**MINUTES OF THE MEETING OF THE
ECONOMIC FORUM
(NRS 353.225 – NRS 353.229)
December 5, 2022**

The meeting of the Economic Forum (created by Senate Bill 23, 1993 Legislative Session) was called to order by Chair Linda Rosenthal at 10:14 a.m. on December 5, 2022, online, and in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer Office Building, 555 East Washington Avenue, Las Vegas, Nevada.

ECONOMIC FORUM MEMBERS PRESENT:
Linda Rosenthal, Chair
Jennifer Lewis, Vice Chair
Michael Crome
Marvin Leavitt
Vincent Zahn

STAFF:
Russell Guindon, Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB
Michael Nakamoto, Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB
Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, LCB
Christian Thauer, Deputy Fiscal Analyst, Fiscal Analysis Division, LCB
Tom Weber, Committee Secretary, Fiscal Analysis Division, LCB
Jason Gortari, Executive Branch Economist, Governor's Office of Finance

EXHIBITS:
Exhibit A: Meeting Packet and Agenda
Exhibit B: Agenda Item VI - GF Major Revenue Source Forecasts by Forecaster Charts - December 2022 Forecast
Exhibit C: Agenda Item VI - Fiscal Analysis Division Forecast Information Packet
Exhibit D: Agenda Item VI - Executive Budget Office Forecast
Exhibit E: Agenda Item VI - Department of Taxation, Major Revenue Forecasts
Exhibit F: Agenda Item VI - Gaming Control Board, Gaming Revenue Forecasts
Exhibit G: Agenda Item VII - Final Report to the Governor and Legislature on Future State Revenues

I.   ROLL CALL.

TOM WEBER (Secretary, Fiscal Analysis Division, Legislative Counsel Bureau [LCB]) called roll; all members were present.

III.   PUBLIC COMMENT

LEA CASE (Belz & Case Government Affairs):
Today marks the one-year anniversary of the passing of former Nevada Taxpayers Association President Carole Vilardo. I am saddened there are lobbyists from my cohort who did not have the opportunity to meet Carole, as she had a wealth of knowledge regarding Nevada tax laws, particularly laws pertaining to the Commerce Tax. I learned from Carole that the closer the nexus is between the tax and the user the better, and that there is no such thing as a perfect tax.

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

EMILY MANDEL (Economist, Moody's Analytics):
Moody's Analytics (Moody's) is an independent entity from Moody's Investors Service, so nothing I say today should be construed as having any bearing on any ratings actions, past, present, or future. As I did during the November 14, 2022, meeting of the Economic Forum, I will speak about the national economic outlook and how it has evolved, with not much changing since November. I will also talk about Nevada, Moody's outlook for the state, and provide updated forecast tables for the Sales and Use Tax and the Gaming Percentage Fee Tax.

The chart on slide 8 of the meeting packet (Exhibit A) has not changed much since it was presented to the Committee in November, and this consistency will be a theme throughout my presentation today. Slide 8 shows the forecast for real gross domestic product (GDP) growth and has been updated to reflect Moody's November forecast vintage; when I presented this forecast in November, I was working off Moody's October vintage. The forecasts are very similar because Moody's outlook has not materially changed between these two months and Moody's assumptions have remained the same. The baseline forecast (blue line) on slide 8 is still recession free. However, the outlook for Moody's GDP forecast is tenuous and there is quite a bit of risk. The baseline for the Fiscal Year (FY) 2022 and FY 2023 forecasts show that Moody's is expecting a significant slowdown. Moody's is referring to the expected slowdown as a growth recession, meaning that while the economy does not contract year over year, the slowdown will not fit the criteria to be classified as a formal recession under the National Bureau of Economic Research.

The country has experienced strong growth over the last few years as it comes out of the recession resulting from the COVID-19 pandemic, but Moody's expects this growth to slow. This slowing in growth will happen quickly over the span of a year and will feel a bit like a recession, and the country will experience a slowdown in different areas of the economy. It is possible there will be increased layoffs and that the unemployment rate will go up slightly, with these being baked into Moody's forecast. When GDP growth is essentially flat for a year, it means that some parts of the economy are still growing while other large portions can be contracting. The slowdown will be significant even if it is not going to be a full recession in Moody's baseline forecast. To put the size of the slowdown

that Moody's is anticipating into context, prior histories and recessions have been built into the chart on slide 8 of (Exhibit A), which are denoted by gray recession bars. Moody's GDP baseline outlook is similar to recessions that occurred in 2000 and 2001. Even without some of the financial market impacts the country has experienced, I do not know if the baseline shown on slide 8 for FY 2022 and FY 2023 could be classified as a recession because it just went down to around zero; it could be classified more as a "growth recession."

As shown on slide 9 of (Exhibit A), inflation is going to be key to the economic outlook over the next year. Inflation data is beginning to come in, and Moody's is seeing the consumer price index (CPI) report from November 2022 being in line with what the country needs to remain on the path shown on slide 9. There needs to be more inflation so that the country does not experience even higher interest rates than it will soon be seeing, resulting in an even more deliberate slowdown of the economy. Part of the CPI reduction in inflation is already on autopilot, but not all of it. There are going to be a few different phases regarding how Moody's thinks the slowdown in inflation is going to play out. The first phase ties back to commodity prices, with the prices of commodities being part of the reason that inflation is so high and persistent today. The country is experiencing a rapid increase in oil prices and the prices of other commodities as a result of Russia's invasion of Ukraine. If oil stays at its current level and price over the next year, it will have a major impact in bringing down inflation just through the base effects.

Inflation in the past month was at 7.7%. If the country gets stability in some of its commodity prices, inflation will potentially decrease closer to the 4.0% range; this would happen without any significant decline or any new shock that would raise the prices of commodities higher. The CPI of energy is represented by the yellow bar on the chart on slide 9, which is already starting to come in a little in terms of the year-ago change.

The second phase of slowing down inflation which is already moving ahead relates to the cost of housing. There has been a massive runoff in housing both in Nevada and nationally over the past two years, but this has started to turn. Prices are already starting to rollover in single family and multifamily housing. Demand destruction is occurring as people cannot afford prices at current levels, especially with mortgage rates being elevated. Some inflation is being created intentionally by the Federal Reserve to bring in some of this activity, which is succeeding. It needs to be determined how severe an impact the rapid reduction in housing activity is going to have on the economy, but it is going to have positive impacts in terms of bringing down prices, which is already being experienced. There are some lags in terms of how this is measured by the U.S. Bureau of Labor Statistics, but it is on tract and is already starting to happen.

The third phase of slowing down inflation involves the moderation of wage growth and is going to be the most difficult and least guaranteed phase, as it involves getting CPI growth from 4.0% down further to match the federal target of approximately 2.0% to 2.5%. Service price inflation is a major part of this third phase and is tied back to the labor shortages that the U.S. has been feeling in its economy and the pressure the labor shortage has been putting on wages. The labor market needs to cool down, and the

higher interest rates need to work in bringing down the pace of job growth to cool some of the wage pressure to bring the country down to target.

The chart on slide 10 of (Exhibit A) describes the country's robust labor market, which is a major reservoir of strength in the economy and is the reason that the economy is still expanding and that the country is not falling into a recession. The chart on slide 10 displays the difference in jobs nationally from month to month over the past year. There are no surprises, as the country has continued to quickly add new jobs. This would normally be an unambiguous positive, but the everchanging state of affairs can result in too much of a good thing actually being a bad thing, especially when looking out over the next year or so at getting wage pressures under control. According to the U.S. Department of Labor's jobs report released on December 2, 2022, the job growth for November is close to the three-month average, with the country adding approximately 263,000 jobs and seeing previsions to the prior month. This will be slightly concerning for the Federal Reserve as it works to bring down some of these pressures. The easing of job growth is impacting certain areas of the economy more than others, with this past month's jobs report being a little concerning in that regard; the jobs report is positive in the sense that there is not another recession but is negative in the sense that there will still be pressure on wages.

Slide 11 of (Exhibit A) describes the labor market, which is another reservoir of strength for the economy in that people have jobs; this is also an important support for consumer spending. The labor market dictates how much cash consumers have. The chart on slide 11 shows the different amounts of cash that are held by different income groups at different times. Going from the top to the bottom of the chart shows the different income quintiles regarding household income. The top tier is $150,000-$500,000 versus the lowest tier of under-$28,000 in household income. Household income for different points in time are shown on the chart, with the blue bars representing the fourth quarter of 2019 (prior to the COVID-19 pandemic), with federal stimulus payments starting to come in for the third quarter of 2020 and the second quarter of 2022.

Checkable deposits and currency by income group are up significantly for all except the lowest income tier. This is positive in the sense that it means that people have a lot of resilience and can spend through higher prices. However, there are also implications, since the Federal Reserve is trying to lean hard against the demand that exists in the economy because people have additional resources. The under-$28,000 income bracket shown on the chart is the main area that is shrinking. However, when considering the way these income tiers are stacked up as a share of spending in the economy, the implications of this are low. The implications of this from a government perspective would be more on the expenditure side in terms of utilization of social services rather than the revenue side, because there is less spending that is taking place in this income group. Despite the positives, there are some warning signs in the economy right now and those are coming from some, but not all areas of the economy.

The chart on slide 12 of (Exhibit A) displays the number of indicators that Moody's tracks to get an advanced warning of recession risks. The indicators are ordered by timing, with the middle bar representing time to recession in months. The indicators are ranked by their relationship to the business cycle. The top indicators on the chart tend to start deteriorating further in advance of previous recessions, and the bottom indicators are lagging indicators that may not show problems until the recession occurs.

The indicators that are higher up on the chart on slide 12 are categorized in red and orange versus the lower indicators are categorized in green. The high-risk indicators shown in red tend to be financial in nature and are tied to investor behavior and are more sensitive to the current interest rate increases and risks being seen in financial markets. The yield curve inversion relates to the stress the country is seeing in housing and is a definite warning sign. Contrary to this stress is consumer sentiment, which has been very stable in recent months. A lot of the strengths being seen in the economy tie back to the consumer, which is an area that has held up well. There is also strength in the labor market. Financial conditions might not be as indicative of recession risks as they were in the past, which is important to note when balancing the potential versus the economy and coming up with revenue forecasts. The main reason certain indicators may not be as problematic as they would have been in the past is that consumer and business balance sheets generally look good. There was not as much advanced debt issuance during the past couple of years as is normally seen before a recession, and because the country does not have as much overleverage as it had in 2008 and in previous recessions, it is possible that these tightening lending standards might not impact the economy as hard as they have in the past.

The chart on slide 13 of (Exhibit A) describes Nevada's labor market and shows that the trends occurring at the national level also hold true for Nevada. Nevada's labor market is showing a lot of strength. The red line on the chart on slide 13 represents unemployed workers, people that are currently looking for a job but have not gotten one. Unemployment in Nevada peaked to above 400,000 workers at the height of COVID-19 pandemic, but it has decreased quickly since then. The blue line represents job openings, which are businesses that are trying to hire new employees and add to their bare walls; this is different from a budgeting maneuver in the private sector where companies hold positions vacant.

When comparing the red and blue lines, there is still about one and a half job openings for every person looking; some of this can be attributed to mismatches between who is looking and what jobs are available. There is more pressure in some industries then others, but this is a point to the strength of the labor market. The green line on the chart represents layoffs, which are extremely low by any standard. This points to the fact that business have been having so much trouble hiring that they are holding onto the workers they have. This is one of the areas that will help Nevada coast over some of the stresses in the economy. Labor pressures will not just impact businesses today, as businesses will be watching these pressures for the next couple of years and over the long term as certain demographic pressures reduce available labor in Nevada and nationally. The yellow line represents people who are quitting their jobs, whether they are looking for

something else or retiring. The number of quits is a bit elevated and is something that Moody's would like to see come down as some of the strength in the labor market gets more normalized. All the indicators on the chart on slide 13 show a strong labor force in Nevada.

One of the implications of a strong labor force is that it leads to a stronger growth in incomes, which will have an important impact on tax revenue. The blue line shown on the chart on slide 14 (Exhibit A) represents Nevada personal income that has been impacted by transfer payments and federal stimulus payments; the jumping around of the line coincides with when payments were transferred. The annualized percent change is normalized and is expected to stay fairly strong through the forecast. The blue line on the chart is juxtaposed against consumer prices showing inversion, with the green line moving above the blue line showing that prices are rising faster than wages. This has not happened before, as the last period of high inflation back in the 1970's was due to wages keeping up with inflation; this was a problem back then because it led to a more entrenched cycle. Income growth being slower than price growth is a negative for consumers because it means that consumers are spending more than they are bringing in regarding how things are growing. However, this is also what Nevada needs for the final step of the inflation path to be realized.

There are broad and real implications for rising costs even as income growth remains strong. As shown on the chart on slide 15 of (Exhibit A), rising costs have impacted the housing market in Nevada, with Nevada being impacted more than most states. The chart on slide 15 details Nevada's net domestic migration, which involves people moving into and out of the state. The people moving into Nevada are reflected in green and the people moving out of Nevada are reflected in orange. The difference between inflow and outflow on the chart is represented by the blue bars. Nevada's net migration has fallen significantly over the past year, which can be attributed to the rising cost of housing in the state, which is also having an impact on population growth. This is high frequency data and is not going to align perfectly with the net migration data that can be derived from the census in a year's time. However, this information shows that the higher influx of people into the state is starting to impact housing costs. The situation is positive and is something that a lot of other states would love to experience, but it is also something that is important to keep in mind. The decrease in Nevada's net migration should be temporary, as the housing market is already in a recession and prices are starting to come down. The prices of single-family homes in Nevada are already down by approximately 4.0% since June 2022, which will make homes more affordable for people. Nevada is going to maintain its appeal due to its tax system, with people benefiting from the state's amenities. The situation of Nevada's net domestic migration will turn around, but it is another reason there will be more cyclicality over the upcoming year.

The net result of all these fluctuations in the economy and the activities of the Federal Reserve are resulting in higher interest rates and slowing but still elevated prices. The country is entering a new phase of slower growth as shown on slide 16 of (Exhibit A). Until present, Nevada's economy has been performing very well. Despite suffering a significant blow from the COVID-19 pandemic, Nevada has currently moved ahead of the

Western United States and its other U.S. counterparts. The blue line on slide 16 is shown to pass the green and orange lines. However, over the next couple of years, the net job creation across the country will remain relatively flat. This aligns with the national perspective in terms of weaker job creation and increases in layoffs in some sectors of the economy. The net result is payrolls will remain essentially flat over the next couple of years with a small increase in unemployment. Toward the end of this forecast, an uptick can be seen as interest rates start to come back down as inflation comes under control; this will result in stronger economic growth. We should all be considering how the country is going to navigate through the next couple of years and how much of a toll this is going to take on Nevada's economy.

Moody's revenue outlook begins on slide 18 of (Exhibit A), which describes a new forecast for sales tax collections. Moody's expects continued strength through the next couple of quarters through calendar year 2023, but then it expects that growth to cool to more typical rates. The main drivers of sales tax collections are spending on goods and wage and salary incomes. It is positive that inflation is raising the nominal prices of goods, and there is the strength of the labor market, so people have jobs and can spend from their incomes. Negatives of the sales tax outlook involve cooling demand and a higher cost of credit as people take out loans to pay their credit card balances. There is also spent up demand, as people spent a lot on durable goods and other goods during the pandemic and the year after because of these significant balances. As some of these balances are paid off and there is some normalization, there is going to be a bit of a negative. Net result is moderate growth through this forecast.

The table on slide 19 of (Exhibit A) reflects that level terms are slightly lower when compared to Moody's November report, which is partially due to a weaker than expected FY 2023 first quarter and small tweaks in the forecast. However, given all the risks that are facing the economy right now, this downgrade seems warranted. Moody's Gaming Percentage Fee outlook is described on the chart on slide 20 of (Exhibit A), and is more sensitive to the business cycle, being a slower and weaker outlook when compared to the Sales and Use Tax outlook. The main driver behind the Gaming Percentage Fee outlook is national recreational services spending. Moody's Gaming Percentage Fee forecast has not changed appreciatively from its October or November forecasts. There is pent-up demand from postponed vacations, and some declines are expected. The strong U.S. dollar is a negative for international travel, but consumers still have a significant number of resources, which is preventing a more severe destruction. There are also some high-profile events coming to the state which could provide some extra power to collections.

CHAIR ROSENTHAL:
When Moody's presented to the Committee in November, it provided a high-level overview of the Gaming Percentage Fee it scribed to inflation in different years. I believe this was 8.0% in 2022, 4.0% in 2023, and mid-low 2.0% in 2024. Have these percentages changed with Moody's revised forecast?

Ms. Mandel:
No, those percentages are almost identical to what Moody's was expecting in its November forecast. The main changes from Moody's previous forecasts are that it is now slightly increasing its forecast for interest rates by a quarter percentage point in the Federal Reserve's terminal rate. Moody's previously estimated the interest rate at 4.75% but is now expecting it to increase to 5.0%. This is a reflection of some of the communication that Moody's has been seeing from the Federal Reserve about its strong motivation to start bringing interest rates in. This has not had a significant impact on Moody's current forecast and is more marginal and is part of the reason that Moody's CPI numbers are similar to what they were previously.

Chair Rosenthal:
Interest rates can change daily due to surprise reports and sentiment.

There was no further discussion on this item.

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

Russel Guindon (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
All the historical taxable sales and gaming market statistics charts have been updated and placed on the Nevada Legislature's website for the Economic Forum. There is an additional month of taxable sales data for September 2022 and an additional month of gaming win data for October 2022. November 2022 collections data for the gaming metrics are also available on the website.

There was no further discussion on this item.

VI.   REVIEW AND APPROVAL OF FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FY 2023, FY 2024, AND FY 2025.

Chair Rosenthal:
I ask that each forecaster focus their remarks on the differences between the forecasts from the November 14, 2022, Economic Forum meeting and today's meeting.

Russel Guindon (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
Table 1 is described on pages 37 through 46 of the meeting packet (Exhibit A) and does not contain certain data regarding the Modified Business Tax (MBT) and the Insurance Premium Tax. Normally, by the December Economic Forum meeting of even-numbered years, the Department of Taxation would be able to report first quarter data for the MBT and Insurance Premium Tax. Even though there were MBT and Insurance Premium Tax collections for the first quarter of FY 2023, due to technical issues encountered when processing tax returns, the Department of Taxation was not able to report this data for use by forecasters. To make Table 1 as even as possible, Fiscal staff had to remove FY 2022 first quarter data for the MBT and Insurance Premium Tax, otherwise Table 1 would show that General Fund revenues were significantly down year-to-date which would be statistically incorrect.

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Table 8 is described on pages 59 through 65 of (Exhibit A) and will aid the Committee in approving its revenue forecast report that will be sent to the Governor and Legislature. The rest of the tables in (Exhibit A) have been updated with FY 2022 November data.

A. GAMING PERCENTAGE FEE TAX

MICHAEL LAWTON (Senior Economic Analyst, Gaming Control Board):
As can be seen in the tables contained in the Gaming Control Board (GCB), Gaming Revenue Forecasts (Exhibit F), the GCB's percentage fees forecast was revised slightly upwards after the November 14, 2022, Economic Forum meeting. This minor revision was the result of stronger than anticipated slot revenue performance on the Las Vegas Strip (Strip) and several other markets in the state. Once the data was incorporated into the GCB's models, the percentage fees forecast produced slight increases to total gaming win and taxable gaming win throughout the forecast period. In turn, this also increased the associated forecasted totals for the estimated fee adjustment and percentage fees on taxable gaming revenue.

The total gaming win for October 2022 was approximately $1.28 billion, which increased 4.8% or $59.0 million over the total gaming win for October 2021. The GCB forecasted the October 2022 total gaming win would be an all-time record for October, but table games win came in softer than anticipated. Compared to the pre-pandemic month of October 2019, gaming win totals for December 2022 were off-the-charts, being up 25.3% or $258.9 million. This represented the 20th consecutive month that statewide gaming win was in excess of $1.0 billion. Surprisingly, the driving factors behind this month's gaming win increase were the state's combined markets outside of the Strip, which increased 10.6% or $55.3 million; almost the entire gaming win increase for the state came from markets outside of the Strip. This represented the largest increase for markets outside of the Strip recorded since February 2022. The combined markets have now recorded three consecutive monthly increases, which is following four consecutive year-over-year decreases for the period April through July.

The Strip continued to set record amounts of gaming win, winning approximately $705.8 million in November 2022. However, this was only a slight increase over October 2022 numbers, being up 0.5% or $3.7 million. Although the Strip's total gaming win was basically flat, slot win was record breaking. The Strip had its highest monthly total in slot win ever recorded, being $410.4 million. This was due to a coin-in total of $5.1 billion, which was also an all-time record. The Strip continued to benefit from a very strong sports entertainment calendar, with several concerts, residencies, and multiple high-profile sporting events occurring. Percentage fees came in at $76.4 million, being up 6.4% or $4.6 million.

Slide 2 of (Exhibit F) shows the GCB's statewide total gaming win forecast for the 2023-25 biennium. For FY 2023, the GCB is forecasting $14.8 billion, which is an increase of 1.7% or $242.6 million over FY 2022; this is a $61.6 million or 0.4% increase over the GCB's November forecast. For FY 2024, the GCB is forecasting $14.3 billion in total gaming win, which is a decrease of 3.5% or $512.8 million. For FY 2025, the GCB

is forecasting total gaming win to decrease by 1.5% or $208.9 million, with $14.1 billion in total gross gaming revenue. For FY 2023, the state is up 4.0% or $243.4 million. When compared to the last seven months, this is an increase of 33.5%; the Strip comparison is an increase of 57.3%. The average growth required to meet the GCB's forecasted total win amount is an actual decrease of 0.01%. As a result, the GCB is not currently asking the Committee to approve an extraordinary forecast. In three of the next seven months, the state will be facing a comparison to the second, third and fourth highest gaming win totals of all time. This makes comparing forecasts historically difficult, and it will be hard for gaming win revenue to come in flat even with the high-profile events occurring in the state.

The GCB's forecast is built on the assumption that statewide gross gaming revenue will peak during FY 2023. The catalyst for this growth is the Strip, which is hosting various distinctive special events and conventions during the next 16 months. The GCB's models have taken these special events into consideration and expects moderation in current levels of gaming win due to an anticipated pullback in consumer spending as a consequence of record-high inflation, rising interest rates, and volatility in the stock market. With the Federal Reserve attempting to lower inflation through ongoing hikes in interest rates, the gaming industry continues to look for a slowdown in consumer spending. Although these trends have not yet surfaced on the Strip, it is reasonable to assume an impact over time on leisure spending. As these two conflicting variables converge, a realistic outcome estimates that gross gaming revenue could decrease somewhere between 5.0% to 10.0% in FY 2024 and FY 2025. Under this scenario, gross gaming win would still be between 13.0% to 19.0% higher than it was during pre-pandemic FY 2019.

Slide 3 of (Exhibit F) details the GCB's statewide slot win forecast for the 2023-25 biennium. With October 2022 results, the GCB's FY 2023 slot win forecast totaled $9.9 billion, which is an increase of 1.2% or $117.9 million when compared to FY 2022. This is also an increase of $69.3 million or 0.7% since the November Economic Forum meeting. The cause of this revision was due to slot win totals for October 2022 coming in stronger than anticipated, with slot win totaling $877.3 million, an increase of 11.0% or $86.7 million on a coin-in total of $12.2 billion, which was up $470.7 million or 4.0%. The Strip set an all-time slot win amount off an all-time high in coin-in. The Strip's slot win was up $42.2 million or 11.5%. Additionally, the markets outside of the Strip recorded a $44.4 million or 10.5% increase. The statewide slot win total was very strong.

In FY 2024, the GCB is forecasting $9.6 billion in slot win, a decrease of 3.8% or $374.1 million when compared to FY 2023. In FY 2025, the GCB is forecasting slot win to come in at $9.5 billion, which is a decrease of 1.3% or $126.0 million. For FY 2023, slot win is currently up by 3.3% or $135.0 million. When compared to the last seven months of FY 2023, this is an increase of 28.5%; the Strip comparison is an increase of 53.1%. Fiscal year-to-date slot volume is healthy, being up 3.1% off record levels. The average growth needed to meet the GCB's forecasted slot win amount is a decrease of 0.3%.

As discussed at the November meeting, the business activity the state is experiencing in slots remains stable. However, as comparisons have become more difficult, the growth rates of several markets have not only moderated but have begun to show decreases. As a result, the GCB anticipates that slot revenue totals will begin to level off and decline in FY 2024 and FY 2025 as consumers continue to face mounting headwinds.

Slide 4 of (Exhibit F) details the GCB's statewide game and table win forecast for the 2023-25 biennium. With October 2022 data, the FY 2023 games win forecast totaled $4.8 billion, which is up 2.7% or $124.7 million compared to FY 2022. This is a decrease of $7.6 million or 0.1% compared to the GCB's November 2022 forecast. The cause of this revision was due to game and table wins totals for October 2022 coming in softer than anticipated, primarily due to the games win on the Strip decreasing by 11.5% or $38.6 million; drop was down 14.7% or $368.3 million. One of the reasons that the Strip's game win decreased over the past month was due to baccarat, with baccarat win decreasing by 30.0% or $27.9 million in October 2022; volumes were down 17.8% or $109.0 million, showing that the volatility of baccarat win can damage forecasts.

In FY 2024, the GCB is forecasting game and table win to be at $4.7 billion, which is a decrease of 2.9% or $138.8 million when compared to FY 2023. In FY 2025, the GCB is forecasting game and table win to total $4.6 billion, a decrease of 1.8% or $83.0 million. For FY 2023, game and table win is up by 5.5% or $108.4 million. The comparison over the last seven months of FY 2023 shows an increase of 45.5%, with the Strip's comp increasing by 62.9%. Current games volume is healthy and up by 1.2%, and the average growth needed to meet the GCB's forecasted game and table win amount is an increase of 0.6%.

As discussed at the November meeting, the game and table win figure in FY 2022 was 6.0% above the previous peak in FY 2014 of $4.4 billion. Although the game and table win amounts are not as robust as slot win totals, game win amounts are impressive despite baccarat (a key component of table game win) not being at record levels due to its reliance on international players from Eastern countries. However, fiscal year-to-date, baccarat is currently up 11.5% or $54.1 million; volumes are up 3.4% or $108.5 million. This fiscal year, baccarat has benefited from an increased hold percentage, which fiscal year-to-date is sitting at 15.8% versus 14.6% at this time last year. The non-baccarat side of table game win is also healthy, up 3.6% or $54.3 million. Non-baccarat drop is up by 0.5% or 58.4 million, also benefiting from an increased hold percentage fiscal year-to-date of 14.2% versus 13.8% this time last year.

Similar to slot win, the business activity that the state is experiencing in game and table win remains solid. However, comparisons for the Strip are becoming more difficult due to a potential softness in consumer spending along with an uncertain outlook for international baccarat play. The GCB expects that game and table win revenue totals will begin to level off and decline in FY 2024 and FY 2025.

Slide 5 of (Exhibit F) details the GCB's percentage fees forecast for the 2023-25 biennium. For its FY 2023 percentage fees forecast, the GCB is projecting a decrease of 2.8% or $27.4 million with $936.832 million in total collections. This is up 8.3% from the GCB's initial projection of $928.5 million in total collections in November 2022. The primary cause for this revision is an increase to the estimated fee adjustment.   Fiscal year-to-date, percentage fee collections total $410.9 million, being flat, down just $122,000 at this point.

Regarding the two components of percentage fees, percentage fees on taxable gaming revenue currently total $398.3 million, being up 3.0% or $11.7 million. The estimated fee adjustment collections are currently sitting at $3.6 million and are down $11.8 million or 76.4%. The average growth needed to meet the GCB's percentage fees forecast to achieve the $936.8 million projected for FY 2023 is a decrease of 4.8%. The growth over the last seven months of FY 2022 when compared to the last seven months of FY 2021 is an increase of 23.5%.

As discussed in November, the estimated fee adjustment (EFA) collections totaled $33.7 million in FY 2022, making it difficult to compare these figures with the EFA collections FY 2023. The EFA is the difference between the amount of tax due on taxable gross gaming revenue for the current month, less the amount of taxes paid on taxable gross gaming revenue from the previous three months. Due to record levels of gaming revenue growth that the state recorded in FY 2022, EFA collections have been a positive contributor to the state's record level of percentage fee collections. However, as gaming revenue totals begin to moderate and slightly decrease as the GCB has forecasted, EFA totals are expected to decrease as well.

The percentage fees forecast that the GCB is presenting to the Committee today is entirely due to the forecasted decrease in EFA collections. The EFA collections were projected to be $33.7 million in FY 2022, and the GCB has upped these projections to $5.4 million for FY 2023, which is a decrease of $28.3 million; this equates to the entire decrease that the GCB is currently forecasting. In FY 2024, the GCB is forecasting a 5.4% decrease in percentage fees when compared to FY 2023 (equating to $50.9 million), for a $885.911 million total in percentage fees collections for FY 2024. In FY 2025, the GCB is forecasting percentage fees to be flat, coming in at $885.944 million in total collections.

JASON GORTARI (Executive Branch Economist, Governor's Finance Office [GFO], Office of the Governor):
As can be seen on slide 3 of the Executive Budget Office Forecast (Exhibit D), the GFO Budget Division's (Budget Office) gaming percentage fee forecast relies heavily on expected statewide gaming volume and statewide gaming win, stratified by slots (blue bar), baccarat (red bar), and other gaming revenues (green bar). When discussing the broader economy, consumer confidence remains low and interest rates remain relatively high. However, jobs continue to be added and the unemployment rate remains relatively low. As of November of 2022, the U.S. unemployment rate is still at 3.7% and near a 53-year low. As a result, the Budget Office is forecasting that statewide gaming volume dipping slightly in FY 2024 before increasing in FY 2025. The forecast also assumes that international business and convention travel will continue to improve and will approach pre-pandemic levels over the forecast period.

Slide 4 of (Exhibit D) details the Budget Office's total statewide gaming win forecast, with the gaming win being a mathematical function of historical relationships between gaming win; the expectation for the forecast period is that this historical relationship will hold. Slide 5 of (Exhibit D) details the office's gaming percentage fee forecast, with better-than-expected percentage fee collections in October 2022. The office's total estimated collections in FY 2023 increased slightly due to the adjustments from the year-to-date actual numbers and remain almost identical to the numbers presented at the November 2022 meeting for FY 2024 and FY 2025. Collections are estimated to total $938.753 million in FY 2023, $907.862 million in FY 2024, and $935.883 million in FY 2025. As was also discussed at the November meeting, collections are projected to decrease in FY 2023 and FY 2024 before slightly increasing in FY 2025.

Russel Guindon (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB): Table 1C on page 30 of the Fiscal Analysis Division Forecast Information Packet (Exhibit C) details the Fiscal Division's percentage fee tax collections forecast for the 2023-25 biennium. The table describes the differences between the Fiscal Division's December 5, 2022, and November 14, 2022, forecasts. The December forecast is highlighted in yellow; the November forecast is highlighted in green; and the difference between the two forecasts is highlighted in orange. During the November 2022 meeting of the Economic Forum, I voiced my concerns regarding the effective tax rate, which has been adjusted in Table 1C.

The Fiscal Division's economic overview charts contain its outlook regarding key economic variables and are located on pages 2 through 25 of (Exhibit C). The assumptions used in developing the forecast for today's meeting have not changed since the November meeting. An additional month of employment data was received, but this did not include quarterly data for wages or personal income, and no additional information was received to force the Fiscal Division to change its forecasts for employment wages or personal income. The outlook of Moody's Analytics for these same components regarding Nevada employment data also did not change much since November, and the economic outlook that the Fiscal Division is driving through its revenue forecast is similar to that of Moody's.

The Fiscal Division's December 5, 2022, percentage fee tax collection forecast contains November's tax data, and includes an additional month of tourism data from October; the tourism data came in stronger than anticipated. When compared to its November 14, 2022, forecast, the Fiscal Division slightly revised its slot win forecast for FY 2023, with the slot win forecast for FY 2024 and FY 2025 not changing significantly. The Fiscal Division was overly optimistic regarding its hold percentages forecast, with these numbers being slightly pulled back for the games win and drop forecasts; this brought the games win forecast down for FY 2023, FY 2024, and FY 2025. For FY 2023, the Fiscal Division's slot win forecast increased when compared to its games win forecast. The Fiscal Division's taxable gaming revenue (TGR) forecast for the 2023-25 biennium was impacted by information provided by the GCB regarding the 6.59% tax rate on the approximately $14.0 billion in TGR for FY 2022. When the Fiscal Division originally forecasted the TGR for today's meeting, it did not consider how the TGR percentage fees component of its

forecast worked regarding adjustments made to the TGR due to the COVID-19 pandemic and how TGR numbers were reported during that time.

The Fiscal Division's October 2022 ratio of TGR to win was previously too optimistic for its FY 2023 forecast and has been lowered by almost 0.5%. Therefore, the Fiscal Division's TGR forecast decreased for FY 2024 and FY 2025 when compared to FY 2023, with the average of the last seven months of FY 2023 being below the average of the last seven months of FY 2022. The Fiscal Division's average effective tax rate was also decreased since the November 2022 forecast, as the 6.62% (FY 2023), 6.63% (FY 2024), and 6.64% (FY 2025) average tax rate from the November forecast were also unrealistic based on analysis and data provided by the GCB; the average tax rate will need to increase along with an increase in the TGR. As a result, the Fiscal Division lowered its percentage fee forecast since the November meeting by $11,050,000 in FY 2023, with its overall percentage fee forecast being down by 0.01%. The percentage fees from the TGR are offset by the percentage fee change in the EFA (similar to the GCB's forecast), with the Fiscal Division projecting a slightly different EFA growth in terms of net effect. For FY 2024, the net effect of changing the TGR to win ratio, the average effective tax rate, and the total win lowers the Fiscal Division's percentage fee forecast down by $7,215,000 in FY 2024 and $7,456,000 in FY 2025.

CHAIR ROSENTHAL:
Table 1C on page 30 of (Exhibit C) is helpful to reference as it stratifies the Fiscal Division's percentage fee tax collections forecast by percentage fee TGR, percentage fee EFA, and percentage fee total. Table 8 on pages 59 through 65 of (Exhibit A) only contains the forecast for total percentage fee collections, which do not tell the full story behind growth assumptions. This is especially evident in the current environment, which has had record levels of gaming win for the past 20 months. What are the percentage fee collections forecasts by percentage fee TGR for the GCB and the Budget Office, and are these in line with the Fiscal Division's forecast regarding percentage fee EFA and the percent change from a year ago? This information will provide the Committee with the underlying percentage fee TGR growth rate that each agency is assuming year-by-year.

MR. LAWTON:
The GCB is forecasting that $931.4 million in percentage fees will be collected on TGR in FY 2023, which is an increase of 0.1% over FY 2022. For FY 2024, the GCB is forecasting that $903.8 million in percentage fees will be collected on TGR, which is a decrease of 2.95% when compared to FY 2023. For FY 2025, the GCB is forecasting that $890.6 million in percentage fees will be collected on TGR, which is a decrease of 1.5% when compared to FY 2024. The GCB's percentage fee collections forecast for percentage fee EFA in FY 2023 is $5.4 million, which is a decrease of approximately 90.0% when compared to the $33.7 million forecasted in FY 2022. For FY 2024, the GCB's percentage fee EFA forecast is negative $17.9 million, which is a result of the GCB's FY 2024 gaming revenue forecast decreasing. For FY 2025, the GCB's percentage fee EFA forecast is negative $4.7 million; this is an improvement when compared to FY 2024, as gaming revenue amounts are projected to flatten out during this time.

CHAIR ROSENTHAL:
There is a lot of disparity between the GCB and Fiscal Division percentage fee forecasts, both in growth rates, the resulting TGR, and percentage fees. There are wide variances occurring for this forecast period, and the differences between the agency's forecasts will help the Committee come up with a logical forecast that makes sense from a growth perspective.

MR. GORTARI:
The Budget Office's forecasted total TGR to win ratio for FY 2023 is 95.9%, which increases to 96.0% in FY 2024 and FY 2025. The office is forecasting that the EFA will decline by $8.3 million in FY 2023, by $7.2 million in FY 2024, and by $11.6 million in FY 2025.

MR. GUINDON:
Percentage fee tax collections are a difficult revenue source to forecast due to the statutory structure of the tax. The Fiscal Division has growth in percentage fee collections occurring in FY 2024 and FY 2025 due to two large special events occurring in the state in FY 2024. As the TGR grows, the EFA should be net positive, similar to how the forecasts of the GCB and Budget Office have the EFA declining along with the declining TGR. The opening of new gaming properties can alter these forecasts, but generally the TGR growth and the delta in terms of the net EFA should move in the same direction. The Fiscal Division is forecasting TGR growth and the EFA to be net positive, but the percentage fee total decreases slightly in FY 2025 (2.8%) when compared to FY 2024 (5.0%) due to less growth.

CHAIR ROSENTHAL:
During the November 14, 2022, meeting of the Economic Forum, the GCB forecasted that the TGR would peak in FY 2023 before slightly declining. The state is experiencing record levels of gaming win and percentage fee collections, and while the percentage fee tax collections being forecasted for the current period are still elevated, it will be hard to see continued growth off historical records. The GCB is forecasting that percentage fees collected on TGR will increase by 0.1% in FY 2023 when compared to FY 2022, which is very different from the forecasts of the Budget Office and Fiscal Division. The Fiscal Division has growth in percentage fee collections occurring in FY 2024 based on special events occurring in the state, but this is growth over FY 2023, which also has special events occurring during that time.

MR. GUINDON:
Two events cannot have that large of an impact on percentage fee collections for a given fiscal year. However, some of the record months that the state is experiencing regarding percentage fee collections can be attributed to the pent-up demand of visitors traveling to Las Vegas. There are also a lot of events occurring in Las Vegas, and elevated percentage fee collections may continue into FY 2024. The collections may slightly decrease in FY 2025 as it is not yet known if there will be a Formula One (F1) racing event occurring, and a Super Bowl will not be held in Nevada during that time. However, this does not mean that other high-profile events will not occur, as another Pacific-12 Football Championship Game or high-profile football game could be held at

Allegiant Stadium. These types of events contributed to the record levels of percentage fee collections in FY 2023 and will probably continue to occur based on the high-class sporting facilities that exist in Las Vegas to hold such events. Even though inflation is going to decrease to 2.0% to 3.0% (down from the 7.0% to 8.0% currently being seen), there will still be some inflation in percentage fee collections and nominal growth in total gaming win in FY 2024 and FY 2025.

CHAIR ROSENTHAL:
Is data available regarding monthly percentage fee TGR growth over the prior year?

MR. GUINDON:
Table 1B on page 29 of (Exhibit C) contains the Fiscal Division's fiscal year-to-date percentage fee collections forecast for the first five months of FY 2019 to FY 2023, and growth rate percentages for FY 2020 to FY 2023. Table 1B also details the Fiscal Division's fiscal year-to-date percentage fee collections forecast for the last seven months of FY 2019 to FY 2022 and what the collections would need to be to meet this forecast for the last seven months of FY 2023.

MR. LEAVITT:
I agree with the percentage fees forecast of the GCB for FY 2023 and the Budget Office's forecast for FY 2024 and FY 2025. This will result in an approved percentage fees forecast that is not as ambitious as the Fiscal Division's forecast and not as negative as the GCB's forecast.

> MR. LEAVITT MOVED TO APPROVE THE AGENCY'S (GAMING CONTROL BOARD) FORECAST FOR PERCENTAGE FEE COLLECTIONS OF $936.832 MILLION FOR FY 2023; AND THE BUDGET OFFICE'S FORECAST OF $907.862 MILLION FOR FY 2024, AND $935.883 MILLION FOR FY 2025.

> MS. LEWIS SECONDED THE MOTION.

> THE MOTION PASSED UNANIMOUSLY.

B. LIVE ENTERTAINMENT TAX
- **GAMING**
- **NON-GAMING**

MICHAEL LAWTON (Senior Economic Analyst, Gaming Control Board):
The GCB's Live Entertainment Tax (LET)-Gaming forecast for the 2023-25 biennium is detailed on slide 6 of (Exhibit F), and was slightly increased since the November 14, 2022, meeting of the Economic Forum. The primary reason for the upward revision in the forecast was a stronger than anticipated October 2022 which recorded LET collections of $10.4 million, an 11.1% or $1.0 million increase over October 2021. Additionally, a new show in Las Vegas was announced subsequent to the November meeting, with the show running in FY 2023 and FY 2024; the show was extended even longer, but this was

announced after the GCB built its forecast for today's meeting. This shows that the LET can be difficult to forecast.

Fiscal year-to-date, LET collections total $39.2 million, and are up 22.5% or $7.2 million. For FY 2023, the GCB is projecting the LET to increase by 29.4% or $29.2 million, with $128.6 million in collections. This represents a $2.9 million or 2.3% increase since the November meeting. When compared to the last eight months of FY 2021, the last eight months of FY 2022 saw the LET increase by 843.7%. The average growth required over the last eight months of FY 2023 to achieve this forecast is a strong increase of 32.8%. In FY 2024, the GCB is forecasting the LET to decrease slightly by 2.0% or $2.6 million, with $126 million in collections. In FY 2025, the GCB is forecasting a decrease of 4.9% or $6.2 million, with $119.9 million in collections.

The assumptions used in the GCB's forecast have not changed since November. The GCB's LET forecast models are built on the assumption that in FY 2023, growth will be achieved by increased showroom occupancy as a result of improved business travel, which lifted midweek business levels. Post-pandemic, LET sales have trailed gross gaming revenue growth and have not peaked due to the lag in business travel compared to that of leisure travel. Midweek group convention business is a key component to LET, and its recovery is crucial for production shows and headliners. These performances include multiple shows throughout the week and require large venues to be at maximum capacity to be profitable.

Additional incremental growth in FY 2023 is being forecasted due to new programming on the Strip at multiple properties including the Park MGM, the Wynn Las Vegas, the Venetian Resort, and Caesars Palace. Moving into FY 2024 and FY 2025, the GCB feels that LET comparisons will be difficult due to known programming coming online in FY 2023 versus unknown programming in the out years of FY 2024 and FY 2025. It is anticipated that this could result in a gradual decline in LET collections due to a softening of the average ticket price charged in FY 2023 in addition to potential moderation of consumer spending.

JASON GORTARI (Executive Branch Economist, GFO, Office of the Governor):
Slide 7 of (Exhibit D) details the Budget Office's LET-Gaming forecast for the 2023-25 biennium, with visitation rates being a main driver behind the office's Gaming and LET-Nongaming forecasts. The office's forecast assumes increased visitation in the fourth quarter of calendar year 2022 when compared to the same period for calendar year 2021. The office's forecast also assumes increased growth in the number of local residents who spend money on entertainment due the tight labor market and growth in wages currently being seen. Furthermore, the office expects that the overall trend in Las Vegas visitation rates will continue to increase throughout the forecast period, which is expected to continue if people have disposable income.

Fiscal year-to-date through October 2022, the LET revenue source is up 21.0% or approximately $7.0 million over the year-to-date amount collected last year. The office's estimates are largely unchanged from what was presented at the November meeting. With

another month's data added to the model, a slight upward adjustment was made to FY 2023. The office's forecast elevates in FY 2023 to $119.9 million and steadily increases to $122.8 million in FY 2024 and $124.8 million in FY 2025.

CHRISTIAN THAUER (Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
The Fiscal Analysis Division's LET-Gaming and Nongaming forecasts for the 2023-25 biennium are shown in Table 8 on page 61 of the meeting packet (Exhibit A). The Fiscal Division's December 5, 2022, LET-Gaming forecast has not changed significantly from its November 14, 2022, forecast. The division still assumes that Strip-based gaming and live entertainment will continue to be strong throughout the 2023-25 biennium. The slight differences between the division's November and December LET-Gaming forecasts are mainly due to drivers such as inflation and visitor forecasts. As Moody's Analytics indicated earlier, the inflation and visitor forecasts have only undergone slight adjustments based on the most recent actuals. For FY 2023, the Fiscal Division's LET-Gaming forecast is $118.297 million; for FY 2024, $130.293 million; and for FY 2025, $136.159 million.

Even though the recorded LET collections for October 2022 were $10.4 million, the Fiscal Division did not adjust its LET-Gaming forecast because these collections were within the anticipated range. Chart 3 on page 51 of (Exhibit C) shows that the division is not projecting an increase in dollars spent per visitor on an inflation-adjusted base for LET-Gaming (red line). The blue line on the chart shows the division's increased LET-Gaming projections which are largely driven by inflation and the number of visitors to the state.

CHAIR ROSENTHAL:
Similar to percentage fee collections, it makes sense that gross gaming revenue (GGR) would increase along with LET-Gaming collections. Given how extreme results have been in the last 20 months, the underlying assumptions of a peak in LET-Gaming collections in FY 2023 followed by moderation in FY 2024 and FY 2025 seems to closely resemble the GCB's forecast. The GCB's LET-Gaming forecast appears to differ from the Fiscal Division and Budget Office forecasts, which are forecasting less LET-Gaming revenue for FY 2023 but are projecting continued growth in FY 2024 and FY 2025. Is this correct?

MR. LAWTON:
The LET-Gaming collections and GGR go hand in hand, but the LET-Gaming is more robust than gaming percentage fees in FY 2023 as the LET has not yet peaked. It takes a while for shows to ramp up, with midweek business being a large driver in LET-Gaming collections. Midweek business is still lagging but it is also rebounding, and this will help drive the LET-Gaming forecast along with amazing new shows such as Garth Brooks, Adele, and Maroon 5. As a result, the GCB is comfortable with its LET-Gaming forecast for FY 2023, which did not decrease much in FY 2024.

MR. LEAVITT:
The LET-Gaming forecast is difficult to approve. I agree with the GCB's LET-Gaming forecasts for FY 2023 and FY 2024, but do not want to decrease as much as the GCB did in FY 2025. I agree with the Budget Office's LET-Gaming forecast for FY 2025.

MS. LEWIS:
I agree. While I believe there are many things in the works for FY 2025, it is too early in the forecast cycle to imagine what those results will be. I also hope that the convention business continues to recover in FY 2023.

MR. ZAHN:
Can the Fiscal Division discuss the precipitous drop that it is occurring in the FY 2025 LET-Gaming forecasts? Is the drop due to tough comparisons or are there other assumptions?

MR. THAUER:
In line with its percentage fees forecast, the Fiscal Division is projecting a boost to its LET-Gaming forecast in FY 2024 and FY 2025 due to special events occurring in Las Vegas. Therefore, the division is forecasting a decreasing increase in LET-Gaming revenue for FY 2024 and FY 2025.

CHAIR ROSENTHAL:
I agree with the comments that have been made so far. Even though it is difficult to forecast a tax on unknown events, Las Vegas always seems to find a way to bring additional shows and events into town to generate tax revenue. I am concerned regarding declining tax revenue in FY 2025 and want the Committee to know that it can set its own forecast and is not married to the information contained in Table 8 of (Exhibit A).

> MR. LEAVITT MOVED TO APPROVE THE AGENCY'S (GAMING CONTROL BOARD) FORECAST FOR LET-GAMING OF $128.602 MILLION FOR FY 2023, AND $126.048 MILLION FOR FY 2024; AND A FORECAST OF $126.048 MILLION FOR FY 2025.
>
> MR. CROME SECONDED THE MOTION.
>
> THE MOTION PASSED UNANIMOUSLY.

CHAIR ROSENTHAL:
The Committee will now hear the LET-Nongaming forecasts.

ERICA SCOTT (Economist, Department of Taxation):
Slides 2 through 4 of (Exhibit E) detail the Department of Taxation's (Department) LET-Nongaming forecast for the 2023-25 biennium. Since the November 2022 meeting of the Economic Forum, the Department has revised its LET-Nongaming forecast to depend less on historical data and more on events scheduled to occur in the upcoming fiscal year. In the first quarter of FY 2023, the Department has seen notable growth of $19.0 million in

the LET-Nongaming tax, which is higher than expected. Since November, the Department has increased its LET-Nongaming forecast by 15.0% in FY 2023, 30.0% in FY 2024, and 15.0% in FY 2025 to acknowledge the growth being seen in the tax. The Department is forecasting solid growth in FY 2023 with a large uptick in FY 2024 (due to the Super Bowl and an F1 racing event) before leveling out in FY 2025.

Slide 4 of ([Exhibit E](#)) describes LET-Nongaming revenue year-over-year growth based on known historical figures. There is 24.0% growth in revenue collected in FY 2023 over FY 2022, and 16.36% growth in revenue collected in FY 2024 over FY 2023. Even though growth is projected to level off in FY 2025 with a dip of negative 9.04%, the LET-Nongaming growth forecasted for the 2023-25 biennium is still at record-high levels. Prior to FY 2022, strong LET-Nongaming figures were also being seen, and the Department expects to see continued growth in this tax.

CHAIR ROSENTHAL:
In its November forecast, the Fiscal Division based part of its LET-Nongaming forecast on the fact that there might be a Super Bowl hosted in Las Vegas in FY 2024 if the Las Vegas Raiders make it that far. The Department, GCB, and Budget Office did not consider a possible Super Bowl occurring in Las Vegas in their respective LET-Nongaming forecasts in November, but the Department has now revised its forecast to include an assumption of Super Bowl revenue for this tax source. Is that correct?

MS. SCOTT:
The Department partly increased its FY 2024 LET-Nongaming forecast due to a potential Super Bowl, but the increase in its forecast is also due to several well-known events that will also be occurring in the state during that time. Not all the increase in the Department's forecast is due to the Super Bowl.

CHAIR ROSENTHAL:
The Department's LET-Nongaming forecast is not event-specific and is more of a broader generalization of what may be occurring in the state during the 2023-25 biennium. Is that correct?

MS. SCOTT:
That is correct.

JASON GORTARI (Executive Branch Economist, GFO, Office of the Governor):
Slide 9 of ([Exhibit D](#)) details the GFO Budget Division's (Budget Office) LET-Nongaming forecast for the 2023-25 biennium. Nongaming venues can also attract high-revenue events. With the additions of T-Mobile Arena, Allegiant Stadium and other large nongaming event centers, Las Vegas continues to reinvent and claim its stake as being the tourism capital of the world. Not only is Las Vegas an international brand, but it also has the infrastructure to host over 300,000 tourists in a weekend, which are two key attributes that will help Las Vegas secure future events over other metropolis set up for tourism. For example, in FY 2023, a Taylor Swift concert at Allegiant Stadium, an Adele concert, and Sweet 16 and Elite 8 National Collegiate Athletic Association (NCAA) men's basketball

games are scheduled to occur in Las Vegas in the same month. Additionally, during FY 2024, Las Vegas is expected to host a Super Bowl and an F1 racing event. It was also recently announced that Las Vegas will be hosting the NCAA Final Four tournament in 2028. Looking at this long-term outlook, many event planners are bullish on Las Vegas.

The Budget Office's LET-Nongaming forecast assumes that visitation will continue to increase over the forecast period and that Las Vegas will continue to land large-scale events, especially with the city's expansion into several pro sports leagues and its ability to host collegiate championships. Fiscal year-to-date through October 2022, the LET-Nongaming revenue source is up nearly 200.0% and $12.0 million over the year-to-date amount collected last year. October's collections came in more than double of what was being forecasted for that period at $9.8 million. As a result, the office's forecast for FY 2023 is approximately $5.0 million more than its previous estimate to account for October's collections. The office carried this signal forward, also increasing its FY 2024 and FY 2025 forecasts by a similar amount. The office's LET-Nongaming forecast elevates in FY 2023 to $57.8 million, and moderately increases to $59.047 million in FY 2024 and $59.842 million in FY 2025.

CHRISTIAN THAUER (Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
The Fiscal Division's December 5, 2022, LET-Nongaming forecast differs when compared to its November 14, 2022, forecast by approximately $9.0 million in each fiscal year of the 2023-25 biennium. The division's basic assumptions and outlook in relation to the nongaming tax include inflation and have not changed. Two things have happened instead. First, after the November 2022 meeting, the division revisited its forecast to reassess its analysis and discovered that it had under projected the first quarter revenues for the tax in FY 2023 by approximately $3.0 million. The take-off point of the division's November 2022 forecast was about $3.0 million too low; this has been corrected upwards since.

Second, after the Fiscal Division received September 2022 revenue data regarding the LET-Nongaming tax to use in its December forecast, it was noticed that the September revenues came in significantly higher than in any previous month of the history of the tax. For perspective, in the already strong months of July and August 2022, the LET-Nongaming collections came in at approximately $4.5 million for each of these months; in September 2022, LET-Nongaming revenues reach approximately $9.8 million. The actuals for the first quarter of FY 2023 were approximately $5.5 million higher than the division's upward-corrected forecast. Consistent with its November forecast, the division believes that the Las Vegas entertainment industry, which includes stadiums, concert organizers, and music and art festivals, will be able to repeat the strong performance in earnings and taxes in future fiscal years. As a result, the division upgraded its starting point for its forecast due to the actuals received.

The Fiscal Division's LET-Nongaming forecast for FY 2023 is $50.032 million. The forecast spikes in FY 2024 due to the previously mentioned high-profile events to $79.385 million. Taking out these events, the division's forecast for FY 2025 dropped to $66.016 million.

MR. CROME:
How much of the forecasts presented for FY 2023 and FY 2024 are due to announced/known events versus unknown events?

MR. THAUER:
The Fiscal Division analyzed the state's events calendar and discovered that T-Mobile Arena and Allegiant Stadium have approximately 17 to 18 high-profile events scheduled during FY 2023 when compared to just 11 events in FY 2022. There are also additional festivals planned to take place on top of the Life is Beautiful and Burning Man festivals. The division's forecast is based on taking these events into account one-by-one and assumes that the events will continually be held in fiscal years to come. The significant taxpayers paying the LET-Nongaming tax have learned how to continually generate this tax revenue and will continually try to reproduce results. So far, the division has no indication that this cannot be done.

MS. SCOTT:
For the most part, the Department knows what events will be occurring in the state in FY 2023 and FY 2024, including large one-time events. While there are some events in FY 2025 that have not yet been announced, the Department is assuming stabilization regarding the large concert venues that consistently hold concerts and acts.

CHAIR ROSENTHAL:
The decline in LET-Nongaming revenue being forecasted by the Department in FY 2025 is due to the removal of the Super Bowl and an F1 event, but it is still assuming that the concert events calendar will stay consistent. Is that correct?

MS. SCOTT:
That is correct.

MR. GORTARI:
The Budget Office's forecast is in line with the Fiscal Division and Department of Taxation forecasts. The office's FY 2023 LET-Nongaming forecast is built off its FY 2022 forecast, and as each event is announced the forecast is adjusted upward. There are a lot of unknowns in FY 2025, but the office is assuming that the same high-profile events occurring in FY 2023 and FY 2024 will continue to occur.

MR. CROME:
As new events are announced, are the events added to the forecast or are they plugged into a previously existing unknown events category already built into the forecast?

MR. GORTARI:
Newly announced events are plugged into an existing unknown events category in the office's forecast which amplifies the forecast's growth factor.

MR. LEAVITT:
I agree with the Fiscal Division's LET-Nongaming forecast for FY 2023 and FY 2025 but am concerned by how high the division's FY 2024 forecast is when compared to the Department of Taxation and Budget Office forecasts. I am comfortable approving an LET-Nongaming forecast of $60.0 million for FY 2024.

MR. CROME:
I agree there will be increased demand to attend shows on the Strip and a recurrence of high-profile events, but I agree more with the Budget Office's LET-Nongaming forecast for the 2023-25 biennium. I feel the other forecasts are too aggressive and over reliant on a potential Super Bowl.

CHAIR ROSENTHAL:
Is there a dollar estimate regarding how much a Super Bowl or F1 event can contribute to the LET-Nongaming forecast? If so, the estimates could be backed out of the forecasts to provide a more realistic growth trajectory before being added back in for a specific fiscal year.

MR. THAUER:
The Fiscal Division's estimate for the amount of LET-Nongaming revenue that can be generated from a Super Bowl or F1 event includes visitor rates and potential ticket prices. If an F1 event realistically sells 100,000 tickets at an average price of $1,300 per ticket, this would generate $11.7 million in tax revenue. Similarly, if 65,000 people buy a ticket to the Super Bowl at an average ticket price of $2,500, this would generate $7.3 million in tax revenue. These figures can be over realistic and must be balanced with other events taking place during FY 2024.

CHAIR ROSENTHAL:
What is the tax rate on the approximate $20.0 million in LET-Nongaming revenue that can be generated from these potential events?

MR. THAUER:
The LET-Nongaming tax rate is 9% of gross ticket prices.

CHAIR ROSENTHAL:
There is approximately $2.0 million in incremental LET-Nongaming tax revenue that can be generated. The $20.0 million is the estimated revenue from the events upon which the 9% tax rate is applied. Is that correct?

MR. THAUER:
No, the $20.0 million is the revenue estimated to be generated after the 9% tax rate is applied to gross ticket prices.

CHAIR ROSENTHAL:
Even though it is speculated there will be F1 events held in Las Vegas in the future, the frequency of these events is unknown, and LET-Nongaming revenue may decrease along with a consistent or slow-growing base for other events.

MR. LEAVITT:

I agree with the Fiscal Division's forecast of $59.032 million in FY 2023. Due to known scheduled events, a forecast of $65.0 million could be approved for FY 2024. The Budget Office's forecast of $59.842 million could be approved for FY 2025.

> MR. LEAVITT MOVED TO APPROVE THE FISCAL ANALYSIS DIVISION'S FORECAST FOR LET-NONGAMING OF $59.032 MILLION FOR FY 2023; A FORECAST OF $65.0 MILLION FOR FY 2024; AND THE BUDGET OFFICE'S FORECAST OF $59.842 MILLION FOR FY 2025.

CHAIR ROSENTHAL:

I agree with the calculations that the Fiscal Division used regarding the LET-Nongaming revenue that could potentially be generated from the two unique events in FY 2024. Approving a forecast of $65.0 million in FY 2024 is only an increase of $6.0 million over FY 2023, which is small considering that the division is forecasting that approximately $19 million in revenue could be generated from a Super Bowl or F1 event occurring in FY 2024 (assuming there is a decline in concerts and other events). I would feel more comfortable approving a forecast closer to that of the Fiscal Division's FY 2024 forecast and approving the division's FY 2025 forecast. The division's FY 2025 forecast does not assume the two high-profile events will be repeated but it does reflect moderate/flat growth in concert events.

MR. LEAVITT:

Should the Committee approve a forecast of $70.0 million in FY 2024?

CHAIR ROSENTHAL:

I think $70.0 million is still too low in FY 2024 considering the $19.0 million in potential revenue but would be comfortable approving $75.0 million.

MR. CROME:

The $75.0 million in FY 2024 is a bit aggressive, and I would be more comfortable approving a forecast of $65.0 million or $70.0 million for that fiscal year.

MS. LEWIS:

I agree with approving $70.0 million for FY 2024 as I do not feel an amount higher than that is sustainable. Rooms are currently being developed but there is only so much room capacity in Las Vegas, which may limit the number of visitors attending an F1 event.

> THE MOTION WAS REVISED TO APPROVE THE FISCAL ANALYSIS DIVISION'S FORECAST FOR LET-NONGAMING OF $59.032 MILLION IN FY 2023; A FORECAST OF $70.0 MILLION IN FY 2024; AND THE BUDGET OFFICE'S FORECAST OF $59.842 MILLION IN FY 2025.

> MR. CROME SECONDED THE MOTION.

> THE MOTION PASSED UNANIMOUSLY.

C. STATE 2% SALES TAX

ERICA SCOTT (Economist, Department of Taxation):
The Department of Taxation's (Department) forecast for the State 2.0% Sales and Use Tax has not changed since the November 14, 2022, Economic Forum meeting. Slide 6 of (Exhibit E) shows the trends in monthly taxable sales so far in FY 2023 and provides reasoning behind why the Department's forecast did not change. When compared to FY 2022, the growth in taxable sales for FY 2023 is 6.5% in July, 11.3% in August, and 9.4% in September. The Department's assumption is that there could be potential slowing in spending, and it is going to stick with its forecast of 7.1% taxable sales growth in FY 2023.

JASON GORTARI (Executive Branch Economist, GFO, Office of the Governor):
The Budget Office's forecast for the State 2.0% Sales and Use Tax begins on Slide 11 of (Exhibit D). Regarding inflation by Level 1 components, all eight major groups begin to slightly decline in October 2022 but still remain stubbornly high in certain categories. Housing dipped below 8.0%, and transportation, the second biggest Consumer Price Index (CPI) component, is back down near 11.0%, nearly half of the March 2022 number for transportation which printed at 22.5% inflation. Food and beverages still remain high at 10.6%. Medical care, apparel, and recreation are all in the 4.0% to 5.0% range, with almost all groups being elevated when compared to January 2021 numbers.

Slide 12 of (Exhibit D) shows the main drivers of the headline inflation number by CPI category. The weight column represents the specific group's share of the total inflation number, and the lines on the right of the chart display the non-seasonally adjusted index time series of the CPI category dating back to 1990; the green dot on the lines represent the all-time high of the series. Over the past year, the green dot has become close to the end of the line, meaning the category's index is the highest it has been in some time or the highest it has ever been. The top four drivers of inflation are housing, which represents approximately 35.0% to 40.0% of the headline number; transportation at 18.0%; food and beverages at 14.0%; and medical care at 9.0%. Collectively, these groups account for over 80.0% of the total inflation number. As long as these four categories remain high and far above the target inflation rate, the headline inflation number will remain elevated too. There is still a lot of work to do to contain inflation.

Fortunately, sales tax serves somewhat as a hedge to inflation. With inflation increasing to over 8.0% this year in almost all inflation categories, the current inflation category numbers are elevated far above their 2021 numbers. An upward adjustment to goods has resulted in higher prices and higher collections. This is demonstrated in the taxable retail sales graph on slide 13 of (Exhibit D). Collections have increased over approximately the past 20 months.

Slide 14 of (Exhibit D) describes the top 12 taxable retail sales revenue generating industries in Nevada. The dashed lines on the facet chart represent the current taxable retail sales amounts as of September 2022, and the charts are ordered left to right from top rank to 12th rank. From 2018 to 2022, nonstore retailers (5th in line on the chart) have shot up, averaging the 11th or 12th largest taxable sales source and increasing by nearly

$400.0 million over four years. The nonstore retailers category is trending on a vertical path as remote retailers and marketplace facilitators increase their market share in the overall retail space.

The State 2.0% Sales and Use Tax revenue source has realized a new normal. Slide 15 of (Exhibit D) displays the regression model used by the office to forecast retail sales which are driven by variables such as visitation, employment, wages, and total gaming volume. The office's forecast for sales and use tax is slightly stronger than its November 2022 forecast. After adjusting for year-to-date actuals, the office's estimates steadily increase throughout the forecast period with collections coming in at $1.75 billion in FY 2023, $1.85 billion in FY 2024, and $1.9 billion in FY 2025.

RUSSEL GUINDON (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB): The taxable sales forecast for the Fiscal Analysis Division begins on page 53 of (Exhibit C). As previously stated, the division's economic outlook has not changed since November. The Division received September 2022 taxable sales and sales tax collection data, and when forecasting the first quarter of FY 2023, the division already had the first two-thirds of data for the quarter (July and August data), so it is only forecasting for September. September's taxable sales came in at 9.4%; the division was expecting this to be 9.1%, which is not off by much. Unfortunately, sales tax collections only grew by 7.2%, which is approximately 2.0% less than the taxable sales growth. However, there can be a variance between the taxable sales and collections reported due to diversions for tourism improvement and economic diversification districts for Tesla's gigafactory project. Variances can also occur due to accounting errors when people file their taxes incorrectly and do not pay the correct amount.

The 2.0% difference between sales tax collections and taxable sales was a surprise to the Fiscal Division, and the division's forecast was off regarding the first quarter of sales tax collection data. As a result, the division adjusted its forecast downward for the first quarter of FY 2023 as it now knows what actual collections are. The visitor numbers for October 2022 also came in stronger than anticipated, and the October, November, and December forecasted visitor numbers for FY 2023 were revised upwards. This slightly increased the FY 2023 second quarter forecast as well.

Table 8 on pages 59 through 65 of (Exhibit A) shows that the net effect of the difference between sales tax collections and taxable sales slightly revised the Fiscal Division's forecast downwards. There was an approximate $4.0 million negative adjustment as the division forecasted that sales tax collections would grow by 9.0%, not 7.0%. The division's forecast was revised downwards by only $264,000 and remained basically unchanged. Missing September 2022 data sales tax data while having visitor numbers for October 2022 led the division to assume that higher visitor numbers would translate into higher taxable sales in FY 2023.

The Fiscal Division's State 2.0% Sales and Use Tax forecast for FY 2024 underwent minimal adjustment and did not change since the November 2022 meeting. However, when reviewing the forecast again, it was noticed that FY 2023 first quarter numbers were off. The third quarter data for calendar year 2023, contained in Table 3 on page 57 of (Exhibit C), shows the year ago percent change growing by 7.9% with the difference between the November 2022 and December 2022 forecasts also increasing. The difference between the forecasts should not increase along with percent change growth, meaning there are skewed numbers in the presentation tables compared to what was forecasted. The December 2022 forecast for quarter three of 2023 should read $448.8 million, not the $453.1 million shown in Table 3.

The State 2.0% Sales and Use Tax forecast for FY 2024 in Table 8 (Exhibit A) should be $1,843.322 million, which is a 6.6% (not 6.8%) increase over the FY 2023 forecast; this is a downward revision of approximately $1.5 million. Because the error regarding the data from the third quarter of 2023 propagated forward into the third quarter of 2024, the FY 2025 sales tax forecast shown in Table 8 should be revised to $1,929.422 million; this is a downward revision of approximately $7.3 million, not the $3.0 million shown. The forecast for FY 2024 was revised slightly downward, with part of the adjustment being attributable to the rate of inflation starting to subside as was mentioned in the Moody's Analytics presentation earlier. The division had too much real growth occurring around the Super Bowl and F1 event in its FY 2024 forecast. There was still growth in the FY 2024 forecast as can be seen in Table 3 (Exhibit C), but this was slightly backed off.

After revisiting its forecast, the Fiscal Division realized it had not backed off its forecast enough for the four quarters of calendar year 2025, as it is not assuming that a Super Bowl or F1 event will occur in FY 2025. With the rate of inflation coming down to around 2.0%, the division had too much real growth occurring in FY 2025. As a result, the division pulled back the quarter 1 and quarter 2 numbers for its State 2.0% Sales and Use Tax forecast for FY 2025 (larger downward revision when compared to its FY 2024 forecast) as shown in Table 3 on page 57 of (Exhibit C).

MR. LEAVITT:
Inflation has a direct effect on sales tax. There are certain components of the sales tax that are based on peoples' feelings about the future economy. For example, a person may delay purchasing a vehicle if they think there will be a downturn in the economy. An advantage of the sales tax, as described by Moody's Analytics, is that people have accumulated assets, and the assets that are subject to the sales tax are those assets most likely to be used in the future. Based on these factors, I believe there will be sales tax growth in FY 2024 even if there is a small recession, but I am unsure about FY 2025. I would move to approve the Fiscal Division's State 2.0% Sales and Use Tax forecast for FY 2023 and FY 2024 and the Department of Taxation's forecast for FY 2025.

MR. LEAVITT MOVED TO APPROVE THE FISCAL ANALYSIS DIVISION'S FORECAST FOR THE STATE 2.0% SALES AND USE TAX OF $1,729.966 MILLION FOR FY 2023, AND $1,843.322 MILLION FOR FY 2024; AND THE AGENCY'S (DEPARTMENT OF TAXATION) FORECAST OF $1,925.377 MILLION FOR FY 2025.

MS. LEWIS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

D. INSURANCE PREMIUM TAX

ERICA SCOTT (Economist, Department of Taxation):
Slide 9 of (Exhibit E) describes the Department's Insurance Premium Tax (IPT) forecast for the 2023-25 biennium, which has not changed since the November meeting. The model the Department used in its IPT forecast is based on historical growth which has remained consistent. The Department's IPT forecast for FY 2023 is $532 million, for FY 2024 is $563 million, and for FY 2025 is $594 million.

JASON GORTARI (Executive Branch Economist, GFO, Office of the Governor):
The Budget Office's IPT forecast for the 2023-25 biennium is described on Slide 17 of (Exhibit D). The IPT is a relatively stable revenue source for the state and is not subject to as much fluctuation as the taxes that are closely aligned with tourism and spending are (such as gaming percentage fee collections and live entertainment taxes). The office estimated the IPT revenue with an aggression model based on households, medical CPI and the ten-year Treasury rate, with no new data coming in for this revenue source. The office's IPT forecast for December 2022 is identical to its November forecast. The forecast steadily increases throughout the forecast period, with IPT collections coming in at $569 million in FY 2023, $612 million in FY 2024, and $657.9 million in FY 2025.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
As a usual reminder regarding the IPT, there is always an addition of approximately $20 million to $21 million from the Department of Business and Industry, Division of Insurance for the surplus lines portion of the IPT collected. Therefore, the numbers in the Department of Taxation's IPT presentation on Slide 9 of (Exhibit E) do not match the figures shown for the Department's IPT forecast in Table 8 of (Exhibit A).

Regarding the Fiscal Division's IPT forecast, the division has not received actual collections data for quarter one of FY 2023 because of the issues the Department of Taxation came across. With very minor changes to our personal income and economic outlook forecasts, the Fiscal Division's December 2022 IPT forecast has not changed since the November meeting. The Fiscal Division also received information from the Division of Insurance and the Silver State Health Insurance Exchange regarding health insurance rates (approximately 40.0% of the current insurance market). As can be seen on the line chart on page 74 of (Exhibit C), the IPT is relatively recession proof. Apart from the Great Recession in 2008, the IPT collections have been steadily

increasing. There is IPT growth in between 5.4% and 5.8% throughout the forecast horizon, which is a reasonable growth rate based on this tax.

> MR. CROME MOVED TO APPROVE THE FISCAL ANALYSIS DIVISION'S FORECAST FOR THE INSURANCE PREMIUM TAX OF $570.385 MILLION FOR FY 2023, $603.622 MILLION FOR FY 2024, AND $636.429 MILLION FOR FY 2025.

> MS. LEWIS SECONDED THE MOTION.

> THE MOTION PASSED UNANIMOUSLY.

E. MODIFIED BUSINESS TAX
- **NONFINANCIAL**
- **FINANCIAL**
- **MINING**

ERICA SCOTT (Economist, Department of Taxation):
Regarding the Modified Business Tax (MBT), the Department has seen strong employment in Nevada. Since the November meeting, the Department adjusted its forecast model to match wage and salary disbursement data provided by Moody's Analytics. The estimated growth rate in the wage and salary disbursement is in the mid-to-high 6.0% rate range for the 2023-25 biennium.

Slide 11 of (Exhibit E) describes the Department's MBT General Business/Nonfinancial forecast for the 2023-25 biennium, which came in at $792.83 million for FY 2023. The forecast provided on slide 11 is prior to the known MBT rate reduction occurring in FY 2024. Prior to the rate reduction, there would have been growth in the MBT of up to $842.94 million in FY 2024 and $898.66 million in FY 2025. The forecast shown on slide 12 of (Exhibit E) factors in the rate reduction, with the figures for FY 2023 remaining unchanged. However, after the rate reduction, the forecast for FY 2024 decreases to $715.70 million, and decreases to $763.01 million in FY 2025.

Slide 13 of (Exhibit E) describes the Department's MBT Financial forecast prior to the MBT rate reduction, which utilizes the wage and salary disbursement data provided by Moody's Analytics and includes a component of financial section employment data. With this information, the MBT Financial forecast comes in at $49.77 million for FY 2023, $52.91 million for FY 2024, and $56.41 million for FY 2025. The Department's MBT Financial forecast including the FY 2024 MBT rate reduction is shown on slide 14 of (Exhibit E), with the numbers decreasing to $44.37 million in FY 2024 and $47.31 million in FY 2025.

The Department's MBT Mining forecast for the 2023-25 biennium is described on slides 15 and 16 of (Exhibit E). The Department ran similar factors in this forecast, but also considered employment trends in the natural resources field which estimate approximately 6.0% in employment growth. The MBT Mining forecast without the FY 2024 rate reduction is $22.13 million for FY 2023, $23.46 million for FY 2024, and $24.16 million for FY 2025. When factoring in the FY 2024 rate reduction, the Department's MBT Mining forecast drops to $19.67 million in FY 2024 and $20.26 million in FY 2025. Slide 17 of (Exhibit E) describes the Department's overall MBT forecast with growth in FY 2023 and a reduction in FY 2024 due to the MBT rate reduction.

Jason Gortari (Executive Branch Economist, GFO, Office of the Governor):
The Budget Office's MBT General Business/Nonfinancial forecast for the 2023-25 biennium begins on Slide 19 of (Exhibit D). Slide 19 describes a general business employment forecast, with steady increases in employment throughout the forecast period. Nevada has surpassed its pre-pandemic job peak and continues to add jobs. As of data from October 2022, total non-farm employment is up 22,200 jobs from its pre-pandemic peak, and the private sector is up 28,500 jobs from its pre-pandemic peak level. The unemployment rate also remains relatively low at 4.6%. It is important to note that, post-pandemic, a shift has taken place in Nevada's labor market. While the leisure and hospitality industry is still down 30,000 jobs from its pre-pandemic peak, manufacturing, and transportation and warehousing is up 30,000 jobs collectively, with average weekly wages in both of these industries more than double those of leisure and hospitality.

The chart on slide 20 of (Exhibit D) shows the office's forecast for MBT General Business/Nonfinancial collections, with the red bars representing the actual revenue forecast and the green bars representing the revenue forecast before the MBT rate buydown. With no new data coming in for this revenue source, the office's December 2022 forecast is identical its November forecast. Under the old rates, the office's estimates steadily increase throughout the forecast period, being $828.7 million in FY 2023, $877.6 million in FY 2024, and $929.4 million in FY 2025. However, after accounting for the MBT rate buydown, the FY 2024 and FY 2025 amounts decrease to $745.1 million and $789.1 million respectively, or approximately $130 million less in each fiscal year as shown by the red bars.

The office's MBT forecast for financial institutions is described on slides 22 through 24 of (Exhibit D). The office's forecast begins with a financial employment outlook as shown on slide 22. Employment data through October shows that financial industry employment is above its pre-pandemic peak. However, the Current Employment Statistics survey from the U.S. Bureau of Labor Statistics shows that financial employment in October 2022 declined by 1,100 jobs statewide. Using this as a signal and carrying it forward, the office reduced its financial employment forecast. The office used Moody's baseline scenario forecast instead of the baseline scenario forecast from the Department of Employment, Training and Rehabilitation. The baseline scenario forecast from Moody's has slower growth in FY 2023, negative growth in FY 2024, and slight growth in FY 2025.

Slide 23 of (Exhibit D) shows the Mortgage Applications Index versus the 30-year fixed mortgage rate, which provides a snapshot of consumer demand for mortgage loans. As rates go up, mortgage applications go down. As mortgage rates have eased off the 7.0% mark recently, mortgage applications have bounced back and are up 9.0% over the week as of November 21, 2022. However, mortgage purchase applications have contracted by approximately 52.0% from the seasonally adjusted peak in January 11, 2021. Since then, roughly every one percentage point increase in mortgage rates is associated with a 17.0% decrease in mortgage applications. This is important for MBT financial revenue collections because lower demand for mortgages will partially contribute to a slowdown in employment and wages and commissions in the financial activities sector. This is especially true in a market where refinancing does not make much sense for existing homeowners.

Slide 24 of (Exhibit D) summarizes the Budget Office's MBT Financial collections forecast. The office made a downward revision to its estimates after considering October's reduction in employment in the financial activities sector along with the large decrease in U.S. mortgage applications from 2021. Under the old rates, the office's estimates moderately increase throughout the forecast period, with collections coming in at $42.5 million in FY 2023, $47.6 million in FY 2024, and $49.2 million in FY 2025. However, after accounting for the MBT rate buydown, the FY 2024 and FY 2025 amounts will be approximately $39.9 million and $41.2 million (approximately $8.5 million less in each fiscal year), respectively, as shown by the red bars on slide 24.

The Budget Office's MBT forecast for mining institutions begins on slide 26 of (Exhibit D). 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's average weekly wages are the highest in the state at $2,700 per week. Employment is expected to remain stable in the mining industry over the forecast period.

Slide 27 of (Exhibit D) summarizes the Budget Office's MBT Mining collections forecast. With no new data coming in for this revenue source or no new signals indicating a different direction, the office's forecasts for November and December are identical. Under the old rates, the office's estimates moderately increase through the forecast period with collections coming in at $21.8 million in FY 2023, $22.4 million in FY 2024, and $23.1 million in FY 2025. However, after accounting for the MBT rate buydown, the FY 2024 and FY 2025 amounts will be $18.8 million and $19.4 million (approximately $2.0 million less in each fiscal year), respectively, as shown by the red bars on slide 27.

SUSANNA POWERS (Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
The tax rate will change on all types of MBT effective FY 2024 when the MBT rate reduction is accounted for. Table 1 on page 67 of the meeting packet (Exhibit A) compares the Fiscal Division's individual MBT forecasts across the 2023-25 biennium when keeping the tax rate unchanged. There were a few minor revisions to the division's employment forecasts resulting from one additional month of jobs data released by the U.S. Bureau of Labor Statistics on November 18, 2022. Monthly job reports have continued to show a strong labor market in Nevada. In the near term, the division expects inflationary pressures on wages, but as inflation decelerates, the wage growth should ease.

The Fiscal Division's FY 2023 forecasts for the nonfinancial and mining sectors had slight upward revisions due to a better-than-expected monthly jobs report in November 2022. Interest rate-sensitive areas of the financial sector are experiencing softening. For the financial sector, the division's FY 2023 MBT forecast had a slight downward revision due to a larger-than-expected decline in jobs in November when compared to the prior month. Assuming the Federal Reserve will soft-land the economy, there should be some softening in the labor market and wage growth in FY 2024 when compared to FY 2023, as reflected in the division's forecast. In FY 2025, the economic activity and metrics associated with the MBT are expected to normalize.

Table 8 on page 62 of the meeting packet (Exhibit A) displays the mathematical calculations needed to account for the impact of the reduced tax rates (effective FY 2024) on the Fiscal Division's MBT forecast. Table 8 also shows the minor revisions to the division's MBT Nonfinancial, Financial, and Mining forecasts after the November 2022 meeting.

MR. LEAVITT:
The MBT forecasts of the Department of Taxation, Budget Office, and Fiscal Division are all fairly close, with the Fiscal Division's forecast being in the middle.

> MR. LEAVITT MOVED TO APPROVE THE FISCAL ANALYSIS DIVISION'S MODIFIED BUSINESS TAX-NONFINANCIAL FORECAST OF $795.061 MILLION FOR FY 2023, $709.281 MILLION FOR FY 2024, AND $742.555 MILLION FOR FY 2025; AND

> TO APPROVE THE FISCAL ANALYSIS DIVISION'S MODIFIED BUSINESS TAX-FINANCIAL FORECAST OF $49.429 MILLION FOR FY 2023, $42.855 MILLION FOR FY 2024, AND $44.968 MILLION FOR FY 2025; AND

> TO APPROVE THE FISCAL ANALYSIS DIVISION'S MODIFIED BUSINESS TAX-MINING FORECAST OF $22.032 MILLION FOR FY 2023, $18.962 MILLION FOR FY 2024, AND $19.428 MILLION FOR FY 2025.

> MR. CROME SECONDED THE MOTION.

> THE MOTION PASSED UNANIMOUSLY.

F. REAL PROPERTY TRANSFER TAX

ERICA SCOTT (Economist, Department of Taxation):
Slide 19 of (Exhibit E) describes the Department of Taxation's (Department) Real Property Transfer Tax (RPTT) forecast for the 2023-25 biennium. Since the November meeting of the Economic Forum, the Department has pulled many different economic indicators provided by Moody's Analytics to determine trends in the RPTT, which proved difficult with this tax type. The RPTT is down from this time last year by approximately 23.0% due to

rising interest rates and a decrease in mortgage originations. The cost of borrowing money is also up while the housing market is experiencing a drop in sales which is directly affecting the RPTT. However, the Department is hopeful that interest rates will stabilize in FY 2024 and FY 2025 which will further stabilize the RPTT.

In its model, the Department dropped down its FY 2023 RPTT forecast to $131.85 million. For FY 2024, the Department is hopeful to see some recovery and is forecasting RPTT collections to come in at $140.17 million. The Department is anticipating the RPTT will stabilize in FY 2025 and is forecasting $150.40 million in collections for that fiscal year. All three fiscal years of the 2023-25 biennium are projected to have reduced RPTT collections when compared to FY 2022 due to the growth in housing that occurred during FY 2022.

JASON GORTARI (Executive Branch Economist, GFO, Office of the Governor):
The Budget Office's RPTT forecast for the 2023-25 biennium begins on Slide 28 of (Exhibit D). Slide 29 provides historical context on single-family permits in Nevada on both a calendar year and fiscal year basis. Housing starts in FY 2022 were the highest since 2007 as shown on the bottom chart on slide 29. The top chart shows that in calendar year 2021 (red dot), builders seemed to be digging the state out of the hole created from the 2008 to 2012 period. Recently, higher interest rates seem to have spooked builders a bit as indicated by the October 2022 number (blue dot), but the rates did not discourage builders enough to drop to the low levels seen from 2008 to 2012.

Slide 30 of (Exhibit D) provides a forecast for single-family housing permits in the state. Assuming the Federal Reserve can control inflation during the forecast period, housing permits should dip in FY 2023 before picking up for the remainder of the forecast period. Slide 31 of (Exhibit D) displays Nevada's historical 12-month percent change in the Housing Price Index (HPI). The annotations represent point-to-point 16-month decelerations (black dash lines and numbers), with the last annotation only showing a 9 month to current deceleration. While it is highly unlikely that those periods are exactly analogous of the current period, the information serves as a useful reference when forming an opinion of the current rate of growth. While I do not think the state will follow the major deceleration that it did from 2005 to 2010, the state may still experience a moderate deceleration. Since the Committee last met, this number has dropped from 9.3% to 4.5% appreciation.

The Budget Office's estimates for HPI growth are represented on slide 32 of (Exhibit D), which roughly forecast a 15.0% decrease in the HPI from FY 2022 to the end of FY 2025. Slide 33 provides historical context on the U.S. average 30-year fixed mortgage rates. In October 2022, the 30-year fixed mortgage rates reached their highest level in over 20 years; the last time the rate was higher was in March 2002. However, the rate has decreased by 0.5% in November 2022 and has decreased slightly to under 6.5% as of December 1, 2022.

Slide 34 of (Exhibit D) describes year-to-date change in the U.S. average 30-year fixed mortgage rate by year. The gray faded lines represent all years from 1972 to 2022, except for 1981 which is in red and 2022 which is in blue. The year 1981 was picked because the pattern of rate changes in 2022 have roughly been following those of 1981, especially after week 20 of the year. If this pattern holds true to finish the year, mortgage rates will be approximately 2.0% higher than last year, putting the state's 30-year fixed mortgage rate within the 5.0% range by the end of the month.

Slides 35 and 36 of (Exhibit D) show a projection of existing home sales in Nevada on a calendar year and fiscal year basis. The Budget Office's forecast expects existing home sales to decline in the first year of the forecast period due to the impact of the relatively high 30-year fixed mortgage rates. Home sales are expected to increase in the final two years of the forecast period, with the expectation that mortgage rates will continue to improve over the next two fiscal years as well.

The RPTT is a function of sales volume and price driven by the residential retail sector. As shown on slide 37 of (Exhibit D) and as indicated by the Department of Taxation, first quarter collections for FY 2023 were down approximately 20.0% over the year. After careful review of its assumptions, the Budget Office revised its RPTT forecast downwards, but still holds the expectation that building will rebound, home prices will not bottom out, and mortgage rates will continue to decline over the forecast period (at a slower pace than initially anticipated at the November meeting). The office is forecasting RPTT collections to come in at $145.027 million for FY 2023, $155.505 million in FY 2024, and $165.288 million in FY 2025.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB): Regarding the Fiscal Division's RPTT forecast, Table 8 on page 60 of the meeting packet (Exhibit A) shows that the division made minor revisions to its forecast, which is wholly attributable to the first quarter of FY 2023. When this presentation was first done at the November 14, 2022, meeting of the Economic Forum, the division has data from 16 of Nevada's 17 counties and had the number of approximately $33.5 million for RPTT collections. The last county that the division was waiting for did not report its RPTT collections by the time the Department of Taxation released first quarter numbers, but this information is now available. This has resulted in a revision to the Fiscal Division's RPTT forecast of $167,000 in FY 2023 due to Storey County reporting $167,000 more in RPTT collections than was anticipated in the division's original forecast.

Apart from this, the Fiscal Division has not changed its outlook regarding housing. I am sure that members of the Committee would prefer that the division's housing outlook be as positive as that of the Department of Taxation or Budget Office, but the division is not as optimistic. Regarding Moody's Analytics' forecast for the 30-year fixed mortgage rate, Moody's still has the rate increasing going into 2023 and not declining until late 2023 or early 2024; the rate may not even dip below 7.0% by FY 2025. Additionally, housing prices are still slightly inflated based on all the activities that occurred during the COVID-19 pandemic.

As noted during the November meeting, people in certain markets (especially on the West Coast in places such as Seattle, Phoenix, Boise, Las Vegas, and Reno) were observed to move and buy homes in other more affordable states as they were no longer tethered to working in a physical office location, which greatly appreciated housing prices. Reno and Las Vegas in particular are seeing the effects of this, and it will be a while before housing prices begin to correct. When comparing the Fiscal Division's FY 2024 RPTT forecast to the historical collections shown on page 108 of (Exhibit C), the division's FY 2024 forecast of $105.326 million is close to what was seen pre-pandemic. Page 108 of (Exhibit C) shows that the division forecasted RPTT collections to come in at $103.390 million in FY 2018, $101.045 in FY 2019, and $100.267 million in FY 2020. The housing market needs to settle back to these levels in terms of revenue. Houses will cost more now, but there will be lower demand for housing as interest rates settle, and without originations there will be no transfers. Things will progress as the inflation rate is stabilized and activities increase, which will allow housing prices to appreciate.

CHAIR ROSENTHAL:
Regarding RPTT growth and stabilization in FY 2025, the Fiscal Division mentioned that per Moody's forecast interest rates are still very high. How will the high interest rates affect RPTT growth and recovery in FY 2025 when coming off the FY 2024 levels?

MR. NAKAMOTO:
Moody's forecast for the 30-year fixed mortgage rate falls down to approximately 5.5% when entering calendar year 2025. Prior to the pandemic, the normal level for the 30-year fixed mortgage rate was between 2.0% to 3.0%. I do not know whether the mortgage rate will get down this low again, but if the rate gets to a level that is significantly lower than what is currently being seen, and as housing prices stabilize, there should be increased activity to account for RPTT growth by FY 2025.

CHAIR ROSENTHAL:
Many people may delay buying a home until mortgage rates stabilize and prices come down, which can then positively impact RPTT growth in FY 2025.

MR. NAKAMOTO:
This is the Fiscal Division's assumption as well.

MS. LEWIS:
I agree with the Fiscal Division's RPTT forecasts for the 2023-25 biennium. This is especially true for FY 2023 with housing permits being down by approximately 20.0% for the last few months of 2022. Throughout 2020 and 2021, there were a large number of expensive apartments and industrial buildings changing hands in Clark County; I counted approximately 60 transactions equating to over $50 million during this time. No one will buy these properties for a second time in 2022 and 2023 with the same inflated interest rates used in the original purchases, but there are many expensive properties still up for sale that can positively impact RPTT growth moving forward.

MR. LEWIS MOVED TO APPROVE THE FISCAL ANALYSIS DIVISION'S FORECAST FOR THE REAL PROPERTY TRANSFER TAX OF $122.572 MILLION FOR FY 2023; A FORECAST OF $120.0 MILLION FOR FY 2024, AND THE FISCAL ANALYSIS DIVISION'S FORECAST OF $121.290 MILLION FOR FY 2025.

MR. LEAVITT SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

G. COMMERCE TAX

SUSANNA POWERS (Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
Table 8 on page 60 of the meeting packet (Exhibit A) displays the Fiscal Division's Commerce Tax forecast for the 2023-25 biennium. The Commerce Tax is fairly complicated due to the exemption of the first $4 million on Nevada gross revenue and the structure of the tax as it pertains to 26 different industries, each with different tax rates. To forecast the Commerce Tax, staff from the Department of Taxation, Budget Office, and Fiscal Division get together to think through various scenarios of how the economy may influence the tax given the mix of tax rates within the industry. No new information has been provided since the November meeting, and the consensus forecast has not changed.

As shown on Table 8, the consensus forecast is that Commerce Tax revenue will be $301.800 million in FY 2023, $321.558 million in FY 2024, and $339.548 million in FY 2025. By law, businesses can take up to 50.0% of their Commerce tax paid during the preceding year as credit against their MBT liability if they have payroll in Nevada. Once the Commerce tax estimate is known, the Commerce Tax credits can be projected based on the history of the tax. The Commerce Tax credit consensus forecast is shown on page 64 of (Exhibit A), with the Commerce Tax credits estimated to be $50.645 million in FY 2023, $54.542 million in FY 2024, and $58.098 million in FY 2025.

MR. LEAVITT MOVED TO APPROVE THE COMMERCE TAX FORECAST OF $301.800 MILLION FOR FY 2023, $321.558 MILLION FOR FY 2024, AND $339.548 MILLION FOR FY 2025, AND

TO APPROVE THE COMMERCE TAX CREDITS FORECAST OF $50.645 MILLION FOR FY 2023, $54.542 MILLION FOR FY 2024, AND $58.098 MILLION FOR FY 2025.

MR. CROME SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

VII. REVIEW AND APPROVAL OF FORECASTS OF MINOR GENERAL FUND REVENUES AND TAX CREDITS FOR FY 2023, FY 2024, AND FY 2025 APPROVED BY THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) AT ITS NOVEMBER 29, 2022, MEETING.

MR. GUINDON:
The tables for Agenda Item VII begin on page 73 of the meeting packet (Exhibit A). Table 5 on page 73 shows the "major-minor" revenues in terms of the forecast approved by the Technical Advisory Committee on Future State Revenues (TAC) as forecasted by each forecaster. The first part of this forecasting process is that staff from the Budget Office and Fiscal Division ask all agencies responsible for administering each revenue source under this agenda item for their forecasts. The forecasts are then reviewed by the Budget Office and the Fiscal Division to produce a consensus forecast to bring forward to the TAC for its review and approval.

The major-minor forecasts were solicited prior to the November 14, 2022, meeting of the Economic Forum, and the agencies were not asked to resubmit their forecasts as some of the forecasts did not contain new information. However, agencies reporting on some of the larger revenue sources such as those from the Office of the State Treasurer's Abandoned Property Trust Account (Unclaimed Property) or the Office of the Secretary of State are asked if they have a revised forecast to provide for reconsideration. The Budget Office and the Fiscal Division will then redo their forecasts and will receive revised forecasts from the Department of Taxation and the Gaming Control Board for the revenues administered by these two agencies. This information will then be brought before the TAC.

Table 6 is described on pages 75 through 84 of (Exhibit A) and shows the forecast that was approved by the TAC at its November 29, 2022, meeting, which is now being brought before the Economic Forum for its consideration and approval. As shown on page 75, there is no forecast for FY 2024 and FY 2025 for the revenues generated from the Net Proceeds of Minerals Tax and the Mining Gross Revenue Tax on businesses extracting gold and silver. This is based on the provisions approved in Assembly Bill 495 (2021 Legislative Session) stating that beginning in FY 2024, the proceeds from the Net Proceeds of Minerals tax and the Mining Gross Revenue Tax will be dedicated to the State Education Fund, which is the fund that provides revenue for funding K-12 education in the State of Nevada.

General Ledger (G/L) 3046 is described on page 75 of (Exhibit A) and represents Advance License Fees for gaming, which is forecasted to have a large increase in revenue in FY 2024 when compared to FY 2023 due to the assumption that the Fontainebleau Las Vegas will be opening in FY 2024 which will trigger Advance License Fees in that fiscal year. General Ledger 3073, the Transportation Connection Excise Tax, represents the 3.0% tax on businesses such as Uber Technologies, Inc., Lyft, Inc., taxicabs, and other motor carriers that transport passengers. The forecast for the Transportation Connection Excise Tax increases in FY 2023 before decreasing in FY 2024 and then increasing again in FY 2025. This is because existing law states that

in each biennium, the first $5.0 million of the Transportation Connection Excise Tax is required to be deposited into the State Highway Fund and not the State General Fund.

Page 77 of (Exhibit A) shows G/L 3051, the Governmental Services Tax (GST). Under current law, of the state's portion of the GST, 25.0% is dedicated to the State General Fund with 75.0% going to the State Highway Fund (the forecast shown on page 77 is for the 25.0% dedicated to the State General Fund). During economic downturns, the Governor and Legislature can adjust the GST to change the amount allocated to the State Highway Fund versus the State General Fund. Historically, the GST can look like it changes a lot, but this can be attributed to the percentage of the GST being dedicated to a certain state fund rather than the GST itself fluctuating.

Page 78 of (Exhibit A) displays G/L 3066, Short-Term Car Lease fees, which has traditionally been the 10% tax on the Hertz and Dollar Car Rental companies. However, a bill was passed during the 2021 Legislative Session that allowed for peer-to-peer carsharing platforms such as Turo to operate in Nevada. Turo is now required to collect a 10% tax (the statewide rate) when a private car owner rents out their vehicle. In Clark and Washoe Counties, there is an additional 2.0% tax that is part of the Short-Term Car Lease fees that individuals who rent their cars on Turo or comparable peer-to-peer carsharing platforms also must pay.

Since this 2.0% tax is part of the same tax structure, the Fiscal Division is including the tax under its Short-Term Car Lease fee forecast. Due to a limited number of taxpayers reported as paying the 2.0% tax, the Department of Taxation has concerns with breaking out the 2.0% tax and reporting it separately from overall Short-Term Car Lease fees due to disclosure issues. Thus, the Department of Taxation does not report on the number of individual taxpayers paying the 2.0% tax and does not allow that information to be deduced. This has resulted in the Fiscal Division's forecast for Short-Term Car Lease revenue to be stronger for the 2023-25 biennium then it may have been historically as the forecast now contains the peer-to-peer tax component.

Page 79 of (Exhibit A) displays G/L 3290 and the forecast for the Office of the State Treasurer's (Treasurer) Interest Income, which goes up in FY 2023 and FY 2024 before coming back down in FY 2025. This is not surprising, as interest rates are being increased by the Federal Reserve, which allows the Treasurer to earn more on its portfolio investments. Additionally, the FY 2022 actual was significantly higher when compared to the forecast, which resulted in the FY 2023 forecast being revised upwards. Thus, there is more money in the Treasurer's portfolio against higher interest rates. Federal American Rescue Plan Act (ARPA) funding is also affecting the Treasurer's Interest Income as the state is still spending the stimulus funding. Under federal guidance and state law, any interest earned on the investment of ARPA proceeds is allowed to be retained by Nevada and is required to be deposited in the State General Fund.

The information shown for the tax credit programs on page 79 of (Exhibit A) is based on maximum allowable amounts that can be issued or made available under Nevada law. When calculating its tax credit forecast, the Fiscal Division gathers information from agencies responsible for administering the programs and determines what the agencies think may be in the pipeline to be approved for credits, and how many credits have been issued but not yet taken. It may seem that the FY 2024 and FY 2025 forecasts are experiencing slow growth when compared to the 2021-23 biennium, but this is due to the revenues generated from the Net Proceeds of Minerals tax and the Mining Gross Revenue Tax being dedicated to the State Education Fund beginning in FY 2024. This equates to approximately $300.0 million over the 2023-23 biennium, or $150.0 million per fiscal year, which should also be considered when comparing the forecasts of the 2023-25 biennium and the 2025-27 biennium.

> MS. LEWIS MOVED TO APPROVE THE REVENUE FORECASTS OF MINOR GENERAL FUND REVENUES AND TAX CREDITS FOR FY 2023, FY 2024, AND FY 2025 AS APPROVED BY THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES.
>
> MR. LEAVITT SECONDED THE MOTION.
>
> THE MOTION PASSED UNANIMOUSLY.

VIII.   APPROVAL OF THE ECONOMIC FORUM'S DECEMBER 5, 2022, REVENUE FORECAST REPORT.

CHAIR ROSENTHAL:
Are there any proposed changes to the final Economic Forum Forecast Report on Future State Revenues that will be sent to the Governor and Legislature?

RUSSEL GUINDON (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):
Taking this agenda item out of order and discussing it now will give Fiscal staff a head start on incorporating any of the Committee's proposed changes to the Final Report to the Governor and Legislature on Future State Revenues (Exhibit G) before it is approved. Fiscal staff will update the date in the last paragraph on page 25 of the preliminary draft of the report from May 1, 2019, to May 4, 2021; otherwise, there will be no additional changes to the report.

Chair Rosenthal called a recess at 1:17 p.m. The meeting reconvened at 2:59 p.m.

> MR. CROME MOVED TO APPROVE THE ECONOMIC FORUM'S REPORT ON FUTURE STATE REVENUES TO BE DISTRIBUTED UPON ADJOURNMENT OF THE MEETING AND PROVIDED TO THE GOVERNOR AND THE LEGISLATURE AS REQUIRED UNDER NRS 353.228.
>
> MS. LEWIS SECONDED THE MOTION.
>
> THE MOTION PASSED UNANIMOUSLY.

MR. GUINDON:
The General Fund revenue net forecast after tax credits approved by the Economic Forum is $5,668,555,760 for FY 2023. For reference, the actual amount for FY 2022 was $5,439,335,105. The General Fund revenue net forecast after tax credits approved today for FY 2024 is $5,628,359,732 and for FY 2025 is $5,805,287,284. The overall General Fund net forecast after tax credits approved by the Committee for the 2023-25 biennium is approximately $11.434 billion. The approved forecast for the 2021-23 biennium (FY 2022 actual) was approximately $11.108 billion, which is approximately $325.8 million less than the approved 2023-25 forecast. As a reminder, the difference in forecasts can be attributed to the MBT rate reduction, and revenue from the Net Proceeds of Minerals tax and Mining Gross Revenue Tax being dedicated to the State Education Fund in FY 2024 and FY 2025.

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

MR. GUINDON:
Staff from the Fiscal Division and Budget Office will work with Chair Rosenthal to schedule the next TAC meeting to occur sometime in April 2023.

There was no further discussion on this item.

X. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

MR. GUINDON:
By statute, the Economic Forum is required to prepare a revised forecast, if necessary, on or before May 1 of odd-numbered years. Because May 1, 2023, is a Monday, the Fiscal Division requests to have the next Economic Forum meeting on that day, versus trying to hold the next meeting on Friday, April 28, 2023. Holding the next meeting on May 1, 2023, will allow staff two extra days to prepare, which is especially important when considering that Nevada's 2023 Legislative Session will be occurring during that time.

A TAC meeting will be held in late April 2023 to approve a consensus forecast of Nevada's major-minor revenue sources, with that approved forecast then being brought before the Economic Forum for its consideration. There are not multiple Economic Forum meetings leading up to the May meetings like there are for the December meetings, as multiple meetings would be too difficult to hold during a legislative session. The Fiscal Division will monitor actual data as it comes in for FY 2022 and will update its tables as necessary to provide the Committee with the most recent actual monthly data. Because taxes are not due for the quarter ending March until the end of April, third quarter data will not be available but additional monthly sales tax and gaming tax data will be incorporated into the Fiscal Division's revised tables.

There was no further discussion on this item.

XI. PUBLIC COMMENT

There was no public comment.

XII. ADJOURNMENT.

Chair Rosenthal adjourned the meeting at 3:06 p.m.

Respectfully submitted,

_____
Tom Weber, Committee Secretary

APPROVED:

_____
Linda Rosenthal, Chair

_____
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.