MINUTES OF THE MEETING OF THE
ECONOMIC FORUM
(NRS 353.226 – NRS 353.229)
November 10, 2020

The meeting of the Economic Forum (created by Senate Bill 23, 1993) was held at 8:30 a.m. on November 10, 2020. Pursuant to Sections 2 through 9, inclusive, of Chapter 2, Statutes of Nevada 2020, 32nd Special Session, pages 9 through 11, there was no physical location for this meeting. The meeting was available live over the Internet on the Nevada Legislature's website.

ECONOMIC FORUM MEMBERS PRESENT:
Craig Billings (chair)
Marvin Leavitt
Jennifer Lewis
Frank Streshley

ECONOMIC FORUM MEMBERS ABSENT:
Linda Rosenthal (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
(Exhibit B)	Agenda Item VII, Presentation by Mr. Wachter, Senior Vice President, Retail Association of Nevada
(Exhibit C)	Agenda Item VII, Presentation by Virginia Valentine, Nevada Resort Association
(Exhibit D)	Moody's Analytics, Revenue Outlook
(Exhibit E)	Agenda Item XII, Gaming Control Board, Gaming Revenue Forecasts
(Exhibit F)	Agenda Item XII, Executive Budget Office Forecast
(Exhibit G)	Agenda Item XII, Fiscal Analysis Division Forecast Information Packet
(Exhibit H)	Agenda Item XII, Department of Taxation, Major Revenue Forecasts
(Exhibit I)	Agenda Item X, FY 2016 - FY 2020 Commerce Tax by Business Category Tables
(Exhibit J)	FY 2016 - FY 2020 Commerce Tax by Business Category Pie Charts

I. ROLL CALL.

The meeting of the Economic Forum (Forum) came to order at 8:32 a.m. and Mr. Guindon called roll. All members except for Ms. Rosenthal (absent excused) were present via virtual attendance.

II. OPENING REMARKS.

Chair Billings welcomed presenters, staff and those who viewed the meeting on the Nevada Legislature's website at https://www.leg.state.nv.us/, and thanked the Legislative Counsel Bureau (LCB) Broadcast and Production Services' staff for their coordination efforts to allow the meeting agenda to be executed virtually. He communicated that the Economic Forum is statutorily required to provide a forecast of unrestricted General Fund revenues for fiscal years 2021, 2022 and 2023 of the 2021-23 biennium, on or before December 3, 2020, to the Governor and the Legislature. Subsequently, the Governor prepares a proposed budget, The Executive Budget, based upon the projections and estimates prepared by the Forum, which is submitted to the Legislature for the 2021 Legislative Session. Chair Billings announced that several informational presentations would be heard; however, preliminary General Fund revenue forecasts would be heard today but not approved until the December 3, 2020, meeting.

III. PUBLIC COMMENT.

Chair Billings asked for public comment. There was no public comment.

Before proceeding, Mr. Russell Guindon, Deputy Principal Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau announced that the agenda, as well as all presentation material and exhibits, were available for viewing on the Nevada Legislature's website at https://www.leg.state.nv.us/.

IV. PRESENTATION ON THE NATIONAL, REGIONAL AND STATE ECONOMIC OUTLOOK.

Daniel White, Economist, Moody's Analytics

Mr. White, Director of Public Policy Research, Moody's Analytics (Moody's) introduced his colleague, Sarah Crane, who will be presenting the tax revenue portion of this presentation.

Mr. White stated that Moody's Analytics is a subset of Moody's Corporation, which is an entirely different company from Moody's Investors Service ratings agency. He emphasized that anything he says should not be misconstrued as having any bearing on past, current and future ratings actions.

Mr. White said a downturn in the U.S. economy was expected in mid-2020; however, Covid-19 significantly accentuated the impact of the downturn, making it in many respects the deepest downturn seen in our lifetime, and possibly in U.S. history. He referred to page 7 (Exhibit A) of his presentation, The Pandemic Recovery Roadmap, and provided a summary of the following four distinct phases in this business cycle:

- Recession Phase: The deep recession part of this business cycle occurred in February/March of 2020 due to the outbreak of Covid-19, which triggered significant decline in economic activity in the United States, because people felt unsafe leaving their homes and stay-at-home orders did not allow people to physically take part in normal activities. In Nevada, about one-third of the economy went offline in the second quarter of 2020. Mr. White said this recession was not a normal case where the economy ran out of gas, so when restrictions were lifted, much of the economy came back quickly.
- Reopening Phase: The reopening phase occurred mid to late summer and gave people hope and confidence in terms of a quicker economic recovery.
- Pre-Vaccine Recovery Phase: This phase embraced the initial burst of recovery as business activity was regained and operations resumed under pandemic conditions; however, the economy has hit a wall as it waits for approval and distribution of a vaccine that is widely accepted. Moody's baseline forecast assumes a relatively slow pre-vaccine recovery where economic growth moves sideways for the next four or five months.
- Post-Vaccine Recovery Phase: The full post-vaccine recovery is expected to mimic the pace of a normal economic recovery, but not occur until early summer or fall of 2021.

Mr. White stated the economic recovery nationally differed considerably from one region to the next. He explained that the COVID-19 economic exposure score referenced on page 8 (Exhibit A) was generated based on the number of actual infections in a particular area, the demographics of the area. For example, certain regions are more vulnerable due to having a high percentage of senior population, large commuting patterns, or have large numbers of people who travel to a central hub from outside of the city. Additional contributing factors include population density and social economic factors, such as income levels, and industry mix. Mr. White reported that Las Vegas and the Reno/Sparks Metro Area are incredibly exposed and vulnerable to the type of business slowdowns resulting from the pandemic, which has resulted in much larger decreases in overall employment compared to the rest of the country. Many of Nevada's core industries are designed to bring large groups of people from global regions into one place at one time, which has become extremely difficult in the current pandemic climate. Massive declines have been observed in tourism-related employment in Nevada; however, the tourism industry has held up and recovered much better than seen in other parts of the country, which explains the resiliency seen in Nevada gaming resulting from a more diversified tourism climate that has transitioned in Nevada over the last 15 years. Mr. White relayed that the area should be well positioned to resume more quickly than other tourism-related areas of the country during the recovery period. The airline industry is a concern, as no one spends more money on a visitor basis in Nevada than people who arrive via air travel, especially the international visitors associated with gaming. Mr. White pointed out that the Moody's forecast, per TABLE 8 (page 81, Exhibit A) assumes very gradual recovery in overall tourism activity and, as a result, Nevada has a much more sluggish overall recovery than the rest of the United States when reaching pre-recession levels of activity.

Mr. White acknowledged the following two assumptions that are baked into Moody's forecast:

1. Stimulus: Moody's baseline forecast assumes additional federal stimulus will come online in the first quarter of 2021. Until mid-September 2020, Moody's assumed that additional federal fiscal stimulus would be approved in calendar year 2020 but was detained by the election and other political dynamics within the Senate. Mr. White said the absence of federal fiscal stimulus in the first quarter of calendar year (CY) 2021 would cause an enormous downside risk to the forecast. For example, he referred to the graph on page 10, Incomes Drive Revenue Forecast, and acknowledged the baseline forecast (blue line) that represents U.S. disposable income that includes federal fiscal stimulus, and the trend line representing the "S3" forecast (green line), which is Moody's severe recession scenario that assumes no additional federal fiscal stimulus in the first quarter of FY 2021. He pointed out the offset from the strong spending impact bolstered by enhanced unemployment insurance received from the Paycheck Protection Program (PPP) (stimulus checks) and its impact on disposable personal income. The S3 forecast would lower consumer spending and prolong the recession well beyond the current forecast.

2. Vaccine Rollout and Acceptance: Projections target the summer or fall of CY 2021 before 25 million Americans are successfully inoculated against COVID-19. The Pfizer Group recently publicized success with their initial trials but are reportedly three to four months away from achieving Food and Drug Administration (FDA) approval. Mr. White noted a lag is anticipated between the release of a vaccine and its rollout where enough people become inoculated to make a difference in terms of the economic forecast.

   Mr. White said an upside risk to the forecast would be an FDA push to approve a vaccine earlier than April or May of 2021, which would stimulate economic activity much quicker than modeled in Moody's baseline forecast. A significant delay in the delivery of a vaccine would cause a downside risk to Moody's baseline forecast.

Sarah Crane, Economist, Moody's Analytics

Ms. Crane said personal income and consumption expenditures determine the trajectory in Moody's forecast. She said the pandemic crisis has temporarily weakened the relationship between personal income and sales tax collections, but the combination of stimulus checks and generous unemployment insurance payments through the summer of 2020 offset the declines seen in wage and salary income. The surge in personal income, accompanied by dives in spending as consumers saved at unprecedented rates, impacted sales tax revenues, as illustrated in the chart on page 11 (Exhibit A). The decline in consumer spending was attributed to fewer spending opportunities as business restrictions and stay-at-home orders went into effect.

Ms. Crane reported that revenues generated from sales and use taxes were down nearly 1.7% in FY 2020 compared to FY 2019. The removal of many business restrictions caused sales tax collections to jump slightly in the first quarter of FY 2021, but on a year-over-year basis, the declines remain severe. Ms. Crane directed the members to sales and use tax forecast totals by fiscal year on page 12 of the meeting packet. She said the reality of lost income and increased uncertainty around the coronavirus and public safety and limitations on in-person activities will continue to keep sales and use tax activity below pre-crisis levels for some time. Sales and use tax revenue is expected to decline 1.9% in FY 2021, followed by considerable growth as the economy recovers given the severity of the initial drop. Collections from sales and use tax in FY 2023 are projected to be slightly higher than collections were in FY 2019.

Relative to Moody's Gaming Percentage Fee forecast, Ms. Crane explained that the composition of consumer spending during the economic downturn has shifted, similar to the relation between personal income and spending, and the sharp decline in U.S. recreational services spending wiped out the momentum seen in gaming percentage fee collections in FY 2020. She said relaxed restrictions on casinos and other places of recreational services will allow gaming percentage fee collections to move in the right direction, but gains will be coming off a severely depressed base. Moody's expects the rebound to be slow and gradual over the next several years with annual collections down 17.8% in FY 2021, compared to FY 2020, because of persistent restrictions on international visitors and new realities in business travel. Projected collections in FY 2023 are expected to be approximately 17.0% below the actual collections in 2019.

Mr. Streshley asked if other risks, such as inflation, timing of federal decisions, and the unemployment rate, existed outside Moody's forecast. He said he struggled with the recovery forecast for FY 2023.

Mr. White reiterated that additional stimulus and the vaccine rollout are the two most relative risks to Moody's forecast, which could potentially present additional risks. He said Moody's does not expect movement in terms of the Federal Reserve and the Federal Funds rate until the second half of FY 2023, which is why growth and recovery is not forecast until the end of FY 2023. From an inflation perspective, low demand due to the pandemic and the lack of participation in economic activities that were available prior to the pandemic presented no risk of inflation. He did not anticipate an increase to the interest rate by the Federal Reserve until 2023 or 2024.

Chair Billings asked Mr. White to talk about his assumptions in terms of the size and timing of additional stimulus and how that underpins Moody's projections.

Mr. White replied that a $1.5 trillion stimulus package is expected to be released in the first quarter of CY 2021, which is significantly less than proposed and passed through the house but slightly more than what was proposed by the Senate earlier in 2020. He said risk associated with this assumption, especially with the Biden administration, is a push for much more fiscal stimulus. Approximately one-third of the stimulus, or $500 billion, would be distributed to states and local governments; approximately one-third would be distributed to individuals via enhanced unemployment insurance, maybe $300 per week in lieu of $600 per week; and the balance would be distributed to small business funding, whether via the PPP or otherwise. Mr. White said the degree to which those stimulus tranches come in could be bigger or smaller depending on the political mix but given reported jobs numbers and the mix in Congress, including a Republican-controlled Senate and a Democratic House and President, the release of stimulus is anticipated to occur after the presidential inauguration, likely in February of 2021.

Chair Billings asked if Moody's stimulus assumption should be thought of in a binary fashion versus in quantum fashion, meaning the amount of stimulus to be received is less of a risk than if the stimulus is not received at all.

Mr. White concurred. He said there was not a huge difference in his forecast assumption between receiving $1.0 trillion in stimulus versus $1.5 trillion or $2.0 trillion. More importantly, Moody's forecast included a stimulus package with a large portion allocated to enhanced unemployment insurance and other programs for distribution to small businesses and people who will spend it quickly. He agreed that the binary outlook in terms of stimulus was in Moody's forecast assumption.

Chair Billings asked if it was safe to assume, to the extent there is no additional stimulus, that the federal government had very few bullets to fire.

Mr. White said stimulus is either coming from the fiscal side or not coming at all. He concurred that the federal government had little room to maneuver in terms of monetary policy.

Chair Billings inquired about Moody's vaccine rollout assumption, when the assumption was made, and the science behind the timing of the rollout.

Mr. White said the assumption was last updated in early October 2020; therefore, the assumption did not include the November 9, 2020, press release announcement made by Pfizer and BioNTech regarding their vaccine candidacy against Covid-19. He said, given no counter statements were made by the FDA, Moody's assumptions have not changed. However, the assumption could change if the FDA considers early approval of the Pfizer vaccine or advances the normal approval process. Moody's would need more information regarding the vaccine's availability, distribution, and storage before changing their forecast assumptions. He noted that wide acceptance of a vaccine was unlikely until the fall of 2021, best-case scenario.

Chair Billings commented that it may not change the assumption, but it could give comfort in the assumption itself.

Mr. White agreed. He said the wild card in terms of assumption would associate with a higher-than-expected rate of inoculations. He reiterated that Moody's is not expecting much of an increase in vaccinations until the end of CY 2021, because they believe the average American will remain hesitant to get the vaccine until more data and statistics become publicly available.

Chair Billings acknowledged Moody's fall estimate in terms of widespread acceptance of the vaccine and asked Mr. White to speak regarding consumer comfort level, knowing a vaccine is on its way, and potential improvement in consumer sentiment, particularly as it relates to discretionary spending.

Mr. White referred to Moody's two main assumptions, additional stimulus, and the vaccine rollout. He said if additional federal fiscal stimulus is announced in early 2021, late January or early February, followed by actual physical delivery of the vaccine in March or April of 2021, more people will gain confidence going into the summer, which could boost recovery by maybe two or three quarters. Contrary to that, a delay in federal stimulus or a vaccine would follow the baseline forecast.

V. PRESENTATION ON THE STATE EMPLOYMENT OUTLOOK.

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

Mr. Schmidt reported that Nevada's unemployment rate reached an all-time low of 3.6% in February 2020 and an all-time high of 30.1% in April 2020. The Department of Employment, Training and Rehabilitation (DETR) has never seen this magnitude or speed of this type of swing, but it was apparent in DETR's data.

Mr. Schmidt said by September 2020, about 50% of the jobs lost were recovered. He indicated that current state unemployment is situated halfway between its high and low points, but the pace of recovery has slowed because most large-scale businesses that could reopen, such as casino properties, have already done so. Mr. Schmidt said the state's job recovery is shifting from the rapid policy rebound to something more like the rebound from a traditional recession. He noted that Nevada's jobs count increased rapidly by 0.7% over the month, and its slowdown is relative to the very rapid rebound seen in May and June.

State employment varies in regions throughout the state. Employment in Las Vegas was impacted much worse than any other area of the state, particularly in the leisure and hospitality industry, which suffered a higher percentage of job loss compared to that same industry in Reno. Mr. Schmidt said employment in leisure and hospitality in Reno did not drop as far and came back slightly more compared to Las Vegas. He reiterated that Las Vegas employment fell further, and it has not recovered as much as other areas of the state (pages 19 and 20, Exhibit A).

Employment in Carson City has recovered to levels seen before the COVID-19 shutdowns. Mr. Schmidt noted that Carson City employment, unlike the Reno and Las Vegas metropolitan statistical areas (MSAs), had never recovered to pre-Great Recession levels, so employment did not have as far to fall — Carson City lost all of its job growth since the Great Recession; however, their job growth was not as strong as what Reno and Las Vegas observed over the last decade.

Mr. Schmidt recapped Nevada's all-time high unemployment rate of 30.1% and announced the state's distinction of having the highest unemployment rate in the nation in any given month since 1976, which was the beginning of consistent recordkeeping. The 30.1% unemployment rate is comparable to U.S. unemployment during the Great Depression. He explained that the unemployment rate was not the result of economic decline over multiple years, as seen in the Great Recession when the unemployment rate rose over the course of five years, from 2006 to 2010/2011, versus two months. He said, because of how quickly the unemployment rate increased due to the shutdown of businesses, a huge federal stimulus package was approved and distributed to help replace lost wages. Mr. Schmidt noted that, in Nevada, unemployment benefits, across all programs related to coronavirus aid, more than replaced lost income from lost jobs.

Las Vegas unemployment rose to nearly 35% and only dropped to about 15%, whereas Reno and Carson City unemployment peaked at just over 20% and dropped to below 7%. Mr. Schmidt reported that more Nevada's counties have less than 5% unemployment versus more than 10% unemployment. Unemployment rates throughout the state measure nearly 15% in Clark County; 9% in Nye County; and because of the resiliency of the mining sector, 4.3% in Elko County; 3.1% in Eureka County; 4.4% in Humboldt County; and 4.1% in Lander County (page 25).

Nevada's statewide total of unemployed individuals is approximately 190,000 people. Las Vegas reported 165,000 unemployed individuals, which is a 121,000-increase year-over-year. In terms of Nevada's cities, Mr. Schmidt quoted unemployment rates of approximately 7% in Reno, Sparks and Fernley; 4.5% in Elko; 10% in Boulder City; 12.3% in Henderson; 14.1% in Las Vegas; 14.8% in North Las Vegas; and 7.1% in Mesquite. He emphasized the greater impact to the Las Vegas urban area, specifically in the leisure and hospitality industry.

Mr. Schmidt referred to the unemployment claims table on page 28 (Exhibit A) that showed activity through September 2020. He pointed out that in February 2020, the state had over $2.0 billion banked for unemployment insurance, which has largely been spent. He acknowledged the availability of various programs that help sustain unemployment benefits, including the Social Security Act, which provides for the state to continue paying unemployment benefits so that the depletion of that trust fund does not have any impact on benefit payments. Initial unemployment claims increased over 300% from September 2019, but there was a large drop from the nearly 1000% year-over-year increase seen across the entire UI system. Mr. Schmidt explained that a huge number of claims were filed at the start of the shutdown in late March and early April, but because regular UI benefits are eligible for six months, there was a large drop in claims due to the number of people aging out of the regular unemployment system and transitioning into the federally paid enhanced unemployment benefits. He said final payments (Exhaustions), up 3,000%, started aging out in September as people moved through the system, meaning less people will receive regular benefits and more people will collect federal benefits moving forward. He expressed concern moving into CY 2021 in terms of whether the people dropping out of the system will have wages or new base periods established that will allow eligibility for new regular unemployment claims given the unprecedented number of people who had filed claims in 2020, because eligibility for benefits depends on having sufficient wages to qualify for those benefits over the course of the prior year.

For context, across all of the federal programs related to coronavirus aid, DETR paid out between $7.0 billion and $8.0 billion through unemployment benefits in 2020. The charts on page 29 represent the magnitude of aid distributed through four unemployment programs, including regular unemployment compensation; Pandemic Unemployment Assistance (PUA); Pandemic Emergency Unemployment Compensation (PEUC); and State Extended Benefits (SEB) that continues to pay benefits after the PEUC benefit is exhausted. Mr. Schmidt reported that, prior to the shutdown, approximately $20.0 million per month was paid in UI benefits, whereas throughout the course of the pandemic some months exceeded $500.0 million per week. Referring to the chart on page 30, he pointed to the weeks of April 18, 2020, and August 15, 2020, which represent one week before the $600 Federal Pandemic Unemployment Compensation (FPUC) program went into effect and one week after the program expired. The spike in the middle represents when the PUA program went live and people were getting paid for back weeks of prior claims, which pushed weekly UI payments up over $500.0 million per week. After the FPUC program expired, weekly UI payments dropped to about $100.0 million per week until October when the Trump Administration authorized the Federal Emergency Management Agency (FEMA) to use Disaster Relief Funds (DRF), which resulted in an additional $300 per week to supplement lost wages due to COVID-19 to those who qualified through the Lost Wages Assistance (LWA) program. As those payments were released, back payments bumped up weekly UI payments; however, the lifespan of that program was short and weekly payments fell quickly. Mr. Schmidt emphasized that, in Nevada, the maximum regular UI benefit paid approximately $470 per week; however, with the additional $600 per week supplement from the FPUC program, the potential benefit totaled over $1,000 per week, which, particularly in lower-wage industries, pushed the wage replacement rate above 100% for some individuals. He noted that the rapid swing into this recession allowed the federal government to afford a larger fiscal stimulus that helped blunt the negative cycle of the recession.

Mr. Schmidt reported that Nevada ranked high in terms of total PUA dollars paid relative to the Census Bureau's estimate of self-employment. He pointed out major disconnects in the table on page 31 regarding PUA measures amongst the states. For example, Pennsylvania shows PUA paid per self-employed worker was $18,654 versus average UI per unemployment of $9,564. He implied there were potentially many improper payments in the system; however, Nevada's numbers appeared reasonable. In Nevada, the average unemployment payment was slightly higher than the average PUA payment, because so many people in the PUA program had little to no wages to document; therefore, defaulted to the PUA minimum payment of $181 (Nevada) per week, whereas the average UI payment overall is about $300 to $350 per week.

Mr. Schmidt referenced excerpts taken from the *Federal Beige Book* regarding national and regional outlooks, beginning on page 32, and placed emphasis on the noticeable rise in retail sales — people were feeling more comfortable shopping; therefore, increasing foot traffic. However, overall retail employment remained low.

Traffic counts to the Las Vegas area and Northern Nevada, particularly South Lake Tahoe, appeared hopeful. Mr. Schmidt conveyed that the drop-in traffic counts attributed to the pandemic were in part due to the decline in airline travel, because people did not feel comfortable traveling on over-crowded planes. He recalled September 11, 2001 (9/11) when people questioned their safety on planes, which was followed by a fairly quick rebound as people rebuilt their confidence in the safety of air travel. In terms of year-over-year ground travel traffic counts, Las Vegas saw huge impacts in April 2020, followed by diminished traffic counts by July 4, followed by steady increases beginning around Labor Day. Mr. Schmidt emphasized that the Las Vegas brand was not the result of lower traffic counts, but the method of getting to that location was worrisome to people. He referenced the year-over-year change traffic chart on page 35 and indicated signs of an earlier recovery.

Mr. Schmidt said, typically, DETR's projections are based on the Quarterly Census of Employment and Wages (QCEW) program published by the U.S. Bureau of Labor Statistics; however, the only QCEW data available was through the first quarter of 2020 (page 35), which did not reflect the shifts caused by COVID-19. Instead, DETR made projections based on the Current Employment Statistics (CES) survey, which is a monthly survey that is more current but subject to benchmarking. He explained that DETR's employment projections are subject to change, particularly for 2020, because it is based on time series data, thus recent swings can skew the trend. Mr. Schmidt explained that the slides he was about to present contain four charts that represented various forecasts, with the most optimistic in the upper left to the most pessimistic in the lower right, including "best-case," "expected," "on-trend," and "worst-case" scenarios (page 36, Exhibit A). The best-case scenario reflects recovery to the prior trend over six months. On-trend is based on the pre-COVID-19 trend extended from September 2020 through the forecast period. The worst-case scenario follows the trend from April 2020, the peak of the shutdown, through the forecast period. Mr. Schmidt noted that as the forecast trend extends out multiple years, the compounding impacts of long-term shutdown starts to build, thus the decision to use the trend from April 2020 for DETR's worst-case scenario forecast. The expected forecast represents DETR's outlook and averages the best-case and the on-trend forecasts, and makes assumptions for future vaccines, treatments and therapeutics, which causes the overall economic damage from the shutdowns being relatively limited.

Mr. Schmidt highlighted the following seven forecasts, beginning on page 37 (Exhibit A):

- Total Nonfarm employment: On average, over four years through June of 2023, growth associated with the expected forecast is approximately 0.3% in 2020, followed by weaker gains in 2021, followed by slightly more growth in 2022 and 2023.
- Goods-Producing Employment: The goods-producing sector was not completely shut down; therefore, negative impact was not as apparent.
- Service-Providing Employment: The largest number of essential businesses were in the service-providing sector and saw the largest drop in employment. Employment forecasts for this sector are reflected in a wider array of potential outcomes, depending on recovery.
- Mining Employment: Currently, mining employment is at a historical peak in terms of the Current Employment Statistics program. The best- and worst-case scenarios are reversed, because long-term recovery in the mining sector will be supported by the price of gold and future mining employment. The forecasts are not necessarily best- and worst-case scenarios for the mining sector, but rather for the economy as a whole.
- Manufacturing and Durable Goods Manufacturing Employment: Forecast trends in this sector hold steady throughout the forecast period. Forecasts are not time series estimates, because that would assume holding Gigafactory trends forever, which did not seem reasonable, thus the four forecast scenarios are largely held flat.

- Retail Trade Employment: The best-case and on-trend forecasts are optimistic, as declines or flatting were already observed in year-over-year growth in this industry prior to February 2020. Mr. Schmidt noted the steady rebounds seen from 2012 to 2014, after the Great Recession, are not expected to occur, and that flatter growth is reflected in the forecasts.

- Leisure and Hospitality Employment: The best-case scenario shows over 350,000 jobs added back in this sector, and the worst-case scenario shows 200,000 jobs added back. The worst-case scenario has more potential downside risk because there were several properties that did not shed all of the jobs they could at once, so more jobs could have been lost in April 2020, reflecting higher unemployment that would drive the low end of the worst-case scenario estimate even lower.

Chair Billings commented on structural versus cyclical changes to the leisure and hospitality industry, particularly in Southern Nevada, regarding the flexibility observed by many gaming and leisure operators with respect to employment. He questioned whether many operators on the Strip figured out how to do the same with less. He asked Mr. Schmidt to talk about his view on structural unemployment, particular in that portion of the state's economy and how that factored into DETR's forecasts.

Mr. Schmidt stated none of those shifts were considered in DETR's forecasts. He agreed that a risk is associated with employers learning how to do things differently, but noted that hotel casino employment had already been fairly flat. He indicated that the leisure and hospitality industry consist of a broad range of subsectors where Caesars and McDonalds might fall in the same industry group, and that the industry has seen more growth on the food services side than on the accommodation casino hotel side. Although the industry has seen growth in the economic sense, job growth has been much flatter over the long term since 2001, and more trend activity versus growth has been observed since 2010. Mr. Schmidt communicated that employment growth in the leisure and hospitality industry in Reno has remained flat since 2001, and that its recent decline reflected a reshuffling of the existing employment base. He argued that, although it was not factored into DETR's estimates, there is the possibility of risk as properties learn to find ways to limit person-to-person interaction that support automation, such as the use of kiosks, keyless check-in or automated food ordering, to avoid the spread of COVID-19. He reiterated there could be potential rebalancing in terms of how people will do business but emphasized that a large part of the Las Vegas experience includes all the people who support it.

VI. PRESENTATION ON THE CURRENT STATUS AND OUTLOOK FOR THE REAL ESTATE MARKET.

Teresa McKee, Chief Executive Officer, Nevada REALTORS®

Ms. McKee stated Nevada Realtors® is one of the largest trade organizations in the state, consisting of 18,600 brokers and agents licensed in Nevada. She provided a summary of events that occurred after the shutdown in March 2020, as the real estate industry was considered an essential service and was allowed to move forward through the pandemic. Ms. McKee reported that sales dropped in March 2020 because people were afraid to move while restrictions were placed on hosting open houses and local and federal laws were put in effect that banned evictions. In summary, in April 2020, Nevada Realtors® worked with the Attorney General's Office regarding landlord/tenant agreements, homelessness, and the eviction process. In June and July of 2020, Nevada Realtors® collaborated with the Nevada Supreme Court as a proponent of the Eviction Mediation Program to encourage landlords to work with tenants to avoid evictions. In July 2020, Nevada Realtors® hosted a webinar featuring discussions with Treasurer Conine, offering relief for commercial landlords and tenants. In September 2020, open houses were allowed, and in October, Nevada's eviction moratorium expired but landlords and tenants were still tied by the Centers for Disease Control and Prevention (CDC) eviction moratorium through the end of the year.

Ms. McKee relayed that the six-month closure of open houses hindered real estate agents from finding clients and prohibited the accessibility to view a house prior to purchase, which impacted sales. In addition, the eviction moratorium legally prevented the seller to enter the property to make repairs or, in the case where the seller could not afford the mortgage on the rental property, resume residency of the house. Some landlords were elderly or in a position where they relied on the rental income to pay their living expenses; however, landlords did not see forgiveness on mortgage payments that were not collected from the tenants. Additionally, many properties were severely damaged by tenants who were not paying rent. Ms. McKee reported that, in many cases, relief money paid directly to individuals was not being used to pay rent and stayed in the tenants' pockets. She said the full impact on the landlords remains to be seen, especially with the small "mom and pop" properties where there is less ability to shift and pivot in the industry and the owners depend on that tenant income.

Ms. McKee acknowledged the commercial industry and stated commercial landlords could evict non-abiding tenants as of July 1, 2020. She indicated that some commercial tenants were not sure if they would qualify for a loan through the Paycheck Protection Program (PPP), or if they would be required to pay back rent to stay in their lease once the commercial moratorium was lifted. She communicated that relief was not available to commercial landlords whose tenant closed or lost their business due to the pandemic. Relief was only available to the tenants, and many landlords were never made whole but made concessions if they wanted to keep the tenant. Ms. McKee said reports pertaining to both residential and commercial landlords indicate that approximately 5% to 10% of tenants were not able to make some kind of adjustment or agreement with their landlord to repay their debt during COVID-19.

In July, the State Treasurer's Office and the Governor's Office created the CARES Housing Assistance Program, funded with $30.0 million provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by Congress, that provides aid specific to the payment of rent, paid directly to residential landlords. Additionally, the offices created the Nevada Commercial Rental Assistance Grant (CRAG) Program, funded with $20.0 million in Coronavirus Relief Funds, to provide direct-payment assistance to businesses and non-profit organizations that have experienced significant revenue declines due to the COVID-19 pandemic. Ms. McKee stated these relief packages were ladened with logistical difficulties in terms of communicating with the tenants and the application process. She explained that, to qualify for assistance, the tenant was required to apply; however, some tenants were not willing to submit an application knowing they were still protected until the expiration of the CDC moratorium. Ms, McKee noted that Nevada Realtors® seeks and advocates for additional reasonable relief for landlords and tenants as well as a smooth eviction process upon the expiration of the CDC moratorium.

Ms. McKee provided summary of the three markets included in the commercial real estate industry:

- <u>Industrial</u>: Delinquencies in the industrial sector are up 19.4% over January of 2020, which is the highest of all the commercial real estate sectors. The leisure and hospitality sectors were hardest hit in Nevada due to the pandemic. Depending on the timing of the vaccine, its effectiveness, and the adoption rate of the vaccine, delinquencies could continue to be an issue for Nevada.
- <u>Retail</u>: With the shutdown, Nevada Realtors® expected a mass exodus of tenants in this sector; however, that has not been the case. Between the stimulus package and the landlords' willingness to work with the tenants, most commercial retail areas are still holding up, but more casualties are expected in time. Restaurants have been able to pick up and adapt, delivery methods are surviving, online shopping has increased and continues to affect the brick-and-mortar section at an accelerated pace over the pre-pandemic sector. Delinquencies in this sector are up 14.3% over January 2020.

- Office: Office leasing has slowed, and turnover has not occurred. While many offices remain vacant, there is strong belief that this is an effect of the pandemic and that workers will be returning to the office, as productivity and company culture are suffering due to people working from home. Many office tenants and landlords are working on renewing leases and blending and extending leases, giving lower rents with incremental increases in later months.

In general, lease rates across the sectors have remained steady; however, sales volumes are down in all sectors by 57.0%. Ms. McKee said there have been discussions regarding 1031 exchanges, particularly at the national level that affect qualifying properties in a 1031 exchange. She said if 1031 exchanges are taken away, especially second homes in residential real estate, it could seriously harm the commercial real estate market.

Ms. McKee provided a summary of information taken from a presentation made by the Las Vegas Realtors, who get much of their information from Applied Analysis. She said Nevada was named as one of the fastest growing states in the nation, pre-COVID-19, and was experiencing some of the strongest economic activity. Nevada's high concentration of tourism is a blessing when times are good, but it also makes Nevada one of the hardest hit states when times are not good. Nevada currently had the third-highest unemployment rate in the nation at 12.6%, behind Hawaii and New York; however, Nevada's housing market continues to press forward. Resale home prices in Southern Nevada are at an all-time high, as are condo and townhouse markets. She said low inventory is putting upward pressure on home prices, but low mortgage interest rates have increased affordability, both locally and nationally. She said anecdotal evidence implies Californians are moving to Nevada in droves and are benefitting Nevada as California workers opt for a more suburban and affordable lifestyle. New home construction is also benefitting and increasing, but the cost of developing new homes is increasing due to demand as well as labor and material costs and shortages. Ms. McKee conveyed that the housing outlook in Nevada could take two paths; if interest rates and availability remain low, then stable pricing is likely to stay in place. If things start to slip sideways and homeowners want to see their profits, it could trigger a sell-off that shifts the supply and demand.

Ms. McKee reported that Nevada Realtors® memberships showed a rocky road through the early stages of the pandemic with an immediate 300-member drop between April and May of 2020, which recovered in June. The drop was attributed to the inability to test new agents and delays in processing real estate licenses at the department level. She said Nevada Realtors® saw an increase of 600 new members in Las Vegas and a decrease of 560 existing members, for a net gain of only 42 members between August and October of 2020. Similar to the trend seen from 2006 to 2010, she explained that many people who are out of work look to real estate as a viable career alternative to the job they lost, which boosts new memberships. Ms. McKee expressed that existing memberships have not seen this measure of loss since the Great Recession when memberships dropped 50%. Ordinarily, a 4% gain of new members would be fantastic, but coupling that with the loss of members is worrying as it took Nevada Realtors® nearly 10 years to gain over 18,000 members since the Great Recession. She emphasized that that home prices are rising, but the number of sales is decreasing, meaning less business for each realtor member.

In closing, Ms. McKee said it was uncertain how the pandemic would affect foreclosures and evictions, especially with the recent elections. She noted once interest rates start to climb, the light switch of a good real estate market will turn off quickly.

Jennifer Lewis questioned if a wave of foreclosures is expected after evictions get sorted out in the spring. She commented on landlords missing months of rent, without federal backing, was not sustainable.

Ms. McKee said it was hard to capture that data but anticipated an uptick in foreclosures. She said there are a number of relief programs available to federally backed mortgages; however, not all mortgages are federally backed. She thought many people would opt to sell their property(s) versus lose their property to foreclosure. It is a good time to sell and many mortgages have less owed than the value of the property, which may elevate foreclosures.

Chair Billings said it seemed like the high-end residential market was supported by inbound migration from California and other places where quality of life during COVID was not as good as it is in Nevada; the lower-end residential has yet to play out with respect to landlords and tenants, and that portion of the market is less supported by that inbound migration; and the fate of the commercial market is more heavily tied to the level of federal stimulus and how transfer payments and personal income develop over the course of the next six months in Nevada. He asked Ms. McKee if she would adjust or refute any of those perceptions.

Ms. McKee concurred with Chair Billings assessments but reminded him that many factors can quickly and immediately tip the real estate industry markets.

VII. PRESENTATION ON THE CURRENT STATUS AND OUTLOOK FOR THE RETAIL BUSINESS MARKET.

Bryan Wachter, Senior Vice President, Retail Association of Nevada

Mr. Wachter said more than 8,600 businesses qualify as retail in Nevada across 27 different categories, such as grocery, general merchandise, clothing, salon services, etc., and 7,100 of those businesses are "mom and pop" retailers, meaning they have fewer than 20 employees (page 2, Exhibit B). Retail is the fourth largest employment sector in Nevada and employs roughly 150,000 people, accounting for 10% of the workforce. Small mom and pop retail businesses provide 46,700 of those jobs, or 32%, of overall retail. The average retail wage in Nevada is $15.40, or an annual salary of $31,000.

Mr. Wachter recognized that Nevada businesses not only pay sales and use tax on the products they purchase to run their business, but they are also the largest contributor of sales tax collections. Product-specific businesses, such as those that sell cannabis and liquor, have different product-specific taxes tied to them, and are subject to other local taxes, fees, and permits on top of that. In FY 2018, retail businesses paid $42.0 million in Commerce Tax collections and was the largest contributor to the Commerce Tax by industry.

Mr. Wachter reported the 27 categories that fall under the Retail sector have been behaving very differently. He indicated that retailers associated with groceries, home improvements, home entertainment, landscaping, office and school supplies, technology, and sporting goods were all performing well; however, some of those categories are expected to retreat as the weather turns colder. Categories that are performing poorly include clothing stores, luxury goods, in-person cosmetology services, and the restaurant portion of the retail industry; things that require interacting with other people. In-person shopping has decreased, as people continue to work from home where the dress code has become much more relaxed, as well as activity in the breakfast fast food category.

Mr. Wachter discussed the impact of Covid-19 across the industry as it relates to regulation uncertainty. He said regulations are key to moving forward because COVID-19 has forced new rules and changes, such as occupancy rates and the physical layout of stores, driven by the Governor’s directives. He expressed appreciation for the Mitigation Task Force that accesses statewide data, evaluates key metrics, and takes targeted actions to mitigate the spread of COVID-19, which provides a little more certainty from a retail perspective on what can be expected from the Governor’s directives and regulations. He emphasized that supply chains have been under an enormous amount of stress, starting in December 2019 and January 2020. The supply chain for retail begins with manufacturing, with much of it based in China, which has caused inventory and shipping problems for many retailers. Over the last couple of decades, the retail industry focused on streamlining on-demand delivery to stores which decreased the amount of inventory space needed in stores and warehouses, and the shift in increased inventory triggered from COVID-19 did not leave stores in a position to keep up with the continuing demand. Mr. Wachter noted that changes to the on-demand inventory process are expected over the next months and years.

Mr. Wachter said the supply shortages seen in March and April, as well as during coronavirus spikes throughout 2020, were attributed to panic shopping. In conjunction with the Governor’s Executive Directive to shut down Nevada businesses, consumers purchased and stored many household products in anticipation of need over an extended period. He indicated that the supply chain is very efficient, so when certain portions are shut down, the impact can trigger effects that are hard to comprehend. For example, shutting down lumber mills, which generate wood fibers that are recycled and used to make egg cartons, caused a shortage of eggs sold in markets.

Mr. Wachter stated federal and state stimulus boosted personal income and buoyed retail sales. He said people are saving more money, which is putting downward pressure on the retail market but is building consumer confidence going into the new year.

Another benefit of federal stimulus is the Paycheck Protection Program (PPP) that offers loans to small businesses to help keep their workforce employed and doors open.

Mr. Wachter said the Nevada Retail Association was grateful for the stimulus programs that have been aiding businesses impacted by COVID-19, such as the federal PPP and the Nevada Commercial Rental Assistance Grant Program but expressed his desire for the federal government to provide forgiveness for PPP loans under $150,000. He noted that some businesses are still bearing consequences as a result of the expiration of the commercial eviction moratorium but was encouraged as the industry works with businesses to keep their doors open.

Prior to COVID-19, many industries were focused on digital acceleration, advancing digital technology to keep up with customer demand. For example, the supply chain utilizes drones to shift to on-demand delivery where they can deliver products within hours. Mr. Wachter relayed that a Walmart in North Las Vegas was using drones to deliver COVID-19 tests. Restaurant curb-side pickup and delivery food services grew substantially during the pandemic because of social distancing measures baring the shutdown in March and April. Industries that had never engaged in those platforms were utilizing that specific push to refill, which has changed and increased a lot since March 2020. Mr. Wachter recognized the emergence of robotics and artificial intelligence experimentation in certain industries. For example, the retail industry is experimenting with vertical warehouse automation and implementing robotics to automate storage and retrieval systems.

Mr. Wachter cautioned that the rise in products transferring to online streaming or digital interfacing can negatively impact sales tax revenue. He targeted movies as an example, and explained that, years ago, people would pay to see a movie, wait six months, and then purchase the movie, which was subject to sales tax. Since the digitization of movies, movie sales have dropped substantially and streaming platforms are now profiting from providing services to paid users, tax free.

Mr. Wachter identified two types of retailers, essential and nonessential. He described essential retail as those businesses that were open during the pandemic and fed the supply chain. In the first week of March 2020, essential retailers exhausted as much inventory as sold over a Black Friday holiday weekend, which lead to additional panic buying due to uncertainty and fear related to the pandemic. The response to the pandemic by the retail industry included implementation of government regulations communicated by the President's Coronavirus Task Force, as well as local agencies, such as the Southern Nevada Health District and Washoe County Health District, which required retailers to make rapid investments in both human and physical capital to comply with the regulations set forth as a result of COVID-19.

Nonessential retail has suffered due to the stay-at-home order put in place by the Governor. For example, department stores are contingent upon in-person experiences that encourage people to browse or dine at an instore restaurant. During COVID-19, nonessential retail stores were left with an overstock of inventory, such as luxury business clothing, to the point where some fashion houses decided to shelf their lines. Retailers were left with working through their current product, which left too little product on the shelves. He noted that in conjunction with stores receiving less product, people had more money to spend due to stimulus packages which also contributed to low inventory in March, April and May of 2020. Nonessential retail saw an uptick in bankruptcy filings, which was a continuation from pre-COVID-19, but still faced occupancy limits that require less employees. Covid-19 has made a massive impact on the fashion industry and mall-based stores.

Mr. Wachter touched on the title of his presentation, “The Year Without a Santa Claus” to point out that holiday shopping and traditions, especially in department stores with visits to Santa, will be less consistent going forward in the next two months. He indicated that some businesses are offering Santa by Zoom, or in the case of Ethel M Chocolates, have located Santa behind a windowsill but allowing for pictures, but generally will be problematic for most retail due to COVID-19.

Moving on to fourth quarter expectations for calendar year 2020, the Retail Association of Nevada is expecting increased shopping in November as stores offer early sales to get more people in the stores and to spread holiday shopping over a greater period. Mr. Wachter reported that most retailers have opted to close on Thanksgiving Day and are guaranteeing consistent sale prices throughout the holiday season to promote early shopping.

In 2019, an estimated 7,500 Nevadans worked temporary, seasonal jobs during the holidays. In 2020, 4,600 of those jobs are expected to return. Early data indicates that sales will be slightly down at $997 per person, which is a $50 per person decrease from FY 2019 (page 11, Exhibit B), with more focus on gifting rather than purchases for themselves.

Mr. Wachter emphasized that one caveat to the logistics in the supply chain in terms of vaccine distribution is storage. He indicated that some of the vaccines require storage at minus 93 degrees Fahrenheit; therefore, it will be necessary to expand the supply chain to accommodate that temperature. E-commerce and car-side pickup is projected to increase as well as spring home improvement, especially if a lockdown period remains in effect.

Mr. Wachter conveyed that the retail industry and the supply chain are both susceptible to consumer behavior change, which will likely require modifications for compliance changes. If stay-at-home orders continue to stay in effect, in terms of shutting down or distinguishing between essential and nonessential retail, things will become even more difficult and will cause more mom and pop retailers to go out of business.

Mr. Streshley questioned the number of retail closures since March 2020 and asked if that trend has slowed in the fourth quarter of 2020.

Mr. Wachter said the retail industry has stalled more than anything. He said the association's members are worried about repaying their PPP loans, and if the situation gets worse, closures will increase faster than normal. He said the mom and pop retailers are trying to stick it out, but it would depend on fourth-quarter profits.

Chair Billings stated, with closures identified as a key risk, he questioned Mr. Wachter's thoughts regarding an additional lockdown in the absence of additional stimulus.

Mr. Wachter said the association expects Congress to do something in terms of closures. Absent of fiscal stimulus, he thought personal income would return to where it was before the increase in transfer payments and retail would remain at its current state. He said to expect compression on sales tax if the savings rate increases at that same time income decreases.

VIII. PRESENTATION ON THE CURRENT STATUS AND OUTLOOK FOR THE GAMING MARKET.

Virginia Valentine, President, Nevada Resort Association

Ms. Valentine communicated that as Nevada and the nation battled the Great Depression in 1931, Nevada's forefathers legalized gaming in the state to create tax revenue, create jobs, and attract tourism. Since then, the industry has achieved incredible success and now serves as the nation's gold standard. She said the resort industry is the lifeblood of Nevada's economy, as it is the largest employer, the biggest contributor to economic activity, and the biggest taxpayer in the state. The resort industry spans the entirety of Nevada from the Las Vegas Strip in downtown Las Vegas to Lake Tahoe, Reno and Wendover, and gaming is found in every county across the state.

Prior to COVID-19, direct visitor spending in Nevada totaled an estimated $40.0 billion annually (page 3, Exhibit C). Large spending categories in the gaming and tourism industry, such as dining and shopping, gambling, shows and events, accommodations, transportation, and bars and clubs, provide a number of tax contributions to the state and local government finances.

Ms. Valentine reported that for every dollar spent by a tourist, seventy cents is generated in the community through indirect-induced spending. Pre-pandemic, more than one in four employees statewide was directly employed in the leisure and hospitality industry. While the industry has consistently supported the largest share of employment, its contributions extend well beyond its customer-facing workers. When considering the direct, indirect, and induced employment, the tourism industry in Nevada supported more than 450,000 jobs. The sector supported $18.8 billion in total wages and salary payments in 2019 (page 4, Exhibit C).

The gaming industry contributes about $1.8 billion to state and local government. These taxes are in addition to general taxes paid by the resort industry. Ms. Valentine said room taxes account for the largest share of the industry-specific taxes and were approaching $1.0 billion heading into the COVID-19 crisis. While room taxes are critical for marketing Nevada destinations and tracking visitation, they also support critical state and local government services.

The 78-day complete shutdown of hotel and casino operations had a devastating impact. Since the reopening, hotel operations were functioning at 50% of their pre-closure operations. Ms. Valentine relayed that mid-week visitation has been hit the hardest, the periods when convention-related travel could help boost occupancy and room rates. She said most resort hotels had reopened but none were operating at pre-Covid-19 levels, and some major hotel casinos were closing their operations during mid-week.

Revenues of Nevada casinos has trended down by more than 22% during the pandemic. While numbers are beginning to rise, the casino floor is just one important element of the integrated resort business model. Ms. Valentine indicated that it is critical that other areas of the resort model, such as dining, entertainment, retail, and convention business, are fully operational to bring more people back to work and generate additional tax revenue.

Live Entertainment Tax (LET) is a significant revenue source for the state, and although small entertainment venues recently reopened, the return of big Las Vegas entertainment at arenas, showrooms, theaters, and clubs is still undetermined. Ms. Valentine stated there have been no LET revenues and LET is not collected on ambient music.

Ms. Valentine referred to page 12 (Exhibit C) that illustrates a typical theater style event and occupancy in both pre-COVID19 and COVID-19 environments. The chart clearly showed the adjustments that operators made to adhere to social distancing requirements and capacity limitations. She said, in most instances, venues are operating at below 50% occupancy, which translates into reduced LET revenues.

Ms. Valentine reiterated her point that the resort industry is one of the largest contributors to sales and use tax, Modified Business Tax, Commerce Tax, Insurance Premium Tax, ad valorem property taxes, business license fees and other busines taxes, and fees in the state. When the various public revenues are tallied together, pre-pandemic, the resort industry accounted for approximately 37.5% of all State General Fund revenues, or about $1.5 billion annually. She emphasized that no other industry contributes at this level and no other industry is hurting more than the resort industry today. In addition to supporting the State General Fund and statewide programs and services, the industry also funds critical services such as transportation, school construction, maintenance, operation, and other supporting infrastructure.

Throughout the pandemic, the resort industry stood by its employees, as many properties committed to paychecks during the shutdown despite the loss of revenue. Additionally, many employers in the industry continued funding health care benefits and established employee emergency funds that provided millions of dollars in grants to help employees pay their mortgages, rents, utilities, medical bills, and funeral expenses.

Ms. Valentine communicated that global travel was cut by more than half due to COVID-19 and associated airlift challenges and travel restrictions. International travelers make up 14% of Las Vegas visitors and spend more per visit than all other visitors to the area.

The Nevada Resort Association is working proactively to ensure the safest possible experience to build consumer confidence. Ms. Valentine voiced that Nevada has long been the international gold standard for gaming regulation and is now the gold standard in terms of implementing health and safety measures. Nevada properties have incorporated contactless hotel check-in, digital room keys and touchless technology, cashless systems at point-of-sale and on the casino floor, ticketless options, contact-free registrations for meetings and events, and quick response (QR) touchless menus to help stop the spread of COVID-19. In addition to screenings and temperature checks in commonplaces throughout the industry, along with contact tracing, some properties offer rapid testing and advanced health monitoring tools to protect their employees and guests.

Ms. Valentine stressed that Nevada offers unique experiences that cannot be recreated elsewhere, whether it relates to business, sporting events, shows, or a vacation, it cannot be experienced virtually. Nevada offers experiences that must be seen, felt, and touched to share the energy of being alongside other people having the same experience and feeling the same excitement. She said this is what brings visitors back time and time again. One-of-a-kind experiences like the Electric Daisy Carnival, Burning Man, National Cowboy Poetry gathering, or attending a special sporting event or seeing, touching and testing products at North America's largest construction trade show (ConExpo) or the Consumer Electronics Show (CES) or the Specialty Equipment Market Association (SEMA) are unique, in-person experiences.

Ms. Valentine acknowledged Allegiant Stadium, home to the Las Vegas Raiders and multiple large-scale events and concerts that will help open a new market segment for Nevada's economy related to the sports industry and create synergies around sports and sports betting. She also promoted the Las Vegas Convention Center expansion, a new state-of-the-art facility that will bring new opportunities and trade show and convention business.

In summary, Ms. Valentine stated that Nevada's resorts have set the gold standard for health and safety, demonstrated success in operating safely, and have created industry-leading protocols for hosting gatherings. The Nevada Resort Association is hopeful that large trade shows, conventions, meetings, and events will return by January 1, 2021, at 50% occupancy, which would be a positive step toward getting employees back to work.

Chair Billings commented on mid-week business, which is dependent on corporate travel. He asked if the ability to bring in additional groups would be sufficient to get a meaningful return of convention business, which is such an important part of the room tax and the overall health of the industry, or if the industry's recovery was vaccine dependent, particularly in 2021.

Ms. Valentine said there is demand for smaller events, 250 to 1,000 people. Travel restrictions from other countries, particularly airlift, is a challenge; however, drive-in traffic has been really good. She said a vaccine would be a "game changer," but enforcing health and safety standards and providing community testing, mask wearing, social distancing, and following protocol to prevent spread would help build consumer confidence and promote safety.

Mr. Leavitt emphasized the Forum's responsibility to project revenues for the next two fiscal years. He asked Ms. Valentine to provide outlook as it relates to revenue for the State of Nevada given the gaming industry's part in generating state revenue.

Chair Billings expanded, given the different tax sources applicable to the industry, such as the gaming tax and room tax, he questioned where the risks and opportunities lie.

Ms. Valentine replied, based on anecdotal opinions from operators, large meeting events, trade shows and conventions are key to mid-week occupancies, and if events can be promoted with certainty and predictability, and sales and marketing teams can keep what they have on the books for the third and fourth quarters of 2021, then the recovery will be much stronger.

Mr. Leavitt asked if more layoffs are expected in the current economic situation.

Ms. Valentine stated it was critically important to do everything possible to stay open. She said the gaming and resort industry is incredibly resilient and adaptable, as it has been able to scale down its operations to a sustainable level in the short term.

Mr. Leavitt commented on the consuming list of assumptions and questionable events, of which most were difficult to predict, that were included in today's presentations and are associated with the revenue projections that the Forum must consider and approve for the 2021-23 biennium at their December 3, 2020, meeting.

Chair Billings asked Ms. Valentine if the industry was surprised by the resiliency of non-baccarat gaming revenue, fueled by drive-in markets and locals. Additionally, he asked if it was fair to assume that the back half of CY 2021 shows resiliency in terms of convention customers moving forward with plans and maintaining rooms on the books, where the first half of CY 2021 shows signs of material degradation in those plans. From a room tax perspective and the ability for operators to price their rooms, he assumed room tax revenue would increase in the second half of CY 2021.

Ms. Valentine concurred and believed that gaming may have performed better than expected due to the lack of other forms of entertainment. She said room tax revenue is not expected to increase until later in 2021, as people are not canceling those events, but instead are rebooking or keeping them on the books.

Mr. Guindon requested permission from Chair Billings to combine Agenda Items IX and XIII, because the three legislative changes during the 31st Special Session effect minor

General Fund revenues, and to combine Agenda Items X and XII (G) as they both relate to the Commerce Tax.

Chair Billings granted approval.

Chair Billings requested the agenda be taken out of order and directed the members to Agenda Item XI.

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

Mr. Russell Guindon communicated that the taxable sales charts were updated through August 2020 and the gaming charts were updated through September 2020. He alerted the members to three additional sets of taxable sales charts that showed activity by NAICS for Statewide, Clark County and Washoe County from March 2020 through August 2020. All historical taxable sales and gaming market statistics charts can be viewed on the Economic Forum's webpage at www.leg.state.nv.us, and can be referred to, if needed, any time throughout this meeting.

Chair Billings called for recess at 10:56 am.
The meeting reconvened at 11:04 am.

XII. REVIEW AND DISCUSSION OF PRELIMINARY FORECASTS OF MAJOR GENERAL FUND REVENUES FOR TY 2021, FY 2022, AND FY 2023.

A. GAMING PERCENTAGE FEE TAX
B. LIVE ENTERTAINMENT TAX
   - GAMING
   - NON-GAMING
C. STATE 2% SALES TAX
D. INSURANCE PREMIUM TAX
E. MODIFIED BUSINESS TAX
   - NONFINANCIAL
   - FINANCIAL
   - MINING
F. REAL PROPERTY TRANSFER TAX
G. COMMERCE TAX

Mr. Guindon acknowledged the following meeting materials associated with Agenda Item XII:

- Table 1 (page 59, Exhibit A) shows actual year-to-date collections for FY 2021 compared to FY 2020, as well as the last three years of actual fiscal year history.
- Table 3 (page 69, Exhibit A) lists forecasts for all of the General Fund revenue sources that the Economic Forum considers along with its forecast by the Executive Branch

agency responsible for administering and collecting that specific revenue source (Agency); the Governor's Finance Office, Budget Division (Budget), and the Fiscal Analysis Division (Fiscal).

- Table 4 (page 77, Exhibit A), which shows the forecast by forecaster for each major revenue source considered by the Forum for FY 2021, FY 2022 and FY 2023.
- Moody's Analytics revenue outlook for State 2% Sales and Use Tax and Gaming Percentage Fees Tax (Exhibit D).
- Table 8 (page 81, Exhibit A), also presented outside the packet, which shows the forecast by forecaster for each of the revenue sources for each of the fiscal years that are being forecast.
- Preliminary forecasts from the Gaming Control Board (GCB) (Exhibit E), Budget Office (Exhibit F), Fiscal (Exhibit G) and Taxation (Exhibit H).

A. Gaming Percentage Fee Tax

Michael Lawton, Senior Research Analyst, Nevada Gaming Control Board

Mr. Lawton referred to the charts beginning on page 2 of the Gaming Control Board's handout (Exhibit E). He said when forecasting percentage fee collections, the GCB first forecasts gaming win and then converts that number to percentage fee collections (slot win and games win are forecast separately). Growth rates are projected for each of the state's 16 individual major markets, such as the Las Vegas Strip (Strip), downtown Las Vegas, Las Vegas Locals, Reno, Elko, etc. Included in the model are new property openings, expansions, and any known or anticipated closings. Input is received through a review of historical trends and, more importantly, through interviewing individual operators within the various markets as well as several Wall Street analysts and the Research Department at the Las Vegas Convention and Visitors Authority. He explained that the sum of these forecasts produces an estimate of total statewide gaming win within the various markets.

Mr. Lawton forecasted statewide gaming win to decrease 10.8% for FY 2021 compared to FY 2020, with total gaming win of $8.7 billion; increase 10.8%, totaling $9.7 billion, for FY 2022; and increase 16.7%, totaling $11.3 billion, for FY 2023. Fiscal year-to-date, total statewide gaming win is down 29.2%, or $1.2 billion, and the comparison over the remaining eight months is a decrease of 28.1%. Near-term gaming win came in higher than anticipated considering the environment. Since June 2020, gaming win has been driven by Nevada residents, traveling customers, and stimulus dollars. Mr. Lawton said it remains uncertain if additional rounds of stimulus will be authorized, or at what level; but nonetheless, a gradual recovery in gaming win is likely to take between 12 and 18 months, and possibly longer on the Strip. The recovery is expected to be uneven depending on the customer mix for each market, locals versus destination. For example, in September 2020, several markets recorded increases over the prior year, including Washoe County, Mesquite, the Boulder Strip, balance of Clark County, South Lake Tahoe, and the Carson Valley, whereas the state's largest market, the Las Vegas Strip (a destination market), lagged. The Strip decreased 39.1% and is down 45.2% fiscal year-to-date and accounted for 86% of the state's decrease since June when gaming operations resumed. Mr. Lawton reported that most Strip properties have reopened, excluding the Rio Hotel and Casino, which is expected to reopen in January 2021; the Palms Casino Resort; and the Hard Rock Resort and Casino, which is expected to reopen in January 2021 as the Virgin Hotel Las Vegas. Additionally, several properties have decided to cease mid-week operations due to lower demand. He said current conditions do not include a full convention calendar, which represents 16.0% of Las Vegas visitors; special events, which represents 5.0% of Las Vegas visitors; and international travelers, which represented 14.0% of Las Vegas visitors, thus a recovery to pre-pandemic levels on the Strip, as well as the state, is not anticipated until FY 2023 or later.

The GCB forecasts gaming win on the Las Vegas Strip to decrease 28.6% in FY 2021 compared to FY 2020, with total gaming win of $3.8 billion; increase 17.2% to $4.5 billion in FY 2022; and increase 30.0% to $5.9 billion in FY 2023. Mr. Lawton noted the forecast includes the opening of Resort's World Las Vegas during the first quarter of FY 2022. For FY 2021, the Strip is down 45.2% or $1.0 billion, and the comparison over the remaining eight months is a decrease of 28.5%. The assumptions behind the GCB's Las Vegas Strip forecast include a vaccine by the end of the first quarter of CY 2021, with widespread distribution taking up to one year, and increased domestic and international travel, including busines travel, by the first quarter of CY 2022. He communicated that the forecast for the first two quarters of CY 2021 look similar to current activity; however, there is potential for more convention business in the back half of CY 2021, which could accelerate recovery on the Strip.

After decreasing 17% in FY 2020, the GCB is projecting statewide slot win to drop 2.7% in FY 2021, totaling $6.3 billion; increase 8.7% to $6.8 billion in FY 2022; and increase 13.1% to $7.7 billion in FY 2023 (page 4, Exhibit E). For FY 2021, statewide slot win is down 21.4%, or $565.3 million, and volumes are down 18.4%, or $7.0 billion. The comparison over the remaining eight months is a decrease of 27.4%. Mr. Lawton indicated that, because slot win is not dependent on international baccarat play and pre-pandemic slot win amounts have already been observed in several markets across the state, slot win recovery is expected to outpace the recovery of game and table win.

Mr. Lawton said the GCB is projecting game and table win to decrease 26.3% to $2.5 billion in FY 2021; increase 16.0% to $2.9 billion in FY 2022; and increase 25.2% to $3.6 billion in FY 2023. Fiscal year-to-date, game and table win IS down 43.4%, or $624.4 million, and volumes are down 31.7% or $2.9 billion. The comparison over the remaining eight months of FY 2021 is a decrease of 29.5%. Fiscal year to date, baccarat is down 61.9%, or $272.3 million, while baccarat volume is down 31.5%, or $816.4 million. Mr. Lawton stated the reason for the steeper decline and slower recovery for game and table win is tied to the Las Vegas Strip, which is expected to lag other markets in the state. The Strip represents the dominant market for game and table win accounting for between 75.0% and 80.0% of statewide games win, as opposed to 43.0% in slot win. The Strip also represents nearly 100% of statewide baccarat win, which accounts for nearly 30% of the statewide games win total. Mr. Lawton stated the GCB forecast assumes that as domestic and international travel improve during the first quarter of CY 2022, game and table performance will follow.

For FY 2021, the GCB is forecasting $529.9 million in percentage fee collections, a decrease of 14.4% from FY 2020's total of $619.3 million. Mr. Lawton reported that, fiscal year to-date, with four months reported, percentage fee collections total $179.1 million and are down 32.8%, or $87.5 million. The comparison over the remaining eight months is a decrease of 30.9%. Fiscal year-to-date, collections on taxable gaming revenue total $93.0 million and are down 63.9%, or $164.9 million. The estimated fee adjustment (EFA), fiscal year to-date, sits at $86.0 million and is up 899.4%, or $77.4 million. For FY 2021, EFA collections are forecast to increase dramatically due to the resumption of gaming activities in June 2020. Mr. Lawton explained that the EFA is the difference between the amount of tax due on gross gaming revenue for the current month compared to the amount from three months ago. He indicated that for the current month, less the amount tax paid on gross gaming revenue for March 17 through June 4 when gaming activities were suspended, EFA collections were stronger than usual under a normal operating environment. However, growth is expected to soften in the coming months as gaming win stabilizes. The GCB forecast shows percentage fee collections of $615.0 million for FY 2022, or an increase of 16.1%; and collections of $722.4 million for FY 2023, or an increase of 17.5%.

Frank Streshley referred to the forecast for the Las Vegas Strip, and questioned forecast totals for the balance of the state, less the Strip.

Mike Lawton said he did not have that information readily available but would report back during the meeting. Mr. Streshley said it was not necessary.

Mr. Streshley focused on baccarat revenue and the timing of the return of international play. He inquired about total gaming revenue (TGR) to Win and how it impacted the GCB's forecast. He assumed the TGR to Win ratio increased substantially with the lack of baccarat play, international play, and the lack of settlements or write offs.

Mike Lawton replied the TGR to Win ratio for FY 2021 is 96.61%, which represents a near record in the last ten years. Currently the TGR to Win ratio is at 99.1% due to a very strong ratio of 108.7% that recorded for September business activity, October collections. For FY 2022 and FY 2023, international play is expected to return to Las Vegas; therefore, the GCB is forecasting the TGR to Win ratio to decline to 95.7% and 94.5%, respectively. He said baccarat play exists from domestic players as well as international players that have residencies in Las Vegas or in the states. He noted baccarat play in October was terrible due to hold, not volume.

Mr. Streshley inquired about the GCB's forecast for slot win percentage over the forecast period. He said he assumed that changing out a slot machine meant changing out the content.

In response, Mr. Lawton stated slot win percentage is forecast to gradually increase throughout the forecast period and reach near-peak or peak levels in FY 2023. The forecast for slot win percentage in FY 2021 is at 6.64% (down from 6.9% in FY 2019), with growth of 6.74% (similar to FY 2017) in FY 2022, and growth of 6.97% (higher than the record in FY 2019) in FY 2023.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers said her forecast assumes a widely available and effective vaccine by spring 2021 (page 2, Exhibit F). Until then, economic activity is expected to remain subdued through the winter. A second key assumption is that the Federal Reserve monetary policy will remain accommodative throughout the forecast period. She said it was normal for a recessionary shock to work its way through the economy over a one- or two-year period; however, the economy was performing well before the pandemic hit and the economic losses were not as severe as feared because of fiscal stimulus. She highlighted the following forecast risks associated with these assumptions: 1) the uptick in COVID-19 infections may restrict activities or delay loosening restrictions of activities; 2) uncertainty over the duration of the pandemic and the amount of permanent economic damage it will cause, particularly related to business closures; 3) pandemic uncertainties and consumer sentiment going forward, even after the vaccine becomes available; 4) wide acceptance of a vaccine(s); and 5) the response to federal stimulus. Ms. Powers stated that, although the monetary policy is accommodative, the economy responds faster in the early phases of economic recovery. Stimulus funds have cushioned some of the negative impact from the pandemic, but more fiscal stimulus is needed to avoid additional damage to the economy.

Ms. Powers reported over 40 million people visit Las Vegas annually. From 2016 to 2019, Las Vegas visitors reached record-high levels due to rising incomes, employment and other economic metrics (page 4, Exhibit F). In terms of pandemic impact, since June of 2020, gradual improvement has been observed in visitors due to federal stimulus checks; however, with stimulus weaning, October visitation numbers will become a bellwether for the months to come until a vaccine becomes available. Ms. Powers said her gaming percentage fees forecast projects gradual improvement to Las Vegas visitation, starting in the spring of 2021, and reaching levels shy of those recorded from 2016 to 2019.

Ms. Powers communicated that her forecast for statewide gaming volume assumes slow activity during the October 2020 through February 2021 period with gradual improvement starting in March 2021. She noted that her December forecast could be revised based on October actuals due to be released in late November. Gaming volume is driven by visitation and other Nevada-specific economic indicators such as employment and construction activity. She referred to page 5 (Exhibit F) of her presentation that displays statewide gaming actual collections for FY 2007 through FY 2020 and her forecast for FY 2021 through FY 2023, with volume broken down by slots, baccarat, and all other tables and games. Since the reopening of casinos in June 2020, actual monthly gaming statistics showed low levels of baccarat volume. Ms. Powers forecast low volume for the

October to February period, with a gradual return over the forecast period to near pre-pandemic trends as health metrics improve and the travel industry recovers.

In terms of slot volume, gaming is expected to improve gradually starting in the spring of CY 2021, but with the absence of conventions and crowded shows in Las Vegas in 2021 and less mid-week traffic on the Strip. Her outlook for FY 2022 and FY 2023 reflects a decline in major construction, which tends to boost gaming volume, and uncertainty regarding the recovery of domestic and international visitation. She said total statewide gaming win in her forecast methodology is determined using a mathematical function of historical relationships. The downside risk with using historical relationships is near-term forecasts can be skewed; however, historical relationships are expected to hold in FY 2022 and FY 2023.

Ms. Powers referred to her statewide gaming percentage fees forecast on page 7 (Exhibit F) and pointed out the win to drop ratio in FY 2021 was heavily influenced by the first four months of actual gaming data (currently, the drop ratio is at 7.7% fiscal year to-date), whereas, for FY 2022 and FY 2023, the win to drop ratios fall in line with recent historical data. In terms of the TGR to Win ratio, fiscal year-to-date, the TGR to Win ratio is at 99.1%, whereas for FY 2021, the ratio is forecast higher than normal but is expected to decline as more gaming activity and credit play increase. For FY 2022 and FY 2023, the TGR to Win ratio is expected to return to recent historical trend at 96.2%. Collections in FY 2021 look better than expected due to the estimated fee adjustment (EFA). Ms. Powers' forecast assumes positive EFA in the spring as gaming activity picks up. Budget's forecast for gaming percentage fee tax collections is $536.2 million for FY 2021; $673.2 million for FY 2022; and $717.9 million for FY 2023.

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau

Mr. Guindon stated that Fiscal's gaming percentage fees outlook mirrors the other forecasters. He emphasized that Fiscal's forecast assumes the approval and availability of a vaccine by the end of the first quarter or beginning of the second quarter of CY 2021 (the end of FY 2021). Widespread vaccinations, to the point where visitation can be tracked back to the state, are not anticipated until closer to the end of CY 2021 or the beginning of CY 2022 (FY 2023) when the gaming and tourism industries return to mid-week conventions and trade shows. He indicated that, because previously distributed stimulus has circulated through the economy, the absence of another round of stimulus could result in collections to be subdued or move sideways into CY 2021. Mr. Guindon clarified that Fiscal's personal income series, in terms of the non-wage side of personal income, includes Moody's transfer payment assumptions as well as additional stimulus through transfer payments similar to the first round of stimulus. He noted that, compared to the other forecasters' projections for gaming percentage fees, Fiscal's forecast was the highest.

Mr. Guindon explained that gaming revenue is based on business year activity from June through May, which corresponds with the fiscal year, July through June.

He reported that statewide slot win did well in the second quarter of FY 2021, demonstrating exceptional performance in September, totaling approximately $607.0 million, or $1.8 billion, annualized. Fiscal forecast approximately $1.6 billion in statewide slot win for the second quarter of FY 2021, which averages approximately $538.0 million for those three months and is comparable to the average of July and August of FY 2021 at approximately $536.0 million. Mr. Guindon conveyed that slot win is forecast to increase slightly in the third and fourth quarters of FY 2021 and show greater improvement in FY 2022 and FY 2023, assuming there is a vaccine with widespread vaccinations. He noted that Fiscal's slot win forecast for FY 2023 is close to reaching its prior peak by the end of the fiscal year (page 35, Exhibit G).

Per the chart on page 36, Fiscal forecast second-quarter game and table win totals in FY 2021 at over $600 million, or an average of approximately $214 million a month, which was equal to September totals and the average of July and August totals. Mr. Guindon expressed optimism in terms of the bump in win forecasted in the third quarter, which assumes increased visitation to Las Vegas in December and over the New Year's holiday, as seen in historical data. He noted that statewide game and table win in FY 2023 is projected to stay below its prior peak.

Mr. Guindon referred to TABLE 1A on page 32 (Exhibit G) of the meeting packet, specifically the column labeled "Percentage Fee Collections," which shows a forecast of $483.7 million in percentage fees from TGR for FY 2021 and approximately $91.0 million from the estimated fee adjustment (EFA). He noted that the EFA fiscal year to date total approximately $86.0 million and is expected to increase slightly by approximately $4.0 to $5.0 million over the remainder of the forecast period (the next eight months), with the EFA slightly more positive by the end of FY 2021. He pointed out that actual cash collected and deposited in the Controller's system for the percentage fees tax, compared to what would have been generated based on the win, is vastly different, which is a result of the EFA mechanism of the tax. He explained that for the first month of FY 2021, percentage fees from TGR were approximately $30,000 and percentage fees due from win were $36.0 million. The following month, percentage fees from actual collections were $8.5 million, which would have been $49.3 million based on the amount of win for that month, before taking account of credits. He further explained that the $93.1 million in actual collections through the first four months of FY 2021 would have been around $189.0 million based on win that was generated in those four months. He said when the industry reopened, win was being generated; however, percentage fee collections were not necessarily being generated because of the EFA credits that were accumulated during the shutdown and predominantly used in the first three months of the fiscal year. In the last month, percentage fee collections were approximately $48.3 million, but would have been $57.0 million based on win, which signaled credits were getting used and a true up was occurring. Mr. Guindon referred to his forecast and pointed out percentage fees from TGR were $93.1 million through the first four months, and $189.0 million from win. In terms of forecasting, comparing averages could be misleading as percentage fee collections averaged approximately $23.3 million over the first four months, while potential collections based on win averaged $47.3 million over that same period. Mr. Guindon noted that if he were to cancel out the first month due to its weakness, collections based on win would have averaged $51.2 million. In order to hit Fiscal's FY 2021 forecast for percentage fees from TGR of $483.7 million, collections would have to average approximately $49.0 million per month over the last eight months, which is very close to the fiscal year-to-date average amount. Mr. Guindon said once the credits flow through the system and gaming activity normalizes, if total win can generate $700 to $800 million, which it has done the last three months, then, on average, percentage fees from TGR will be meeting current averages.

In reality, there were only ten months of percentage fee collections in FY 2020 due to the shutdown. Mr. Guindon referred to TABLE 8 on page 81 (Exhibit A) of the meeting packet and pointed out the Forum's percentage fees forecast for FY 2021 of $619.0 million, which, divided by 10 months, averaged approximately $62.0 million in collections per month. He explained that the second month in FY 2021 was heavily impacted by tax credits; therefore, Fiscal adjusted their forecast to represent 10.5 months of collections. Fiscal's percentage fee forecast of $575.0 million for FY 2021, which included allowances for the EFA and 10.5 months of collections, averaged $55.0 million per month, or -11.3%, when compared to the Forum's average per month forecast of $62.0 million in collections, versus the 7.2% decline represented in the year-over-year calculation. Fiscal's forecast for FY 2022 assumes no additional shutdowns with 12 months of revenue. Average monthly collections in FY 2022 total $58.0 million per month compared to the $55.0 million over a 10.5-month period, or an increase of 5.4% in average per month collections.

Mr. Guindon referred the members to Moody's gaming percentage fees forecast in TABLE 8 (page 81, Exhibit A).

B. Live Entertainment Tax

- **Gaming**
- **Non-Gaming**

Michael Lawton, Senior Research Analyst, Nevada Gaming Control Board (LET – Gaming Only)

Mr. Lawton said the GCB's casino Live Entertainment Tax (LET) gaming forecast is based on an estimate of taxable casino entertainment activity. After a 31.7% decline in FY 2020, LET-Gaming is projected to decrease 97.4% in FY 2021 with just $1.9 million in collections. Fiscal year-to-date LET-Gaming collections total $93,000 due to mandatory restrictions put in place since gaming operations resumed in June 2020. On October 1, 2020, Governor Sisolak issued Emergency Directive 33 authorizing live events at arenas and showrooms with 2,500 or less fixed seating capacity to hold events and live shows up to 250 attendees or 10% capacity, whichever was less. For example, a showroom with a fixed seating capacity of 1,300 can host 130 attendees and an arena with 30,000 seats can host 3,000 spectators as long, as the attendees are split into separate and distinct sections occupying no more than 250 people. Nightclubs and day clubs within a licensee's property are required to be closed until further notice.

Mr. Lawton indicated the GCB has no future outlook on the increase of capacity limits, and in consideration of entertainment offerings and discussions with industry representatives, the GCB established their FY 2021 LET-Gaming forecast based on the following assumptions: 1) to include a vaccine by the end of the first quarter of CY 2021 with widespread distribution within a one-year period; 2) production shows and headliners will take time to ramp up; 3) the Las Vegas Strip accounts for over 90% of LET collections, but the Strip's recovery is expected to lag. He emphasized that the Strip's recovery must include group convention business and the return of large production shows and headliners who perform multiple shows throughout the week and require large venues to be at maximum capacity in order to be profitable. The Governor's Emergency Directive 33 also authorizes trade shows, conventions, business meetings, and similar events to have up to 250 attendees in one room, or up to 1,000 attendees if the attendees are split into separate and distinct sections that do not exceed 250 people. He said potential changes to the maximum capacities could accelerate or decelerate the timeliness of the Strip's recovery. The GCB forecasts LET-Gaming collections to increase to $22.3 million in FY 2022 and to $97.2 million in FY 2023.

Mr. Streshley asked if there were discussions with Strip operators in terms of changing entertainment offerings, as well as the structure of collecting applicable tax dollars, versus remaining the same with residencies, production shows, etc.

Mr. Lawton said, as of two weeks ago, discussions with operators did not indicate any changes to entertainment, pre-pandemic versus post-pandemic. He said until large events return and pencil out, live entertainment is probably the last thing to recover on the Strip. Mr. Lawton noted that the results of Emergency Directive 33 in terms of live entertainment will not be available until after November 2020.

Hayley Owens, Economist, Department of Taxation
(LET – Non-gaming Only)

Ms. Owens stated her forecast follows the same pattern described by other forecasters. She projected FY 2021 to continue in a long slog of pre-vaccine recovery, widespread availability, and acceptance of a vaccine in FY 2022 and FY 2023 and a post-vaccine recovery in FY 2023 (page 2, Exhibit H).

Ms. Owens indicated the underlying amount of uncertainty related to the pandemic made it difficult to forecast the non-gaming portion of the LET. She questioned the ability to hold large events, the demand for smaller on-going events, and the effect of visitation and tourism. She said her LET-Nongaming forecast for FY 2021 dropped two-thirds from FY 2020 to just over $6.0 million, which includes the assumption that LET will resume but with lower occupancy levels (page 4, Exhibit H). Growth in LET-Nongaming is forecast to more than double in FY 2022, to levels slightly lower than seen in FY 2020, and increase in FY 2023 to levels seen in FY 2019. Ms. Owens acknowledged the chart on page 5 that followed her forecast projections on an annual basis.

Mr. Streshley noticed that Ms. Owens' forecast less LET-Nongaming collections for FY 2023 compared to actual collections for FY 2019. He questioned if her FY 2023 forecast assumed large concert performances at the Raiders Stadium.

Ms. Owens explained that she performed an analysis on each taxpayer, individually, and did not build any new events into her forecast. She agreed there could be pent-up demand in terms of concerts and new events in FY 2023, which would be an upside risk to her forecast.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers emphasized the difficulty in forecasting LET-Gaming and Nongaming collections in this environment. LET-Gaming captures events associated with confined spaces and large gatherings, which will not fully recover until restrictions are lifted and people regain confidence in returning to that environment. During the forecast process for FY 2021, Ms. Powers visited show websites and estimated potential average monthly ticket sales based on ticket prices and capacity restrictions, assuming those shows would be active through the end of CY 2020, and the addition of new shows in the spring of CY 2021. Ms. Powers forecast LET-Gaming collections to decline to $2.8 million in FY 2021 and increase to $67.8 million and $90.7 million in in FY 2022 and FY 2023, respectively, as visitation improves, and the economy recovers (page 9, Exhibit F).

Ms. Powers communicated that LET-Nongaming collections depend on health metrics. She said her forecast for FY 2021 is based on major events that will likely be held in late CY 2021, such as Burning Man, with revenue generated from ticket sales completed in the spring of CY 2021. Ms. Powers forecast LET-Nongaming collections to decline to $5.1 million in FY 2021 and increase to $18.9 million and $23.7 million in FY 2022 and FY 2023, respectively (page 11, Exhibit F).

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau

Mr. Guindon emphasized that actual collections for LET-Gaming through the first three months of FY 2021 totaled $93,000. To give perspective, the GCB does not release reports regarding events or tickets sold. Mr. Guindon explained that to generate $1.0 million in taxes from LET-Gaming at 9.0%, you need about $11.1 million in taxable revenue, which equates to about 111,000 tickets at $100 per ticket, on average. A 1,000-seat venue at $100 per ticket would need to sell 111 shows or about 3.7 shows per day. He said he used that perspective and applied it to historical collections going forward in terms of live entertainment events held on gaming properties that were actively generating taxable activity, which led him to Fiscal's $1.3 million forecast for FY 2021. Fiscal's LET-Gaming forecast for FY 2022 assumes increased visitors and shows for an increase in collections to approximately $50.6 million, and for FY 2023, assumes increased mid-week visitation and a change to, or return of, shows that were taken offline due to the pandemic, for an increase in collections to approximately $95.0 million, or slightly below the $100.0 million to $105.0 million in collections seen pre-pandemic.

Mr. Guindon stated LET-Nongaming taxpayer records are available to the Fiscal Analysis Division for forecasting purposes through the Department of Taxation. He explained that, as a tax driven by certain events and/or taxpayers, his forecast took into consideration historical data and web-based sites that promoted upcoming events to determine the timing of ticket sales. He reported that in FY 2019, the top five taxpayers accounted for 73% of LET-Nongaming revenues, the top 10 taxpayers accounted for approximately 84% of revenues, and the top 15 taxpayers accounted for approximately 90% of revenues. Mr. Guindon forecast LET-Nongaming revenue collections of approximately $6.5 million in FY 2021; $19.1 million in FY 2022; and $23.8 million in FY 2023.

C. State 2% Sales Tax

Hayley Owens, Economist, Department of Taxation

Ms. Owens stated, to estimate the 2% portion of sales and use tax that gets deposited to the State General Fund, individual analysis was performed on select sectors, including mining, manufacturing, construction, utilities, trade and transportation and warehousing, services and government, and leisure and hospitality (page 7, Exhibit H), because those sectors were expected to move into different directions at different rates over the next few years.

Ms. Owens referred to the taxable sales chart on page 8 (Exhibit H). She reported a dip in taxable sales in March 2020, followed by a sharp increase due to the distribution of stimulus funds. Ms. Owens stated her forecast for FY 2021 declines 3.4% from FY 2020; increases 6.4% in FY 2022; and increases 12.6% in FY 2023, with improvement to the leisure and hospitality and trade industries. For the period July through February of FY 2021, State 2% Sales Tax revenue is down, on average, of 11% each month, and picks up slightly in March, April and May of FY 2021 due to low comparisons from FY 2020. She reported year-to-date sales tax collections were down 8% through July and August of FY 2021, with further decline expected, followed by improvement in FY 2022, attributed to the availability of a vaccine, and post-vaccine recovery in FY 2023.

Chair Billings asked Ms. Owens to elaborate on her forecast assumptions regarding fiscal stimulus and its impact on key driving factors in her forecast.

Ms. Owens identified trade, transportation and warehousing, and leisure and hospitality as two of Nevada's largest industries most sensitive to the current economic conditions. She forecast trade, transportation and warehousing using Moody's forecasts for personal disposable income, gross state product, and trade, transportation and utilities. She clarified that she did not use Moody's baseline forecast from October because it was generated prior to Nevada's third wave of rising COVID-19 cases and before stimulus talks fell apart. Instead, she used Moody's Scenario 2 (S2) forecast, which is Moody's 75% downside risk scenario that has stimulus built into the first quarter of CY 2021 and a higher rate of COVID-19 cases versus their baseline forecast. She said her leisure and hospitality forecast was based on Moody's S2 forecast for retail sales for food services and drinking places and gross state product.

Chair Billings asked if both forecasts included additional stimulus.

Ms. Owens concurred, and stated $1.5 trillion in additional stimulus is assumed in the first quarter of CY 2021, which is considered in Moody's baseline forecasts.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers communicated that taxable retail sales collections fared better than expected due to the distribution of federal stimulus and pent-up demand to resume activities that were closed during the shutdown. Online sales, car sales and equipment, and building materials performed well whereas hospitality, retail, and restaurant- and bar-related sales declined. She noted spending was leveling off.

Ms Powers relayed that, although households have increased their savings and are likely to continue spending without additional stimulus, the near-term outlook reflects subdued spending until post-pandemic. The lack of major construction projects was identified as a negative risk associated with FY 2022 and FY 2023, whereas upside risks included pent-up demand from visitors and residents of the state and low-interest rates that support spending. Ms. Powers forecast State 2% Sales Tax collections of $1,173.0 million in FY 2021; $1,245.9 million in FY 2022; and $1,298.7 million in FY 2023.

Chair Billings asked Ms. Powers if her forecasts included any forms of stimulus.

Ms. Powers clarified that additional stimulus is included in her forecast. She used Moody's S2 scenario assumption, which explained why Budget and Taxation forecasts were almost identical for FY 2021. She noted there are forecast risks associated with her forecast if additional stimulus is not approved.

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau

To address Chair Billings question regarding how stimulus can impact a forecast, Mr Guindon referred to TABLE 3 on page 53 (Exhibit G) and explained that the State 2% Sales Tax forecast uses a linear regression model based on visitors, personal income, construction employment, and vehicle registrations. He conveyed that nonfarm employment, based on Fiscal's forecast scenarios, not Moody's, is forecast to decrease in FY 2021 and increase in FY 2022 and FY 2023; however, it remains below the FY 2019 peak for employment. Wage and salary disbursements is forecast to decline by 3.4% in FY 2021 and come back 4.0% and 5.8% in FY 2022 and FY 2023, respectively. Fiscal's forecast for personal income reflects an increase of 1.8% in FY 2021 even though wages and salaries, which make up about 50.0% of personal income, are projected to climb due to the additional stimulus that was incorporated on the non-wage side of personal income in the first and second quarters of CY 2021 (second half of FY 2021). In FY 2020, wages only grew 1.6% but personal income grew 6.8% because of the stimulus in FY 2020. In FY 2022, personal income reflects a decline in wage and salary disbursements because of reverse effects of the stimulus on the non-wage side of personal income, followed by a true-up in FY 2023.

Mr. Guindon explained that the forecast on page 52 (Exhibit G) lists the economic variables considered in Fiscal's taxable sales forecast, by quarter, to show fluctuations, and references percent changes from the same quarter a year ago. Mr. Guindon said he was surprised at how the shutdown in the last quarter of FY 2020 (March) affected the first quarter of FY 2020, which required some subjective adjustments to his forecast because of the pandemic effects. He also questioned if 2% growth in the third quarter of CY 2021 was too weak, but realized it fell in line with the economic recovery in terms of getting a vaccine and its distribution.

Mr. Guindon acknowledged the boost in taxable sales from the NAICS 454 Nonstore Retailers category introduced in Assembly Bill (A.B.) 445, also known as the Marketplace Facilitator Bill, which was passed in the 80th Regular Session (2019) and became effective October 1, 2019. He emphasized the impact A.B. 445 made in terms of supporting the taxable sales numbers. For reference, total statewide taxable sales without the Nonstore Retailers category for period October 19 through March 2020 accounted for a 3.0% growth differential between the two taxable sales categories, with and without the NAICS 454 category. For the period April 2020 through August 2020, total statewide taxable sales accounted for a 4.8% growth differential on average between the two taxable sales categories, with and without the NAICS 454 category.

Mr. Streshley stated there was a lot of "noise" that impacted taxable sales for FY 2021 and FY 2022 and expressed concern over the lack of large construction projects in FY 2023, and its impact on the forecast. He inquired about the base forecast and whether one project could generate a material movement in the forecast growth percentage.

Mr. Guindon said major construction projects directly affect taxable sales through material purchases and employment. He said construction employment is a variable in his forecast as construction jobs tend to pay a higher average wage. The Fiscal forecast shows a decline in construction employment in FY 2021 with growth of only 2.3% in FY 2022 and 3.6% in FY 2023. He attributed the fall back to the pandemic and project completions. Mr. Guindon noted that some projects suspended construction activity and would be watched to see if construction resumes post-pandemic.

Chair Billings asked if it was possible to strip out the transfer payments and see what the resulting estimates looked like in the historical period in order to gain insight on FY 2021, to the extent there is no additional fiscal stimulus.

Mr. Guindon said proceeding into December's forecast meeting, staff will evaluate the environment in terms of the potential for transfer payments to increase due to federal stimulus, or not. He said that Fiscal can attempt to remove the federal stimulus out of their non-wage forecast and push that through to sales tax.

Chair Billings said it seemed like a worthwhile exercise in light of the binary nature of the federal stimulus.

Mr. Guindon said he would provide instruction to all of the forecasters to prepare two separate forecasts, with and without stimulus, to be presented at the Forum's December 3, 2020, meeting.

D. Insurance Premium Tax

Hayley Owens, Economist, Department of Taxation

Ms. Owens stated the Kaiser Family Foundation looked at premiums posted from Affordable Care Act (ACA) insurance carriers for plan year 2021 and found moderate changes ranging from a 42.0% decrease to a 25.6% increase in premiums, as well as proposed changes from many carriers with close to zero-impact to premiums (page 11, (Exhibit H).

Ms. Owens explained that the Insurance Premium Tax (IPT) is collected quarterly and that data specific to FY 2021 was not available at the time of her presentation as first-quarter revenues are released at the end of November. Ms. Owens indicated there was a slight decline in IPT collections in the fourth quarter of FY 2020 due to individuals losing or leaving their jobs and losing employer-provided health care, which shifted those individuals into Medicaid managed care plans. She clarified that Medicaid plans are subject to the IPT, so it was more of a substitution in terms of IPT collections. She expressed uncertainty regarding the health care policy realm, which led her to her IPT preliminary forecast of 4.2% growth for FY 2021, 5.9% growth in FY 2022, and 11.1% growth in FY 2023.

Mr. Streshley asked Ms. Owen's to explain the factors that supported 11.1% growth in her IPT forecast for FY 2023.

Ms. Owens stated her forecast was based on personal consumption expenditures related to financial services and insurance, and total nonfarm employment. She said her FY 2023 forecast was led by forecasts for personal consumption expenditures related to health care, financial services and insurance. Many insurance carriers are receiving many claims for deferred care, which could be the result of built-up need. She reiterated that her forecast for FY 2023 includes increased health care costs and increased demand for health care.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau

Mr. Nakamoto interjected and pointed out that the revenue estimates in Ms. Owen's presentation for the IPT does not match the Agency forecast shown in TABLE 8. He explained that a portion of the IPT is collected by the Insurance Division of the

Department of Business and Industry that relates to surplus lines coverage, which is provided separately and is included in the forecast amounts seen in TABLE 8.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers referred the members to her IPT forecast beginning on page 16 (Exhibit F) of her presentation. She indicated that the IPT is a relatively stable revenue for the state and is not subject to fluctuations as much as the taxes aligned with tourism spending. She explained that previous forecasts were generated using a model that did not produce robust results, so instead she ran a regression model for insurance premiums in the state based on households, medical Consumer Price Index (CPI), and the 10-year treasury rate with the idea that the insurance industry sells products for which the present value depends on interest. She communicated that her forecast is a direct result of that model, with no adjustments, as she is waiting for the first quarter posting to see what action to take. Ms. Powers noted that her forecast will likely be revised depending on first-quarter results.

Ms. Powers explained the decline in her IPT forecast for FY 2021 is a factor of losses in workers compensation insurance as a result of layoffs and business closures. Contributing factors for year-over-year revenue increases are increased need for other types of insurance, such as health, liability and property damage. Ms. Powers forecast IPT collections of $453.1 million for FY 2021; $471.2 million for FY 2022; $498.2 million for FY 2023.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau

Mr. Nakamoto referred to CHART 1 on page 68, (Exhibit G), which showed continuous growth in IPT collections, except for during the Great Recession, from FY 1992 to FY 2020, as well as Fiscal's forecast for FY 2021, FY 2022, and FY 2023. He indicated the IPT is mostly based on quarterly premium collections, and that Fiscal uses a regression equation to determine relationships in data using collections per employee as a function of the wage and non-wage components of personal income per employee. Referring to the chart on page 67, he pointed out the 33.6% growth rate for the first quarter of FY 2020 and highlighted the $85.6 million that was collected in the first quarter of FY 2019. He explained that a single taxpayer who made up a significant portion of the tax revenue did not file on time in the first quarter of FY 2019 and made the payment in the second quarter. Subsequently, that same taxpayer missed the second-quarter payment and submitted it with their third-quarter payment, which skewed the quarterly collection totals. He said the growth rates for FY 2021 (0.2%, 0.2%, 5.6%, and 6.5%) are hard to gauge when compared to the growth rates in FY 2020, but after adjusting the collections for FY 2019, those growth rates appeared more realistic and in-line with this tax. In comparison, the first quarter growth of 0.2% is up against 8.9% growth in FY 2020; the second quarter of 0.2% is up against 8.2%; and the third quarter of 5.6% is up against 0.9% growth in FY 2020. Mr. Nakamoto noted that A.B. 3 of the 28th Special Session (2014) phased out the home office credit applicable to insurance companies that had a home office domiciled within Nevada. Assembly Bill 3 limited the amount of credit that a qualified insurer could take against the IPT to $5.0 million from the $44.0 million to $50.0 million range. Effective January 1, 2021, that credit is eliminated. He explained there is a manual add of $5.0 million to the third quarter of FY 2021 that carries out going forward (without the $5.0 million add, the growth rate would drop from 5.6% to 1.0%). The fourth quarter growth rate in FY 2021 is based on movement with respect to the fourth quarter of FY 2019, because the fourth quarter of FY 2020 was the heart of the pandemic when people were losing their jobs and health coverage, and insurance companies were issuing auto premium rebates for less miles driven. Mr. Nakamoto clarified that without the $5.0 million add, the 4.0% growth rate forecast for FY 2021 would total 2.9% for the fiscal year. Further into the forecast period, the IPT is forecast to increase 3.9% in FY 2022 and 5.4% in FY 2023. He noted that irrespective of additional stimulus, people will continue to insure their vehicles, homes, and themselves. Fiscal's forecast for FY 2021 of $476.9 million is $15.7 million lower than the forecast Fiscal presented at the Economic Forum's May 1, 2019, meeting, which was adopted by the Forum at that time. The difference is largely attributable to the ongoing effects of the pandemic.

E. Modified Business Tax

Hayley Owens, Economist, Department of Taxation

MBT - Nonfinancial Institutions

Ms. Owens stated a correction was made to page 15 (Exhibit H) of her presentation that was originally posted to the Economic Forum's webpage on the Nevada Legislature's website and distributed to the members. A revised presentation, dated 11/9/20, was uploaded to the webpage that accurately reflects her forecast.

Ms. Owens indicated that nonfinancial institutions represent the largest portion of the MBT tax base. Ms. Owens forecast a slow recovery in FY 2021 with growth in FY 2022 and FY 2023.

MBT - Financial Institutions

Ms. Owens explained that the financial institution portion of the Modified Business Tax (MBT) is collected quarterly and that actual collections data for the first quarter of FY 2021 will be available for the December 3, 2020, meeting. She said based on fourth-quarter results for FY 2020, in the depth of the COVID-19 shock, the financial sector was not as directly affected by the COVID-19 recession compared to nonfinancial institutions, thus the upward trend in her forecast.

MBT - Mining

Ms. Owens forecast a slight upward trend in the MBT Mining sector because mining was not as directly affected by the COVID-19 recession as the nonfinancial institutions.

In terms of total MBT, Ms. Owens forecast -10.2% growth in FY 2021; and increased growth of 16.1% and 3.2% in FY 2022 and FY 2023, respectively. She said her forecast reflected the largest drop in MBT mining collections for FY 2021, compared to the other forecasters, and that fourth-quarter collections were down 13.0%, compared to the fourth quarter of FY 2020, and were propped up by the Paycheck Protection Program (PPP), as reported by Applied Analysis at the October 2020 Forum meeting. She said $4.2 billion was allocated to Nevada under the PPP, and 60% to 75% of those funds were allotted to payrolls over eight weeks or twenty-four weeks, and were due to expire at the end of CY 2020. Additional insight to her FY 2021 forecast included high unemployment and a declining labor force estimated at 30,000 people, along with discussion of mid-week closures at the casinos, pay cuts, and transitions to contract work or gig work where the MBT did not apply. She noted the MBT's strong growth prior to the COVID-19 shock.

Susanna Powers, Economist, Executive Budget Office

MBT - Nonfinancial Institutions

In terms of both nonfinancial and financial sectors, Ms. Powers stated, while employment loss statistics are readily available, translating job losses to payroll tax losses due to the nature of this economic shock is a challenge. She said it is imperative to see the first-quarter posting of the MBT to understand the severity of the impact to payrolls due to the pandemic. Currently, the middle- and high-wage sectors have not been as impacted as the lower-wage sectors, like hospitality, retail, and food industries.

Ms. Powers referred to her MBT – Nonfinancial forecast, beginning on page 18 (Exhibit F) and highlighted three points: 1) her reliance on the Current Employment Statistics (CES) to provide a signal, 2) employment numbers for early 2021 are benchmarked and subject to revision, and 3) although employment losses have been observed in the general business sector, employment has been improving at a marginal pace. She emphasized the need to see first-quarter data to get a better signal for where FY 2021 collections might be to establish a good takeoff point for FY 2022 and FY 2023. Ms. Powers forecast MBT tax collections from nonfinancial institutions of $609.1 million for FY 2021; $630.4 million for FY 2022; and 660.3 million for FY 2023 (page 19).

MBT - Financial Institutions

Ms. Powers reiterated that her forecast is influenced by CES estimates, which shows a decline in employment in financial institutions. She said she took a cautious approach to her forecast, which accounted for less paid bonuses and commissions. Ms. Powers suggested a revised forecast will follow at the Forum's December 3, 2020, meeting, but presented a preliminary forecast for MBT tax collections from financial institutions of $34.7 million in FY 2021; $35.5 million in FY 2022; and $36.4 million in FY 2023 (page 22, Exhibit F).

MBT - Mining

Ms. Powers stated employment in the mining sector tends to follow the trend of gold prices, which are currently hovering at an all-time high. The mining industry is countercyclical and its employment gains seem typical and consistent with previous recessions. Ms. Powers referred to her MBT-Mining forecast on page 25 and stated her forecast for FY 2021 could have been slightly higher based on the CES signal showing gains in mining employment.

Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau

MBT - Nonfinancial Institutions

Mr. Reel referred to TABLE 2A on page 76 (Exhibit G), Modified Business Tax – Nonfinancial Institutions, and explained that Fiscal prepares individual forecasts, by industry, for nonfinancial institutions such as construction, retail, leisure and hospitality, professional business services, etc. In terms of the wage disbursement component of the forecast, strong growth has been recorded in the nonfinancial sector going back to FY 1999, except for 2009 and 2010 due to the Great Recession. In FY 2020, wage disbursements dropped to 0.8% growth, due to the pandemic, followed by -4.5% growth in FY 2021 and 4.3% and 6.4% growth in FY 2022 and FY 2023, respectively. Additionally, because of the pandemic, employment growth dropped to -3.6% in FY 2020 and is forecast to decline to -5.2% in FY 2021; and slowly increase by 2.9% and 4.1% in FY 2022 and FY 2023, respectively.

Mr. Reel forecast wage growth to drop to 0.7% in FY 2021 and grow 1.4% and 2.2% in FY 2022 and FY 2023, respectively. Mr. Reel noted the growth pattern is slightly below the expected rate of inflation shown in the Wage Inflation Index column, which is the actual Consumer Price Index (CPI) forecast from Moody's Analytics. He identified leisure and hospitality as one of Nevada's major job sectors, which is reflected in the employment component across the forecast path. Employment in the leisure and hospitality sector is expected to fall 6.6% in FY 2021 and grow less than 1.0% throughout the forecast period. Mr. Reel conveyed a similar assumption exists for wages in that sector, where the average wage per employee is forecast to drop to 0.7% growth in FY 2021, but the average wage per employee is forecast to fall 6.7%. He noted, as a major sector in Nevada's economy, the forecast shows leisure and hospitality falling relative to the rest of the nonfinancial sector.

Mr. Reel referred to Fiscal's MBT tax collections forecast from nonfinancial institutions on 78 (Exhibit G), which shows collections declining 4.3% in FY 2021, followed by growth of 4.4% in FY 2022 (to levels observed in both FY 2019 and FY 2020) and 6.4% in FY 2023.

MBT - Financial Institutions

Mr. Reel jumped to TABLE 3A on page 81, Modified Business Tax – Financial Institutions, and reported this sector was less affected by the pandemic. He said financial employment is expected to decline 0.3% in FY 2021 and grow 1.2% in FY 2022 and 1.6% in FY 2023. Wages are forecast to grow at a slightly higher rate than inflation, and average annual wages are forecast to grow 4.3% in FY 2021; 2.4% in FY 2022; and 2.8% in FY 2023.

Actual MBT Financial collections by fiscal year are forecast to grow 3.8% in FY 2021, compared to growth of 18.4% in FY 2020, followed by growth of 3.7% in FY 2022 and 4.5% in FY 2023 (page 83).

MBT - Mining

Mr. Reel moved ahead to TABLE 4A on page 85 (Exhibit G), Modified Business Tax – Mining. He reported strong wage growth in FY 2020 at 6.3%, which is expected to fall slightly throughout the forecast period to 5.7% in FY 2021; 2.1% in FY 2022; and 3.2% in FY 2023. Wages in the mining industry were primarily driven by the employment increase in the first quarter of FY 2021 as mining employment reached an all-time high. Forecast assumptions include employment growth of 10.6% in FY 2021, which drives growth in wages but decreases the average wage per employee because of the additional jobs; however, still growing faster than inflation at -4.4% in FY 2021, 3.2% in FY 2022 and 2.8% in FY 2023. Mr. Reel noted that mining employment is expected to fall slightly in FY 2022 because of the jobs added in FY 2021, followed by 0.4% growth in FY 2023.

Chair Billings recognized employment and wages as the two main independent variables related to nonfinancial MBT. Speaking qualitatively, rather than quantitatively, he asked if it was fair to assume that the "R-squared" would be extremely high between those and the ultimate output of an MBT forecast. Mr. Reel concurred.

Chair Billings questioned if Fiscal's MBT forecast correlated with forecasted unemployment/employment within the state.

Mr. Reel replied that Fiscal's forecast primarily considers the impact on employment versus unemployment.

Chair Billings commented that, if the forecast assumes the current view with respect to employment, then, by default, it will be heavily impacted by the presence or absence of stimulus moving into FY 2021.

Mr. Reel clarified that in terms of employment, and relative to Moody's forecast, Fiscal's forecast runs below the Moody's October 2020 baseline forecast, but not quite at the level of Moody's S2 forecast, which includes a slower growth projection. He emphasized that the Fiscal forecast does not return to the prior peak in employment terms, but due to the assumption in wages, the forecast exceeds the prior peak in terms of total wage and salary disbursements by the end of the forecast period.

Chair Billings stressed the existence of extreme sensitivity in FY 2021 to the presence or absence of stimulus.

F. Real Property Transfer Tax

Hayley Owens, Economist, Department of Taxation

Ms. Owens referred to copies of recent charts received from a Wells Fargo economic group newsletter on page 20 (Exhibit H) that shows a cross section between activity seen in private residential and nonresidential construction. The charts reflect a slight dip in total construction in September 2020. Private residential construction is increasing as private nonresidential construction is suffering due to falling occupancy rates. She noted that, because of historically low interest rates and stay-at-home orders issued as a result of COVID-19, many people have opted for more space and a suburban lifestyle.

Ms. Owens reported a rough fourth quarter in FY 2020 in terms of Real Property Transfer Tax (RPTT). She forecast a decrease in RPTT collections of -2.1% in FY 2021 and -2.4% in FY 2022, and an increase of 6.1% in FY 2023 to levels seen in FY 2019. She said the slight declines in FY 2021 and FY 2022 reflect national claims of increased residential demand, but expressed uncertainty in terms of how long that trend will hold in Nevada and total net migration to Southern Nevada, considering its high unemployment rate. A recovery is forecast in FY 2023.

Susanna Powers, Economist, Executive Budget Office

Ms. Powers explained that the RPTT is a function of sales volume and price, driven largely by the residential real estate sector. She referred to the chart on page 27 (Exhibit F), which shows a historical record of new residential building permit totals from CY 2000 to September of CY 2020, year-to-date. She said given the tight housing supply and low interest rates, the low cost of borrowing will keep upward pressure on home prices. Ms. Powers reported RPTT first-quarter collections in FY 2021, compared to FY 2020, are up 20% in Washoe County and down 10% in Clark County, and total collections are flat, year-over-year. Although the housing market has been performing better than expected, data through June 2020 indicates an uptick in mortgage delinquencies. Ms. Powers stated the forbearance on government-sponsored enterprise (GSE) backed mortgages expires at the end of November, which justifies a slight decline in RPTT collections of $96.5 million for FY 2021 and continuous, moderate improvement for FY 2022 and FY 2023.

Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau

Mr. Nakamoto said Fiscal's model uses a regression of seasonally adjusted RPTT quarterly collections as a function of total existing single family home sales, total single family home completions, and the Case-Schiller Home Price Index, which measures house prices among new and existing homes in Nevada. He provided a summary of the following charts that recognize driving factors of Fiscal's RPTT forecast (page 18, Exhibit G):

CHART 9A (page 18): A comparison of actual historical data and forecasts for total existing single-family homes sales in Nevada. The assumption is that home sales were largely being delayed and people were not buying. Fiscal's forecast assumes that single-family home sales increase to approximately 70,000 units per year with fluctuations throughout the forecast period.

CHART 10A (page 20): Total single-family completions have held a stable pattern from 2013, and slowly increased from about 10,000 units to 15,000 units. Completions are expected to hold at 12,500 to 15,000 units per year throughout the forecast horizon.

CHART 11A (page 22): Chart 11A compares the Case-Shiller Price House Price Index for Nevada, which is used to measure residential real estate prices, to Moody's and Fiscal forecasts. After the recession, home prices increased steadily through the second quarter of CY 2020. Moody's October 2020 baseline forecast implies home prices have peaked and are expected to drop soon, whereas Fiscal's October 2020 forecast represents more strength in the markets, particularly outside of Clark County. Mr. Nakamoto identified a risk for delinquencies and foreclosures that may cause downward pressure on home prices, which is built into Fiscal's forecast.

Mr. Nakamoto moved to Fiscal's RPTT forecast on page 103 (Exhibit G) and explained that as a deed or transfer of title is recorded, the County Recorder's office for the applicable Nevada county collects the money and remits it to the State Controller's system, which is accessible to Fiscal staff. At the time Fiscal prepared their forecast, 15 of Nevada's 17 counties, excluding Carson City and Churchill counties, had remitted their tax collections to the state. Based on those collections, Fiscal forecast statewide RPTT collections of $28.277 million for the third quarter of CY 2020 (first quarter of FY 2021). After the last two counties remitted their collections, actual RPTT statewide collections for the third quarter of CY 2020 (first quarter of FY 2021) totaled $28,375,288.96, or a 1.9% decrease compared to the first quarter of FY 2020. Mr. Nakamoto explained that by comparison to second-quarter collections in CY 2020 of $17,718,000, or -39.3%, the 1.9% decline appeared to be a sign of less impact going forward, considering the pandemic. He noted a fundamental shift occurred in the first quarter of FY 2021 where Washoe County had $6.3 million in collections, up 20.2%, and Clark County had $18.5 million in collections, down 10.1%. Clark County's statewide share of RPTT collections for the first quarter of FY 2021 was 65.3%, compared to 71.3% in the first quarter of FY 2020, and Washoe County's share was 22.2% compared to 18.1% in the first quarter of FY 2020. Mr. Nakamoto noted RPTT collections were up 62.3% in Lyon County and up 136.6% in Douglas County, and expressed concern as to how long the smaller counties could prop up the weak RPTT collections in Clark County. He referred to the fourth quarter of CY 2020 (page 103) that showed a 6.7% decrease in collections, followed by an increase of 1.4% growth in the first quarter of FY 2021, followed by an increase of 65.1% in the second quarter of CY 2021 (fourth quarter of

FY 2021). He also pointed out that RPTT total collections in that quarter were approximately $100,000 above the same quarter in FY 2019. The RPTT collections is forecast to decline as a result of delinquencies pushing down prices and slowing down activity.

Mr. Nakamoto recalled an article in the *Nevada Current* regarding a study published by CoreLogic, which indicated there was a 70.0% chance that Southern Nevada home prices would fall 7.8% by the middle of 2021. He expressed that it was not a question of whether home prices would drop, but rather when they will drop. Fiscal forecast RPTT collections to grow 9.2% in FY 2021 and 2.0% in FY 2022, and decline 1.7% in FY 2023. Mr. Nakamoto stated he did not find Fiscal's RPTT forecast unreasonable considering collections of over $28.0 million in the first quarter of FY 2021, baring something of a significant magnitude does not force prices and activity to drop long before anticipated.

G. Commerce Tax

Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau

Mr. Guindon communicated that the Commerce Tax forecast is based on consensus estimates comprised of assessments from the Department of Taxation, the Executive Budget Office, and the Fiscal Analysis Division. He said the Commerce Tax forecast is based on fiscal year activity, but because the tax is due 45 days after the fiscal year end date of June 30, some of the revenue from the actual fiscal year gets collected and deposited in the following fiscal year. He noted the portion of tax collected in that 45-day window historically has amounted to approximately 94% to 93% of collections; therefore, Fiscal attempts to account for that in their forecast.

Mr. Guindon indicated that the Commerce Tax has five years of history reported since it was enacted in 2015 and consists of 26 business categories that determines an entity's tax rate. He reported a drop in approximately 1,000 taxpayers in FY 2020 compared to FY 2019 because their gross revenue in FY 2020 did not exceed the $4.0 million threshold, which exempts them from paying the tax. Additionally, in FY 2020, the average tax due per taxpayer increased by an average of approximately $1,000 due to the loss of those smaller businesses.

Mr. Guindon referred to TABLE 1 (page 89, Exhibit A) which provides Commerce Tax due estimates under alternative growth rate scenarios on a business activity period basis versus a collection basis, as well as the preliminary consensus forecast. He pointed out the growth scenarios for FY 2021, including -4.0%, -6.0%, -7.0% and -8.0% for FY 2021. Based on the growth estimate of -8.7% in FY 2020, Fiscal felt comfortable with forecasting growth of -5.0% in FY 2021; 5.0% in FY 2022; and 8.0% in FY 2023, as the trend of a recovering economy. He noted that collections data including another month and the first quarter of FY 2021 will be released in late November, which may justify adjustments to the consensus forecast that will be brought forward at the Forum's December 3, 2020, meeting.

TABLE 2 (page 90, Exhibit A) represents the Commerce Tax on a collection bases, which adjusts estimates and actual collections by fiscal year to account for approximately 6.5% of actual collections recorded in the fiscal year that came from prior fiscal year periods. Mr. Guindon reiterated that, because the tax is due 45 days after the end of the fiscal year, the Department of Taxation attempts to collect and post as much revenue as they can by the third Friday in September, which is the official close of the State Fiscal Year. The forecast for FY 2021 of -5.0% on a business activity period translates into a 6.4% decline on the tax collection basis; the 5.0% growth in FY 2022 becomes 4.7%; and the 8.0% growth in FY 2023 becomes 7.7%.

Mr. Guindon acknowledged TABLES 1 and 2, on page 92 (Exhibit A) of the meeting packet and explained that TABLE 1 is based on business activity period and illustrates MBT Commerce Tax credits as well as the Commerce Tax forecast. He explained that an estimate of MBT Commerce Tax credits is included to show consistency between the Commerce Tax forecast and the potential credits that can be taken against the MBT liability. For context, an entity can take up to 50% of their preceding year's Commerce Tax liability and apply it to their current year's MBT liability. Based on five years of historical data related to the Commerce Tax, specifically the last few years which were considered more stable, the MBT Commerce Tax credits are estimated to account for 22.5% of the Commerce Tax, which appear sustainable in FY 2021, FY 2022, and FY 2023. Mr. Guindon noted the impact of the pandemic could affect those percentages, but with that being too hard to predict, the consensus forecast did not take that into consideration.

Mr. Guindon moved to the bottom of TABLE 2 which breaks down the Commerce Tax and Commerce Tax credits against the MBT based on a fiscal year accounting period and highlighted the row that breaks out Commerce Tax credits for the current fiscal year accounting period from prior Commerce Tax fiscal year business activity periods.

Mr. Guindon referred to the consensus forecast for the Commerce Tax on TABLE 8 (page 82, Exhibit A) of $191.9 million, or -6.4%, in FY 2021 compared to actual collections of approximately $205.0 million in FY 2020; $201.0 million, or 4.7%, in FY 2022; and $216.6 million, or 7.7%, in FY 2023.

The consensus forecast for Commerce Tax credits is $45.8 million for FY 2021; $43.4 million for FY 2022; and $45.2 million in FY 2023. Mr. Guindon noted the consensus forecast will be adjusted as necessary upon the release of additional information by the Department of Taxation, and presented at the Forum's December 3, 2020, meeting.

Mr. Guindon voiced that Chair Billings excused himself briefly to attend to a business matter at 1:30 pm and instructed Mr. Guindon, staff to the Economic Forum, to proceed with the agenda in his absence.

Mr. Guindon requested the agenda be taken out of order and directed the members to Agenda Item X.

X. REPORT ON THE COMMERCE TAX STATISTICS BY BUSINESS CATEGORY AND THE TAX CREDITS TAKEN AGAINST THE MODIFIED BUSINESS TAX FOR COMMERCE TAX PAID.

Mr. Guindon acknowledged the following tables compiled by Ms. Owens from the Department of Taxation, which have been posted to the Economic Forum's webpage on the Nevada Legislature's website under Agenda Item X (pages 1-14, Exhibit I):

- TABLE1: FY 2016 – FY 2020 Commerce Tax by Business Category Tables (Based on Current Information to Date).
- TABLE 2: Commerce Tax - Number of Taxpayers by Business Category for the FY 2016 to FY 2020 Tax Year Reported on a Business Activity Period Basis (Based on Current Information to Date)
- TABLE 3: Commerce Tax – Total Gross Revenue by Business Category for the FY 2016 to FY 2020 Tax Year Reported on a Business Activity Period Basis (Based on Current Information to Date)
- TABLE 4: Commerce Tax – Total Gross Revenue per Taxpayer for the FY 2016 to FY 2020 Tax Year Reported on a Business Activity Period Basis (Based on Current Information to Date)
- TABLE 5: Commerce Tax – Nevada Taxable Revenue by Business Category for the FY 2016 to FY 2020 Tax Year Reported on a Business Activity Period Basis (Based on Current Information to Date)
- TABLE 6: Commerce Tax – Nevada Taxable Revenue per Taxpayer for the FY 2016 to FY 2020 Tax Year Reported on a Business Activity Period Basis (Based on Current Information to Date)
- TABLE 7: Commerce Tax – Commerce Tax Due by Business Category for the FY 2016 to FY 2020 Tax Year Reported on a Business Activity Period Basis (Based on Current Information to Date)
- TABLE 8: Commerce Tax – Average Tax Due per Taxpayer by Business Category for the FY 2016 to FY 2020 Tax Year Reported on a Business Activity Period Basis (Based on Current Information to Date)
- TABLE 9: Commerce Tax – Effective Tax Rate as Percent of Total Gross Revenue by Business Category for the FY 2016 to FY 2020 Tax Year Reported on a Business Activity Period Basis (Based on Current Information to Date)
- TABLE 10: Commerce Tax – Effective Tax Rate as Percent of Nevada Taxable Revenue by Business Category for the FY 2016 to FY 2020 Tax Year Reported on a Business Activity Period Basis (Based on Current Information to Date)

Mr. Guindon stated the above tables were utilized by staff to prepare the Commerce Tax consensus forecast that was presented to the Forum.

Mr. Guindon referred to a set of charts (pages 1-25, Exhibit J) that showed some of the metrics that make up the Commerce Tax. The charts reference total tax due by the 26 business categories, average tax due per taxpayer, number of taxpayers, effective tax rate as percent of total gross revenue, and statutory tax rate versus effective tax rate as percent of total gross revenue for the FY 2016 to FY 2020 tax years. He noted that the slices of the pie charts on Charts 1 through 3 show a combination of large and small slices; however, Chart 4 shows slices that are close to the same size which represent the effective tax rate by business category as the percent of total gross revenue. Chart 5 shows the effective rate, which is what the taxpayer ends up paying due to either allowances, deductions or revenue not included in the revenue that is subject to the Commerce Tax.

Mr. Guindon requested approval to combine Agenda Items IX and XIII for consideration.

Chair Billings requested the agenda be taken out of order and combine Agenda Items IX and XIII.

IX. PRESENTATION OF THE TAX CHANGES APPROVED BY THE LEGISLATURE DURING THE 31ST AND 32ND SPECIAL SESSIONS AND THE ECONOMIC FORUM MAY 1, 2019, FORECAST FOR FY 2021, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 31ST AND 32ND SPECIAL SESSIONS.

XIII. REVIEW AND APPROVAL OF PRELIMINARY FORECASTS OF MINOR GENERAL FUND REVENUES AND TAX CREDITS FOR FY 2021, FY 2022, AND FY 2023 APPROVED BY THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) AT ITS NOVEMBER 2, 2020, MEETING.

Mr. Guindon referred to TABLE 5 on page 94 (Exhibit A) of the meeting packet, which identifies select revenue forecasts, aka major minor revenue sources, forecast by the Technical Advisory Committee on Future State Revenues (TAC). On the following page, TABLE 6 shows the forecast approved by the TAC on November 2, 2020, based on forecasts from the Agency, Fiscal and Budget, and the consensus forecast prepared by Budget and Fiscal for the TAC's consideration. TABLE 6 includes a complete list of revenue sources and their coordinating consensus forecast for which the TAC is responsible to forecast under the direction of the Economic Forum. The consensus forecast was reviewed and approved by the TAC at their November 2, 2020, meeting.

Mr. Guindon pointed out the Net Proceeds and Minerals Tax (NPMT) revenue source that was affected by the actions of the 31st Legislature (2020). He said the law was changed to require an additional payment to made in FY 2021 based on the estimate for CY 2021. The tax paid in the fiscal year is based on the actual preceding calendar year's net proceeds. He further explained that the law was applicable to the General Fund portion of the NPMT, effective in FY 2021, requiring mining operators to prepare an estimate of proceeds for CY 2021 and pay the tax based on that estimate, which results in the taxpayer making two payments for the NPMT in FY 2021 — one based on actual proceeds for CY 2020 and one based on estimated proceeds for CY 2021. The change does not affect the NPMT portion that is distributed to the local governments and school districts. Mr. Guindon stated that NPMT collections in FY 2020 were approximately $57.2 million in FY 2020 and are forecast to increase to approximately $130.0 million in FY 2021, due to the extra payment, followed by decreases of $57.3 million and $54.9 million in FY 2022 and FY 2023, respectively.

Mr. Guindon referred to TABLE 3, page 69 (Exhibit A) of the meeting packet that lists General Fund revenue forecasts made by the Agency, Fiscal, and Budget for the minor revenue sources, which show more variance than historically seen for some of the major minors.

Turning to page 97 (Exhibit H) TABLE 6, Mr. Guindon explained that GL3051, Governmental Services Tax (GST) is a fee paid at the time of vehicle registration. The GST portion alternates between the amount deposited to the General Fund and to the State Highway Fund. In FY 2020, actual revenue from the GST was $21.3 million, of which 25% of the proceeds were allocated to the General Fund with the other 75% allocated to the Highway Fund. During the 31st Special Session (2020), a law was passed that required 100% of the state portion of the GST to be allocated to the General Fund and 0.0% allocated to the Highway Fund for FY 2021 only; thus, the increase from $21.3 million in FY 2020 to $93.1 million in FY 2021, with collections dropping down to $23.3 million and $23.9 million in FY 2022 and FY 2023, respectively.

Mr. Guindon moved down TABLE 6 to the line listed below GL3068 (Branch Bank Excise Tax), Tax Amnesty," which was another action approved by the 31st Special Session (2020) that requires the Department of Taxation to conduct a tax amnesty program not to exceed 90 days, and be concluded by the end of FY 2021, which is June 30, 2021. The program has not been implemented yet, as the department is effectuating changes to their system to handle the tax amnesty program, as well as the timing of the program. Mr. Guindon clarified that the tax amnesty can be applied to any of the taxes that the Department of Taxation administers, and that after careful review of the department's records in terms of outstanding taxes, by tax type, and other amnesty programs that the state implemented during the Great Recession, the allocation for FY 2021 was estimated at $14.0 million. He noted that until the tax amnesty program is in effect and producing results, no further adjustments will be made to the estimate.

Mr. Guindon referred to the tax credit programs highlighted in TABLE 6 (page 99, Exhibit A). The Film Transferrable Tax Credits are estimated at $10.0 million in FY 2021; $4.0 million in FY 2022; and $6.0 million in FY 2023. The consensus estimates were prepared by Budget and Fiscal and based on information received from the agency responsible for administering the tax credit programs. Mr. Guindon pointed out that the Nevada New Markets Jobs Act Tax Credits are estimated at $1.8 million in FY 2021 and $24.0 million in FY 2022 and FY 2023 because of actions taken during the 80th (2019)

Legislative Session to approve additional tax credits totaling $116.0 million, effective beginning in FY 2022. He explained that $24.0 million is the maximum that can be taken in those fiscal years. The other tax credit programs listed on TABLE 6 are centered on the amounts authorized by law and available for each fiscal year or based on discussions with the agency responsible for administering that program. Mr. Guindon noted the Affordable Housing Tax Credit Program was approved in the 2019 Legislative Session, and the applicable estimates are based on information provided to staff by the Nevada Housing Division.

Lastly, the TAC is expected to hold a meeting the week of Thanksgiving to accommodate the release of an additional month of actual revenue data. Mr. Guindon stated adjustments will be made accordingly and brought forward to the TAC for consideration and approval, thus a revised forecast for these revenue sources will be brought forward to the Economic Forum at their December 3, 2020, meeting.

Mr. Streshley asked if there was a sunset provision on the Net Proceeds of Minerals Tax (NPMT).

Mr. Guindon confirmed that the NPMT sunsets in FY 2024. He explained that if a forecast was required by the Forum for FY 2024, the expected value would be zero because the shift from the estimated basis to actual basis from the preceding calendar year creates a hole in the revenue stream for the State General Fund.

Mr. Streshley commented that the Film Tax Credit forecast at $10.0 million for FY 2021 appeared high, and that it was unlikely any film productions would qualify for that tax in FY 2021.

Mr. Guindon explained that information provided by the Nevada Film Office indicates the $10.0 million allowance is authorized by law and is anticipated to be taken in FY 2021 based on projects that were approved in prior fiscal years that are in post-production, which precedes the audit phase, thus making those credits eligible for use. He noted the $10.0 million tax credit total could slide some for FY 2021.

Mr. Streshley asked if film tax credits not taken in FY 2021, up to the $10.0 million maximum per year allowance, would carry over into FY 2022 and FY 2023.

Mr. Guindon clarified that authorized tax credits total $10.0 million per year; however, if the project is lengthy or crosses into multiple states, a post-production phase goes into effect, which means the approval of the tax credits and their being awarded and taken can occur in different fiscal years. He said the projects taking credits in FY 2021 were possibly approved in FY 2020 and/or FY 2019. Some smaller projects progress through the approval process, project completion and audit phase within the same fiscal year, and use those credits in that fiscal year, while other projects take the credits in future fiscal years.

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

Mr. Guindon clarified instructions to the TAC are to have the TAC meet just before Thanksgiving to produce revised forecasts for the revenue sources presented under Agenda Item XIII and to bring that forecast forward at the Forum's December 3, 2020, meeting.

XV. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

Mr. Guindon announced that the Economic Forum will meet again on December 3, 2020, and that staff will work with Chair Billings to set the agenda for the meeting. The TAC will meet again in late November.

Mr. Leavitt commented on the substantial differences in the forecasts and requested that the forecasters present underlying assumptions associated with their forecast at the Forum's December 3, 2020, meeting, such as the availability of a vaccine; timing of the distribution of the vaccine, and whether there is additional stimulus or not.

Chair Billings stated that was a sensible approach to the extent that the forecasters used an underlying forecast of their own, particularly Moody's Analytics, and if the forecast model incorporated key assumptions. He said the members also need to be made aware of any deviations from those assumptions.

Mr. Guindon stated he would communicate Chair Billings' request to the forecasters. He said it would be more realistic to address the underlying issues using time windows versus specific target dates.

XVI. PUBLIC COMMENT.

There was no public comment.

XVII. ADJOURNMENT.

Chair Billings stated the meeting was very complete and expressed gratitude for the thorough presentations.

The meeting adjourned at 2:01 pm.

Respectfully submitted,

Judy Lyons, Committee Secretary

APPROVED:

Vice Chair Rosenthal

Date:

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