECAST $119.0 MILLION AND THAT A VERY CONSERVATIVE GROWTH RATE OF 2.5 PERCENT BE USED FOR FISCAL YEAR 2009.

MR. RESTREPO SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for Live Entertainment Tax collections is $119.000 million, a decline of approximately 2.2 percent. In fiscal year 2009, the Forum's approved forecast for the Live Entertainment Tax is an increase of 2.5 percent compared with fiscal 2008 collections, amounting to $121.975 million.

Gaming Percentage Fees

Presentation by Frank Streshley, Senior Research Financial Analyst, Gaming Control Board

Mr. Streshley noted that the percentage fee tax is based on a non-restricted license's monthly tax revenue. The tax rates are 3.5 percent of the first $50,000, 4.5 percent of the next $84,000 in taxable revenue, and 6.75 percent of all taxable revenues exceeding $134,000. He stated that the tax statement each month is actually an estimated payment for three months in advance, and thus, each month there is an adjustment based on what was paid three months prior. This is the estimated fee adjustment. He indicated that each month the Gaming Control Board reports gaming win, as well as taxable gaming revenue; the difference between the two is credit play. Gaming win includes all activity: cash, chips and wagers made with credit. Wagering activity through credit is not taxable until the credit is paid back.

Mr. Streshley stated that he forecasts wagering activity on both slots and games for each of the major markets throughout the state, both north and south. He also forecasts what the hold percentages will be both for slots and games. He indicated that he spends a tremendous amount of time interviewing the properties throughout the state, and that he also interviews bankers. He spends a lot of time at the Las Vegas Convention and Visitors Authority and with the Reno-Tahoe Convention and Visitors Authority.

Mr. Streshley next discussed his forecast of gaming win, noting that fiscal year to date, statewide gaming win reported through April was down. Mr. Streshley stated that total win breaks down into slot win and game win. Slot win was also down and that was where he saw the largest impact from the slowdown in the economy.

In speaking with both tourist-based properties and local-based properties, both in the north and the south, Mr. Streshley said he was getting the same comments: they did not see a drop off in visitor counts but did see spending falling off. The most recent visitor data from Las Vegas Convention and Visitors Authority showed visitation down 0.1 percent for the first four months of 2008.

Mr. Streshley stated that for fiscal year 2008, with one month left in the fiscal year, total collections were down $29.8 million, collections from the estimated fee adjustment were down $21.5 million, and the ratio of taxable gaming revenue to gaming win was 95.4 percent, about a percentage point below normal. This translated into about $166 million in outstanding markers that had not been paid back.

For fiscal year 2008, Mr. Streshley forecast a total of $759.3 million in collections, down 3.8 percent compared with fiscal year 2007.

For fiscal year 2009, Mr. Streshley forecast $843.9 million in collections, an increase of 6.9 percent compared with fiscal year 2008. He indicated that the tax on gaming win would increase 4.1 percent and he projected collections on the estimated fee adjustment of $10 million, which would be a $19.5 million increase from fiscal year 2008.

Mr. Alastuay asked if there was a specific reason why Mr. Streshley expected this to increase in fiscal year 2009.

Mr. Streshley responded that he expected to receive $166 million in outstanding credit revenue, an amount that took into consideration a percentage that would not be collected. He noted that we would likely be getting revenue from the payback of outstanding markers in the next fiscal year.

Presentation by Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Guindon began by discussing his slot forecast (shown on pages 1, 2 and 3 of Exhibit F). He notes that he normally forecasts by market but, considering the short time frame available for preparing his forecast, he prepared his gaming percent fee forecast on a statewide basis for this meeting of the Economic Forum. He forecasts slot market and games market statistics separately. He indicated that he does not use a structural econometric model, but rather estimates the number of slot machines based on casinos going on and off line and the amount of coin-in. He forecast that slot win would decline 0.8 percent in fiscal year 2008 and then increase 1.8 percent in fiscal year 2009 as the new casinos open.

Mr. Guindon next discussed his forecasts for games, noting that this market is significantly different than the slot market. He expounded on these differences but noted that his basic method is the same as for slots, estimating the game win percentage, win per game, average number of games, average game win percent and drop per game. He forecast that game win would decline 0.2 percent in fiscal year 2008, followed by a 2.9 percent increase in game win for fiscal year 2009.

Given his forecast for slot and game win, and the effect of the estimated fee adjustment on actual collections, Mr. Guindon forecast total percentage fee collections would decline 3.7 percent in fiscal year 2008, and then increase 5.4 percent in fiscal year 2009. He concluded by discussing some of his concerns regarding the fiscal year 2009 forecast.

Presentation by Janet Rogers, Economist, Budget and Planning Division

Ms. Rogers stated that her forecast took a slightly different approach, estimating total gaming win rather than slot win and game win separately. She forecasts inflation-adjusted gaming win per Clark County visitor for Clark County gaming win, and then uses inflation-adjusted win for the remainder of the state. She explained that her models (discussed on pages 14 through 17 of Exhibit B) include explanatory variables to capture economic conditions, including Nevada personal income and Nevada employment, a proxy for non-visitor players. All of these are very significant. The model explained 71 percent of the variability in the Clark County variable and 75 percent of the variability in the balance of state variable. She noted that her forecast for gaming win per visitor was roughly flat, but that she expects visitor volume to be down in fiscal year 2009.

After adjustment for credits and the estimated fee adjustment, Ms. Rogers forecast that Gaming Percentage Fee collections would decline 4.1 percent for in fiscal year 2008 and would increase a mere 0.6 percent in fiscal year 2009.

Discussion and Vote by Economic Forum Members

Mr. Seevers invited the Forum to address the gaming percentage fee tax and asked for suggestions for a motion.

Ms. Santoro presumed that the Budget model would be a strong indicator of gaming revenues, noting that there are many different ways that one could look at this picture and there was high variability in fiscal year 2009. She thought that there were no expectations within the gaming industry that the market would improve, and that if anything, it would be flat in fiscal year 2009. She noted that the Wall Street community did not expect strong growth and she supported the Budget and Planning Division's conservative approach.

Mr. Alastuey asked of Mr. Streshley and Mr. Guindon their confidence that the outstanding markers would be collected. They responded that it was a difficult environment but that their contacts were expecting small single digit growth.

Mr. Restrepo asked Ms. Rogers about how lack of confidence and personal wealth was factored into her model. She noted that personal income and visitor data were the relevant independent variable, and that they might be overestimating the amount played.

Ms. Santoro restated that the Budget and Planning Division's figure was supportable and it could be lowered to as much as a 5 percent decline in fiscal year 2009. She stated that 2009 should very much be flat-lined at best, and that she could even make the argument for fiscal year 2009 revenues declining when compared with fiscal year 2008 collections.

Mr. Alastuey stated that his instinct was that at least a part of the outstanding fiscal year 2008 markers could be collected in fiscal year 2009 and that a small percentage increase for the next fiscal year should be considered by the Board. Mr. Seevers concurred.

Ms. Santoro again encouraged the Forum to be conservative for this particular measure. Mr. Restrepo agreed with Ms. Santoro, encouraging a conservative rather than aggressive approach.

Mr. Alastuey suggested a 2.0% increase for fiscal year 2009, which Ms. Rosenthal supported. Ms. Santoro and Mr. Restrepo again voiced their concern.

MS. ROSENTHAL MOVED THAT THE FORUM ACCEPT THE BUDGET AND PLANNING DIVISION'S FORECAST OF $786 MILLION FOR 2008, AND A 2 PERCENT INCREASE IN 2009.

MR. RESTREPO SECONDED THE MOTION, WHICH WAS CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for Gaming Percentage Fee collections is $786.100 million, a decline of approximately 4.1 percent. In fiscal year 2009, the Forum's approved forecast for the Gaming Percentage Fee is an increase of 2.0 percent compared with fiscal 2008 collections, amounting to $801.720 million.

Commercial Recording Revenues

Presentation by Scott Anderson, Deputy Secretary of State for Commercial Recordings and Kate Thomas, Deputy Secretary of State for Operations

Ms. Naroll noted that these are one of the more significant smaller revenues which differed markedly from the May 2007 forecast. She stated that the Fiscal Analysis Division and Budget and Planning Division agreed with the agency forecasts, but wished the Economic Forum to review the amounts and establish an official forecast.

Mr. Anderson stated that the Secretary of State is responsible for processing and filing documents for nearly 323,000 entities organized under the laws of Nevada, and collecting the revenues associated with the filing of these documents. He anticipates the revenue associated with these filings will increase 2.6 percent in fiscal year 2008 and will be flat in fiscal year 2009.

Discussion and Vote by Economic Forum Members

MR. SEEVERS INVITED THE FORUM TO MOVE TO ACCEPT THIS PROJECTION FOR THE SECRETARY OF STATE'S REVENUES.

MR. RESTREPO SO MOVED, MS. ROSENTHAL SECONDED THE MOTION, AND THE MOTION WAS CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for Commercial Recording collections is $78.976 million, an increase of approximately 2.6 percent. In fiscal year 2009, the Forum's approved forecast for Commercial Recordings is also $78.976 million.

Unclaimed Property Revenues

Presentation by Mark Winebarger, Deputy Treasurer

Mr. Winebarger stated that NRS 120A governs how Nevada treats unclaimed property. There is a three year dormancy period before unclaimed property is turned over to the state. He indicated that the main sources of unclaimed property revenues are bank accounts, stocks and bonds, and dividends, but noted that owners of the property never lose the right to reclaim their property. He projected a $44 million reversion to the general fund for fiscal year 2008 and in fiscal year 2009 he projected a $34 million reversion to the general fund.

Discussion and Vote by Economic Forum Members

Ms. Santoro and Mr. Restrepo discussed with Mr. Winebarger the assumptions behind his forecast.

MR. SEEVERS INVITED THE FORUM TO MOVE TO ACCEPT THE TREASURER'S PROJECTION FOR UNCLAIMED PROPERTY REVENUES.

MR. RESTREPO SO MOVED, MS. SANTORO SECONDED THE MOTION, AND THE MOTION WAS CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for Unclaimed Property collections is $44.0 million, an increase of approximately 87.5 percent. In fiscal year 2009, the Forum's approved forecast for Unclaimed Property is a decline of 22.7 percent compared with fiscal 2008 collections, amounting to $34.000 million.

Interest Income

Presentation by Mark Winebarger, Deputy Treasurer

Mr. Winebarger noted that the state Treasurer's Office interest collections are made quarterly and that anything that is not paid to a budget account is allocated to the General Fund. Mr. Winebarger was fairly confident regarding the $56.9 million in interest income he projected for fiscal year 2008. In fiscal year 2009 he projected $18.1 million in interest income.

Discussion and Vote by Economic Forum Members

Ms. Santoro and Mr. Restrepo discussed with Mr. Winebarger the assumptions behind his forecast.

MR. SEEVERS INVITED THE FORUM TO MOVE TO ACCEPT THE TREASURER'S PROJECTION FOR INTEREST REVENUES.

MR. RESTREPO SO MOVED, MS. ROSENTHAL SECONDED THE MOTION, AND THE MOTION WAS CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for interest collections is $56.9 million, an increase of approximately 8.6 percent. In fiscal year 2009, the Forum's approved forecast for interest is a decline of 68.2 percent compared with fiscal 2008 collections, amounting to $18.1 million.

Net Proceeds of Minerals

Presentation by Maud Naroll, Chief Planner, Budget and Planning Division and Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division

Ms. Naroll stated that this revenue is paid once a year on state mineral and geothermal activity. She had been told by the Taxation Division that there was $35.6 million in the bank so that is the forecast for this year. Since mineral activity appears to be remaining strong, Budget assumed net proceeds would stay at this level in fiscal year 2009.

Mr. Guindon reiterated that Taxation had $35.6 million in collections. He also noted the tax is based on the prior year. Mr. Guindon indicated that he was flat lining net proceeds growth in fiscal year 2009 despite the strong growth observed between fiscal year 2007 and fiscal year 2008 to be conservative and that this forecast for fiscal year 2009 might be revised at the fall meeting of the Economic Forum.

Discussion and Vote by Economic Forum Members

MR. ALASTUEY MOVED TO ACCEPT THE FORECAST FOR NET PROCEEDS OF MINERALS.

MS. SANTORO SECONDED THE MOTION, WHICH WAS CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for Net Proceeds of Minerals collections is $35.6 million, an increase of approximately 28.6 percent. In fiscal year 2009, the Forum's approved forecast for the Net Proceeds of Minerals collections is also $35.6 million.

Short-Term Car Rental Revenues

Presentation by Maud Naroll, Chief Planner, Budget and Planning Division and Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division

Ms. Naroll indicated that her forecast of a 6.0 percent growth rate for fiscal year 2008 was based on the year-to-date collections. Her forecast for fiscal year 2009 held collections level.

Mr. Guindon explained an anomaly in the short-term car rental collection data. He explained that his short-term car rental forecast was based on his visitor volume forecast. He forecast a 0.6 percent decline in short-term car rental revenues after adjusting for the effect of the anomaly. In fiscal year 2009, he forecast a 3.1 percent increase, based on his forecast increase in Las Vegas visitor volume.

Discussion and Vote by Economic Forum Members

MS. SANTORO MOVED THAT THE FORUM ACCEPT THE MAY 1st 2007 ECONOMIC FORUM FORECAST FOR FISCAL YEAR 2008 AND USE A 2.9 PERCENT GROWTH RATE FOR FISCAL YEAR 2009.

MS. ROSENTHAL SECONDED THE MOTION, WHICH WAS CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for Short-Term Car Rental Tax collections is $29.517 million, a decline of approximately 1.0 percent. In fiscal year 2009, the Forum's approved forecast for the Short-Term Car Rental Tax is an increase of 2.9 percent compared with fiscal 2008 collections, amounting to $30.373 million.

Cigarette Tax Revenues

Presentation by Maud Naroll, Chief Planner, Budget and Planning Division and Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division

Ms. Naroll explained that cigarette tax collections were down from what was forecast last year by the Technical Advisory Committee. Ms. Naroll noted that cigarette tax collections per person declined since 1990, and that in 2003 the tax per pack was raised, resulting in an additional fall. She said her forecast was based on the year-to-date growth rate observed so far in fiscal year 2008. She forecass a 2.8 percent decline in cigarette tax revenues in fiscal year 2008, and the same rate of decline in fiscal year 2009.

Mr. Guindon indicated that cigarette packs per capita had been declining. He explained that his cigarette tax forecast also used his visitor volume forecast. He forecast a 2.5 percent decline in cigarette tax revenues in fiscal year 2008 and a nearly flat 0.1 percent increase in fiscal year 2009, using the offsetting effect of declining use with increased in visitor volume.

Discussion and Vote by Economic Forum Members

MS. SANTORO MOVED THAT, GIVEN DEPRESSED IN-MIGRATION FIGURES AND THE TAX RATE CHANGES THAT WENT INTO EFFECT RECENTLY, THE FORUM ACCEPT THE BUDGET AND PLANNING DIVISION'S MORE CONSERVATIVE FORECAST FOR FISCAL YEAR 2008 AND FISCAL YEAR 2009.

MR. ALASTUEY SECONDED THE MOTION, WHICH WAS CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for Cigarette Tax collections is $109.9 million, a decline of approximately 2.8 percent. In fiscal year 2009, the Forum's approved forecast for the Cigarette Tax is also $109.9 million.

Sales and Use Tax.

Presentation by Janet Rogers, Economist, Budget and Planning Division

Ms. Rogers began by describing her Sales Tax revenue forecast, which is based on taxable sales per employee. She explained that she uses employees rather than population because she is trying to track the spending patterns and she wants a number that is updated more frequently than population. Referring to Figure 3 in the Budget and Planning Division handout (Exhibit B), she noted that her model does a reasonable job of fitting the year-over-year change in inflation-adjusted average taxable sales per employee. She briefly summarized the discussion presented in the handout (pages 7 and 8 of Exhibit B) and noted that the model is picking up a very high portion of the variability. She also noted that that the model overshot the most recent data aproximately 5 percent. In addition, the 20 months of consecutive year-over-year declines in taxable sales in 1990-1992 are also under-estimated by the model. She pointed out that in 1997, the model again under-estimated the amount of decline.

Ms. Rogers discussed her forecast for retail sales, which she expected to continue to fall through the end of fiscal year 2008 and into fiscal year 2009. She noted that the model forecast a downturn in fiscal year 2009 without historical precedent and so she adjusted the model results up by 5 percentage points. Overall, she forecast that taxable sales would show a year-over-year decline of 3.6 percent in fiscal year 2008, followed by an additional decline of 3.6 percent in fiscal year 2009.

Ms. Santoro noted that a federal law changed in the early 2000 time period so that states could no longer charge sales tax on purchases over the Internet, and that Nevada was one state projected to be most heavily affected by this change in policy. She wondered if someone might be able to shed some light on this change and its effect on Nevada.

Dino DiCianno, Director of the Department of Taxation, responded to Ms. Santoro's question. He noted that she was probably referring to the moratorium on Internet access charges. He said Nevada does not currently tax Internet access services, nor does it charge sales tax with respect to telecommunication. Nevada has full membership in the Streamlined Sales Tax Project. The member states have been streamlining their sales tax rules and are asking Congress permission to tax Internet sales. There were two bills in Congress, one in the House and one in the Senate, that would allow the states to collect sales tax on Internet sales, but those bills have not yet been enacted.

Ms. Santoro then asked whether the recent Nevada Supreme Court ruling regarding what gaming companies are required to pay for employee meals was taken into account in the forecasts.

Mr. DiCainno responded that 92 other properties that have filed for sales tax refunds based on the Supreme Court decision, and that the total impact of the Nevada Supreme Court decision could be $150 million dollars, which would continue forward if the decision were maintained. There was a petition with the Supreme Court for a rehearing, but the Court had not indicated whether they would reconsider that argument. Under current statutes, there is a three year statute of limitation, so going forward properties will try to maintain their appeal rights by filing for additional refunds.

Ms. Rogers answered that her forecast was made assuming current law and so did not make an adjustment for the portion of sales tax under re-review by the Supreme Court.

Mr. Guindon noted that the Fiscal Analysis Division's forecast of sales tax revenues (shown on page 5 of Exhibit F) also did not adjust for this issue.

Ms. Santoro noted that many believed that the Supreme Court's decision would hold and that it would be important to take it into account for upcoming fiscal years.

Presentation by Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Guindon discussed the Fiscal Analysis Division's forecast of the sales tax (shown on page 5 of Exhibit F). He stated that he uses a variety of variables and equations to model sales tax revenues and that he also uses Global Insight's retail sales forecast. He noted that they try to forecast this revenue with different types of variables and that he runs different equations. Mr. Guindon indicated that his model uses Nevada retail sales and the new car and truck registration.

He forecast sales and use tax revenues would decline 3.3 percent in fiscal year 2008 and increase 3.1 percent in fiscal year 2009.

Discussion and Vote by Economic Forum Members

Ms. Sanatoro pointed out that people were not opting to eat at the most expensive establishments and that restaurant chains were going out of business nationally. She recommended that the Forum lean on the side of the more conservative Budget and Planning Division forecast.

Mr. Alastuey presented a question regarding the housing and construction sectors, noting the decline in sales of existing homes and decline in construction starts. He further noted that activity in the housing sector is a substantial driver in the sales tax. He wondered how close Nevada was to the bottom in residential markets, and, given mixed signs in Clark County that some of the foreclosures may have stabilized and cleared themselves out, wondered if some substantial number of people were beginning to stabilize their personal finances.

Ms. Rogers responded that Global Insight's forecast for the residential sector did not show the housing market clearing until after the end of this biennium. She reported that her model showed housing starting to turn around toward the end of fiscal year 2009, with high gas prices one of the drivers that she found very critical to model. She reported that both Global Insight and Wall Street were not expecting the housing sector to hit bottom until well into fiscal year 2009, and therefore we would not see a turn around in sales tax until after that.

Mr. Guindon concurred, but noted that the bottom line was if the casinos do open in the second half of next fiscal year, and the associated jobs are created, then Nevada would see some growth.

Mr. Restrepo noted growing weaknesses in the commercial markets, including office, industrial, and retail, but primarily in the office side.

Ms. Santoro recalled that her discussions with all of the nation's largest banks indicated that lending policies had definitely changed significantly. She did not see anything to lift activity in the short term and thought conditions would remain depressed through the end of 2008.

MS. SANTORO MOVED THAT THE FORUM ACCEPT THE BUDGET AND PLANNING DIVISION'S MORE CONSERVATIVE FORECAST FOR FISCAL YEAR 2008 AND FISCAL YEAR 2009.

MR. RESTREPO SECONDED THE MOTION, WHICH WAS CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for Sales and Use Tax collections is $964.7 million, a decline of approximately 3.6 percent. In fiscal year 2009, the Forum's approved forecast for the Sales and Use Tax is an additional decline of 3.6 percent compared with fiscal 2008 collections, amounting to $929.5 million.

Insurance Premium Tax Revenues

Presentation by Janet Rogers, Economist, Budget and Planning Division

Ms. Rogers described the Insurance Premium Tax, a 3.5 percent tax levied against net insurance premiums. She described her structural model for this revenue, which includes inflation-adjusted wage per employee, inflation-adjusted existing single family home pricse in Nevada, and a seasonality factor as independent variables. She forecast some growth in wages coupled with a fall in home prices. The net result forecast an Insurance Premium Tax revenue decline of 0.8 percent in fiscal year 2008 followed by a 3.6 percent increase in fiscal year 2009.

Presentation by Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Guindon discussed the Fiscal Analysis Division forecast for insurance premium tax revenues (shown on page 6 of Exhibit F). He noted that not a lot of cars were being sold, and even fewer homes. He forecast a 1.0 percent decline in insurance premium tax revenues in fiscal year 2008 followed by a 2.7 percent increase in fiscal year 2009.

Discussion and Vote by Economic Forum Members

MR. ALASTUEY MOVED THAT THE BUDGET AND PLANNING DIVISION'S PROJECTION BE USED.

THE MOTION WAS SECONDED BY MS. SANTORO AND CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for Insurance Premium Tax collections is $257.2 million, a decline of approximately 0.8 percent. In fiscal year 2009, the Forum's approved forecast for the Insurance Premium Tax is an increase of 3.6 percent compared with fiscal 2008 collections, amounting to $266.5 million.

Real Property Transfer Tax Revenues

Presentation by Janet Rogers, Economist, Budget and Planning Division

Ms. Rogers reported that the Real Property Transfer Tax is levied when real property is transferred, including foreclosed properties. She noted the tax is based on the value of the transferred property and was definitely affected by the downturn in the price of homes. She forecast that transfer tax revenues would fall 30.6 percent in fiscal year 2008, and fall an additional 30.8 percent next year.

Presentation by Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Guindon reported on the Fiscal Analysis Division forecast for the Real Property Transfer Tax (shown on page 10 of Exhibit F). He noted his forecast is generated using Global Insight's forecast for new and existing single-family home sales and price levels. This revenue is collected at the county level and the taxes are given back to the state to put in the General Fund. He forecast that fiscal year 2008 transfer tax revenues would total $83.955 million, about a 30.3 percent drop compared with fiscal year 2007. He forecast an additional 33.9 percent drop in fiscal year 2009.

Discussion and Vote by Economic Forum Members

MR. ALASTUEY MOVED THAT THE BUDGET AND PLANNING DIVISION'S PROJECTION BE USED.

THE MOTION WAS SECONDED BY MS. SANTORO AND CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for Real Property Transfer Tax collections is $83.955 million, a decline of approximately 30.3 percent. In fiscal year 2009,

the Forum's approved forecast for the Real Property Transfer Tax is an additional decline of 33.9 percent compared with fiscal 2008 collections, amounting to $55.482 million.

Modified Business Tax Revenues

Presentation by Janet Rogers, Economist, Budget and Planning Division

Ms. Rogers stated that the Modified Business Tax is a tax on payrolls. There are two different rates: one for financial institutions, which is 2.0 percent, and the other for non-financial institutions, which has varied over time and is currently 0.65 percent. Her forecast is based on estimates for wages for financial and non-financial institutions, with an adjustment for the amount of health insurance that businesses pay, because that is not part of the tax base. The Budget and Planning Division forecast a 0.5 percent increase in modified business tax collections for non-financial institutions in fiscal year 2008, followed by a 3.1 percent increase in fiscal year 2009. She forecast modified business tax collections from financial institutions would decline 6.6 percent in fiscal year 2008 followed by a 4.5 percent decline in fiscal year 2009.

Presentation by Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division

Mr. Guindon discussed the Fiscal Analysis Division forecast for the modified business tax (shown on pages 7 to 9 in Exhibit F). He clarified that the rate for non-financial institutions is currently 0.63 percent, not 0.65 percent as reported by Ms. Rogers. He also noted there is not much history on this tax. He forecast modified business tax revenues from non-financial institutions would rise 0.7 percent in fiscal year 2008 and rise an additional 2.4 percent in fiscal year 2009. He forecast that revenue from financial institutions would drop 5 percent in fiscal year 2008, followed by a 0.4% increase in fiscal year 2009.

Discussion and Vote by Economic Forum Members

Mr. Restrepo asked about the forecast for the unemployment rate and how would it impact the Modified Business Tax.

Ms. Rogers forecast the unemployment rate would average 5.4 percent in fiscal year 2008 and 6.0 percent in fiscal year 2009. She reminded the Forum that the May unemployment rate was 6.2 percent. She indicated that she does not use the unemployment rate *per se*, but rather uses employment levels. Her forecast for employment might be overly optimistic, as pessimistic as it was. She further noted that although employment was declining, the historical total wage tends not to decline at the same pace and that general wages were forecast to continue to increase.

MS. SANTORO MOVED THAT THE BUDGET AND PLANNING DIVISION FORECAST BE USED FOR FISCAL YEAR 2008 AND FISCAL YEAR 2009 FOR MODIFIED BUSINESS TAX REVENUES FROM FINANCIAL INSTITUTIONS. SHE FURTHER MOVED THAT THE BUDGET AND PLANNING DIVISION FORECAST BE USED FOR FISCAL YEAR 2008 FOR NON-FINANCIAL INSTITUTIONS. FOR NON-FINANCIAL INSTITUTIONS IN FISCAL YEAR 2009, SHE MOVED THAT MODIFIED BUSINESS TAX COLLECTIONS BE FORECAST TO GROW 1 PERCENT.

THE MOTION WAS SECONDED BY MS. ROSENTHAL AND CARRIED UNANIMOUSLY.

The Economic Forum's approved fiscal year 2008 forecast for Modified Business Tax collections for non-financial institutions is $258.600 million, an increase of approximately 0.5 percent. In fiscal year 2009, the Forum's approved forecast for the Modified Business Tax for non-financial institutions is an increase of 1.0 percent compared with fiscal 2008 collections, amounting to $261.186 million.

The Economic Forum's approved fiscal year 2008 forecast for Modified Business Tax collections for financial institutions is $20.100 million, a decline of approximately 6.6 percent. In fiscal year 2009, the Forum's approved forecast for the Modified Business Tax for financial institutions is a decline of 4.5 percent compared with fiscal 2008 collections, amounting to $19.200 million.

*8. SCHEDULE FALL ECONOMIC FORUM MEETINGS

The first meeting will be held in the beginning of October. The second meeting will be held roughly around November 3rd and then the mandatory third meeting will be held on December 1st.

*9. PUBLIC TESTIMONY

There was no public testimony.

*10. ADJOURNMENT

Approved by:

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Chair, Economic Forum