MINUTES OF THE OCTOBER 16, 2024,
MEETING OF THE
ECONOMIC FORUM

The meeting of the Economic Forum (created by Senate Bill 23 of the 67th [1993] Legislature) was called to order by Chair Linda Rosenthal at 9:04 a.m. on Wednesday, October 16, 2024, in Room 165 of the Nevada Legislature Office Building, 7230 Amigo Street, Las Vegas, Nevada. The meeting was videoconferenced to Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada.

ECONOMIC FORUM MEMBERS PRESENT:

Linda Rosenthal, Chair
Jennifer Lewis, Vice Chair
Michael Crome
Brian Gordon
Marvin Leavitt

STAFF:

Michael Nakamoto, Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB)
Susanna Powers, Deputy Fiscal Analyst, Fiscal Analysis Division, LCB
Christian Thauer, Deputy Fiscal Analyst, Fiscal Analysis Division, LCB
Hayley Owens, Economist, Fiscal Analysis Division, LCB
Maria Montes, Committee Secretary, Fiscal Analysis Division, LCB
Bronwyn Johnson, Committee Secretary, Fiscal Analysis Division, LCB
Mauricio Solorio Arteaga, Ph.D., Economist, Governor's Finance Office

EXHIBITS:

Exhibit A:	Meeting Packet and Agenda
Exhibit B:	Agenda Item VIII—Office of the State Treasurer Presentation
Exhibit C:	Agenda Item VII—Silver State Health Insurance Exchange Presentation
Exhibit D:	Agenda Item XII—Report on the Forecast Accuracy of the Economic Forum for Selected Revenues
Exhibit E:	Agenda Item XIII—Statewide Taxable Sales by NAICS—FY 2021 to FY 2025

I. ROLL CALL.

BRONWYN JOHNSON (Committee Secretary, Fiscal Analysis Division, LCB) called roll. All members were present.

II. PUBLIC COMMENT.

There was no public comment.

CHAIR ROSENTHAL:

I would like to welcome the members, presenters, staff, and members of the public to the October 16, 2024, meeting of the Economic Forum (Forum). I would like to thank LCB staff for their assistance in setting up this meeting and their work today to allow the meeting's agenda to be completed. The Forum is statutorily required to provide a forecast of unrestricted General Fund revenue for the current fiscal year, Fiscal Year (FY) 2025, and for FY 2026 and FY 2027 of the next biennium on or before December 3, 2024. This is the forecast that is required to be used by the Governor in developing The Executive Budget that will be submitted to the Legislature for the 83rd (2025) Legislative Session.

Several informational presentations will be given at today's meeting. Then, at the November 7, 2024, meeting, the Forum will hear additional informational presentations and set preliminary forecasts. On December 2, 2024, the Forum will meet to approve the required final General Fund revenue forecasts. This follows the process that has historically been used to develop and improve the required December General Fund revenue forecasts.

I would like to take this opportunity to thank the members for their service to the Forum. I look forward to working with each of the members as the Forum progresses towards its December 2, 2024, goal of adopting a set of General Fund revenue forecasts. I would also like to take a moment to thank all the presenters who are willing to be here today to share their expertise in several fields and areas that will benefit the Forum in reaching this goal.

III. PRESENTATION ON THE STATE POPULATION OUTLOOK.

CHRISTOPHER WRIGHT (State Demographer, Department of Taxation):

Today, I will be discussing birth rates, demographic characteristics, and population projections. Starting with national birth trends, the fertility rate in the United States dropped to its lowest level in over a century in 2023 (page 8, Exhibit A). Approximately 3.6 million babies were born resulting in 54.4 live births for every 1,000 women aged 15 through 44. That is a significant decline, especially considering the fluctuations observed during the COVID-19 pandemic. Initially, there was a steep plunge in birth rates during the early months of the pandemic. Although rates have somewhat stabilized since then, there was still a 3.0% drop from 2022 to 2023.

An interesting aspect of this trend is the record low in teen birth rates (page 9, Exhibit A). In 2023, the rate fell to 13.2 births per 1,000 women aged 15 through 19, marking a staggering 79.0% decrease since its peak in 1991. At the same time, there was a significant shift toward older mothers. The highest birth rates are now among women aged 30 through 34, with a slight increase in birth rates for women aged 40 or older. This trend indicates a societal shift with many women choosing to delay starting a family until they feel more financially and emotionally ready.

Regarding Nevada, total births increased from about 29,732 in 2000 to approximately 31,514 in 2023 (page 11, Exhibit A). Clark County remains the largest contributor to this growth, with births rising from 21,560 to 23,646 over the same period. However, it is important to note that areas like Washoe County and Carson City have experienced fluctuations and even declines in recent years.

Nevada has experienced a notable decline in birth rates over the past two decades, falling from about 69.5 births per 1,000 women aged 15 through 44 in 2000 to 47.2 births per 1,000 women aged 15 through 44 in 2023 (page 12, Exhibit A). Initially, counties like Elko and Humboldt saw increases peaking around 2008 and 2010; however, following these peaks, Clark and Washoe Counties faced significant declines, with Clark County's rate dropping from 78.5 births per 1,000 women aged 15 through 44 in 2006 to 47.6 births per 1,000 women aged 15 through 44 in 2023. There is considerable variability among counties. Humboldt County has remained stable, while Douglas County has sharply declined from 57 births per 1,000 women aged 15 through 44 in 2010 to 32.9 births per 1,000 women aged 15 through 44 in 2023.

Looking at the natural population increases, which are births minus deaths, from 2010 to 2023, Nevada saw fluctuating natural population increases (page 13, Exhibit A). Nevada peaked in growth in 2010, experienced a sharp decline in 2020, and then rebounded in 2023. Clark and Washoe Counties showed significant increases during that period, while counties like Churchill, Douglas, and Nye faced consistent declines. Smaller counties exhibited stability or minimal changes, but many areas have struggled with population stability since before 2020.

Analyzing domestic migration trends using the Internal Revenue Service's (IRS) interstate migration data, there was a net decrease in economic migration from 2020 to 2021 compared to 2021 to 2022 which resulted in a total loss of 4,506 residents (page 14, Exhibit A). Clark County saw a drop of 886 residents while Washoe County saw a more significant decrease of 1,801 residents. In contrast, some counties such as Lander, Lyon, and Storey reported modest gains. That overall trend suggests that while urban areas like Clark and Washoe Counties are still gaining residents, they are also facing challenges that could hinder future population growth.

Insights from moving companies add another layer of understanding to migration trends (page 15, Exhibit A). For instance, Nevada recently rose from being number 13 to number 11 on the U-Haul growth index, indicating a higher volume of inbound moves. However, reports from United Van Lines suggest that Nevada is now classified as a balanced state with nearly equal numbers of residents moving in and out.

To summarize the key points (page 16, Exhibit A): (1) fertility rates continue to decline nationally and in Nevada; (2) natural increases in population are decreasing; and (3) while international migration remains steady, domestic migration to Nevada is on the decline.

Regarding median age and other demographic characteristic trends, there is an overall increase in median age across Nevada's counties over the past 13 years reflecting an aging population (page 18, Exhibit A). Notably, Douglas County's median age rose from 47.7 to 55.4. Storey County's median age rose from 50.5 to 55.6, indicating a substantial demographic shift. While Clark County went from 35.5 to 38.8, it is growing at a slower rate compared to rural counties.

When Nevada's trends are compared with national averages, both are experiencing an increase in median age indicating a shift toward an older population (page 19, Exhibit A). However, Nevada's growth rate in median age is more pronounced, which could be reflective of its attractiveness to retirees and economic conditions that favor older demographics.

Analyzing racial and ethnic distributions reveals significant changes. The inner ring of the chart on page 20 shows the 2010 U.S. Census Bureau data, while the outer ring reflects the Vintage 2023 Census estimates (Exhibit A). Most racial and ethnic groups have seen proportional increases, except for the White alone category, which has decreased. The largest increase was in the two or more races category followed by growth in Asian and Black or African American alone populations, indicating a more diverse demographic landscape.

Moving on to population projections, the 20-year population projections are based on the Regional Economic Models, Inc. (REMI) econometric model, which has been used by the State Demographer for more than 20 years (page 22, Exhibit A). The latest version was released in June 2024. For the model, I updated the sector employment through Quarter 2 of 2023 and included sector employment forecasts from the Governor's Office of Economic Development (GOED).

Nevada's total population is predicted to grow from approximately 3.24 million in 2023 to 3.94 million by 2043, marking an increase of about 20.5% (page 23, Exhibit A). Clark County will see the most significant growth, rising from about 2.36 million in 2023 to nearly 2.96 million by 2043. In contrast, counties like Carson City are projected to grow modestly while Douglas County may face slight declines.

The overall growth rate for Nevada is projected to decline gradually from 1.9% in 2023 to 0.4% by 2043 (page 24, Exhibit A). This indicates a trend toward slower growth moving into the next two decades.

Nevada's growth rates are expected to decline over the next two decades across three key areas (page 25, Exhibit A). Starting at 2.1% in 2024, Clark County will decrease to 0.5% by 2043. Washoe County begins at 1.8% in 2024 and will drop to 0.2% by 2043. Lastly, rural areas will experience slow growth, staying around 0.9% to 0.2%.

The state should consider some risks that could impact the demographic trends presented: changes in international migration policy, employee commuting patterns, fluctuating migration patterns, global instability, and housing availability (page 26, Exhibit A). In summary, while 20-year projections offer valuable insights for planning and policy making, they should be approached with caution. Flexibility and adaptability will be crucial in addressing the risks associated with long-term forecasting.

There was no further discussion on this agenda item.

IV. PRESENTATION ON THE STATE EMPLOYMENT OUTLOOK.

DAVID SCHMIDT (Chief Economist, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation [DETR]):

In my presentation today, the Forum will see some of the same trends that were just presented by the Department of Taxation but translated through the lens of employment and unemployment. Please note, the most recent data is available through August; however, data through September will be made available to the public tomorrow.

The overall stable conditions through August show that Nevada's employment growth rate so far has been in the range of about 3.0% to 3.5% (page 30, Exhibit A). The employment growth rate was slightly higher at 3.7% in January, but it has been in a narrow band the whole year. The unemployment rate has also been in a narrow band of between 5.1% and 5.5%, which is a little higher compared to the nation. Currently, Nevada is number 2 in the country when it comes to unemployment. Depending on the month, Nevada has been between number 1 and number 4. Nevada's labor force participation rate for the share of the population 16 years of age or older that are not institutionalized or in the military has been very steady. It was 62.8% in January and February and has been 62.7% ever since. Nevada's hourly wages have seen a little more of a change. Nevada started off the year with weak growth in terms of hourly wages that people were receiving. The total earnings were down earlier in the year because the wages were not enough to offset the declines in hours that were being worked. As the year has progressed, the total earnings moved up a little. Nevada's hourly wage rate is currently 3.6% and total weekly earnings are also increasing. Nevada has been in a stable place for the labor market so far this year.

Page 31 shows the 3.0% growth rate of Nevada compared to other states (Exhibit A). Nevada is currently number 4 in the nation and has been in that top four range for most of the year. Compared to the nation and some states that are below half a percent growth, Nevada is performing well in terms of employment in the state.

Looking across industry sectors, Nevada is performing well. Page 32 features a lot of information, but I would focus on the two columns at the far right (Exhibit A). The furthest column is the monthly change, which was the change from July to August, seasonally adjusted by industry sector. The second column from the right is the annual change over the year. On this chart, the 3.0% growth that Nevada has been experiencing can be observed. Nevada began the year growing a bit more rapidly and that pace has been slowing down in terms of the total number of jobs in the state.

The only industry that is down more than a percentage point over the year is wholesale trade. It is currently down about 3.0%. In contrast:

- The construction industry is up 11.2%.
- The manufacturing industry is up 4.7%.
- The mining and logging industry is up 8.3%.

- The other services industry is up nearly 5.0%.

- The transportation, warehousing, and utilities industry—also referred to as "the logistics sector"—is also up 5.0%.

Thus, Nevada is experiencing some areas of significant growth, but there are also some areas pulling back. In July, the Mirage Hotel and Casino in Las Vegas closed, which put a slight negative trend into the most recent months in terms of the leisure and hospitality industry. Nevada was particularly stronger in accommodation and food services but that has taken a slight step back in August.

The charts on page 33 show how the story has changed since the June 6, 2024, meeting of the Forum (Exhibit A). The dashed line on each of the charts shows the data as of April 2024 that was available at the time of the June meeting. To the right of the dashed line is how the various industries have changed since the last time DETR's Research and Analysis Bureau was able to present to the Forum.

There are similar stories looking across the industries, but five noteworthy industries are highlighted on page 33:

- The construction industry has seen a noticeable uptick in growth since the June 6, 2024, meeting.

- The financial activities industry was looking flat at the June meeting and has seen a bit of a decline since then.

- The leisure and hospitality industry has taken a bit of a step back especially after July 2024.

- The other services industry has seen a sharp increase.

- The wholesale trade industry was looking flat at the June meeting and has seen a downward trend since then.

The top chart on page 34 displays the Las Vegas metropolitan statistical area (MSA) and the bottom chart displays the Reno-Sparks MSA (Exhibit A). Both charts span the period from 1990 to 2024. Interestingly, for the first time since the Great Recession, Nevada is getting back to levels of construction employment that were seen during 2005 and 2006. The Reno-Sparks MSA came close but not quite up to the peak level of construction employment that has previously been seen in Nevada.

While it could be concerning when remembering what happened with construction employment during the Great Recession, it is important to note that the growth that has been seen in the last decade and a half has been slower and steadier. It has been more like the growth that is needed to maintain a growing economy, labor force, and state instead of the boom acceleration that was seen in 2005 and 2006. The fact that Nevada is getting close to these levels 15 years later is not concerning. It shows that there was a backlog of demand that has been getting met as the industry has been growing. These charts show what has been happening with the construction industry as Nevada has gone through the recovery period and why it is up almost 11.5% over the year.

The charts on page 35 display the total change in employment since December 2019 compared to other states and the change in the share of manufacturing employment as a share of all employment in Nevada (Exhibit A). It should be noted that Nevada is number 1 in both categories. Nevada has seen the largest growth, including the impacts of the COVID-19 pandemic over the last five years and it has seen the most intensification into the manufacturing industry in the nation over the last decade.

I included the information on page 36 because of the impact on wholesale trade (Exhibit A). One of the questions that DETR's Research and Analysis Bureau will get with these kinds of presentations is, "What can you tell me about the details and makeup of the industry?" There are a couple of examples on page 36. Looking at industries whose North American Industry Classification System (NAICS) sector code begins with a 4, which are Sector 42, wholesale trade; Sectors 44 and 45, retail trade; and Sectors 48 and 49, Transportation and Warehousing. The color shows the relative level of wages paid in each industry within the scope of this chart. The fact that wholesale trade is down is perhaps a bit more significant because of these sectors. It is also a broad industry that pays the highest level of wages. Wages tend to be lower within the retail sector and the warehousing industry. Wages tend to be a little higher within the transportation sector and the wholesale trade sector tends to have the highest wages within this industry. Page 36 includes the average weekly wage, the change in the average weekly wage, the level of employment, and the change in employment for each sector within the trade, transportation, and utilities industry.

Another industry that is difficult to quantify is the other services industry, which has seen a lot of growth since the June 6, 2024, meeting of the Forum (page 37, Exhibit A). The other services industry includes many different things. Personal care services and automotive repair and maintenance are the two biggest sectors in the industry. The industry also includes services such as: cosmetologists and barbers; drycleaning and laundry services; groundskeeping; home health aide, but not with the same level of medical focus and instead more like a live-in assistant; and personal and household goods repair and maintenance.

Page 38 observes the changes in wages and earnings (Exhibit A). Weekly earnings are the combination of the hourly wages that people are earning and the total number of hours that people are working. Total weekly earnings are now rising. Earlier this year, Nevada was a bit negative, but it is now up 2.1%. On average over the last three months, Nevada ranks 39 out of 51 states.

Nevada's hourly wages are increasing at a faster pace, and it is right at the national average at 25 out of 51 states, growing by 3.6% (page 39, Exhibit A). The increase in hourly wages is offset somewhat by a decline in hours worked (page 40, Exhibit A). Nevada has not seen the largest decline, but it has seen a steady decline in the number of hours being worked. As people's hourly wages are increasing, the total number of hours being worked has decreased. About 6 to 12 months ago, Nevada was relatively high near the top in the nation but now it is ranked 16 out of 51 states in terms of the total number of average hours worked.

As I mentioned, Nevada's unemployment rate is high compared to other states (page 41, Exhibit A). By historical standards, 5.5% is not high but it is somewhat elevated compared to a 4.5% to 5.0% estimate of full employment levels. There are some states with incredibly low unemployment rates, going down as low as 2.0% in South Dakota. One of the questions I have often been asked to explain is how Nevada has been leading the nation in employment growth but also leading the nation in unemployment. The two are more related than one would think. It is much more challenging for employers in a state with 2.0% unemployment to find workers, thus the cost of expanding and growing is higher. With a somewhat higher unemployment, there is a larger pool of available workers and that has helped sustain the employment growth that Nevada has been experiencing, especially over the last couple of years.

The composition of employment is such that most unemployment in Nevada, as well as in other states, is under 14 weeks. This is one of the alternative measures of labor underutilization that the U.S. Bureau of Labor Statistics (BLS) produces. Total unemployment can be measured by the classical definition, U-3 (Total unemployed). There are also some more restrictive measures, such as U-1 (Persons unemployed 15 weeks or longer), or U-2 (Job losers and persons who completed temporary jobs). For the chart on page 42, the horizontal axis is people who are unemployed 15 weeks or more and the vertical axis is people who are unemployed 14 weeks or less (Exhibit A). Nevada does not have the highest rates of people who are unemployed for 15 weeks or more. Nevada is closer to the top in terms of its people who are unemployed for 14 weeks or less. This makes sense because a lot of Nevada's unemployment has been driven by people entering the labor force or reentering the labor force, not by people losing their jobs. People are moving from outside the labor force into job search and then into employment.

This is evident when looking at the cause of unemployment, which is the U-2 measure, and the U-3 measure minus the U-2 measure. Most of Nevada's unemployment is not due to job loss; rather, it is for other reasons, particularly leaving work, entering the labor force, and reentering the labor force. As shown on page 43, Nevada has the second highest amount of unemployment that is not from job loss in the county next to Kentucky (Exhibit A).

There are many states that have their larger share of unemployment resulting because of job loss. Page 44 shows how that has changed and emerged over the last year (Exhibit A). Nevada is in the upper left chart, as it has seen a decrease in both unemployment due to job loss and unemployment due to other reasons. The lower right chart shows that there are many states that have seen an increase in unemployment due to job loss and unemployment due to other reasons. The bottom left chart shows that many states have also seen an increase in unemployment due to job loss.

That is something DETR's Research and Analysis Bureau is keeping track of, because in a recession, it is evident across all states that unemployment due to job loss is what drives up the unemployment rate. First, there is an increase in unemployment due to job loss and then, as you get further into the recession and people reenter the labor market looking for work, there is an increase in unemployment due to other reasons. Lastly, as the recovery from the recession unfolds, there is a decline in both unemployment rates and then there is an increase in unemployment due to job loss. It is a large counterclockwise circle. Therefore, looking for increases in unemployment due to job loss is something that DETR's Research and Analysis Bureau is observing to see how the economy is unfolding.

Looking at unemployment as it relates to the unemployment insurance program, page 45 shows the average duration of benefits and the exhaustion rate (Exhibit A). That data explains, out of the one in four people who are unemployed who file for unemployment, the number of weeks they are claiming and how many of them go through their entire entitlement and then run out of money without exiting the program. Both of those measures are slightly elevated. Typically, an average duration is under 15 weeks and Nevada is currently at an average duration of 16.2 weeks. Therefore, there is a slightly longer job search taking place. Also, typically, the expected exhaustion rate would be 35.0% or below and Nevada is currently at a 38.0% exhaustion rate. Neither of these are like the near 100% exhaustion rate that happened during the COVID-19 pandemic or the 70.0% exhaustion rate that happened during the Great Recession, but they are a little higher than what would be considered a normal level of activity for the system.

At the same time, the number of people applying for unemployment insurance is nearly the lowest it has ever been. It was slightly lower right after the pandemic. Right now, Nevada is comparable to where it was in 2019, which is roughly 1.5 claims per 1,000 people employed in the state. During the 1990s, Nevada had an average level of 3 claims per 1,000 people employed. The volume of people relative to the size of the workforce is half of what it was in the past. The fact that there is a larger share of people claiming benefits does not have as much of an impact on the overall system as it did perhaps 20 or 30 years ago.

Nevada has been stable in labor force participation throughout the last year. Nevada was near the bottom in the country immediately after the COVID-19 pandemic but has recovered to close to the national average. As shown on page 46, Nevada currently ranks 30 out of 51 states in terms of its labor force participation, which is the usual place (Exhibit A). Some states rank higher and some rank lower, but it is not necessarily a huge driver of the current levels of activity.

As Nevada has an aging population, it is important to look at the impact of retirement when discussing labor force participation. There is an increasing number of people who are not participating in the labor force because they are retired and do not want to work. The population that is compared against is the entire civilian non-institutional population who are 16 years of age or older. For example, if there is a person who is 99 years old and has been retired for 30 years, that person is still being counted as part of the population that could potentially be in the workforce. However, it is unlikely that person will work.

The chart on page 47 looks at some of the microdata available from the current population survey and displays the share of those who are retired in the population (Exhibit A). It shows the impact of retirement on Nevada's labor force participation rate. The red line on the chart shows Nevada's retirement rate for the non-participating population. The gray ribbon shows the 20th to 80th percentile of states' retirement rate for the non-participating population. From 2010 to about 2020, there was an increase of about 15.0% to 20.0% in the retirement rate. One of the positive things is that it has become a lot more stable for Nevada over the last seven years. There are not the same increases outside of the spike that happened because of COVID-19 pandemic. It has also started to level out for the 20th to 80th percentile of states. The trend of increasing levels of retirement pushing down the labor force participation rate might be starting to ebb and there is a little more stability.

If people who are retired are excluded from consideration, what happens to the labor force participation rate? There is a different result when the denominator is changed. Instead of seeing the labor force participation rate driven down much more rapidly over the last few decades, it is a steadier trend, as shown on page 48 (Exhibit A). For both Nevada as well as for the 20th to 80th percentile of states, there have been some increases in the last couple of years. Removing the retirement element, the trend is toward more people beginning to participate in the labor force, which could help Nevada attract more of the population into the labor market.

Page 49 shows how much room there is to grow in Nevada (Exhibit A). The squares represent the 10,000 individuals that are not in the labor force:

- The gray squares represent the individuals in the labor force.
- The dark red squares represent people who do not want a job. They are outside the labor force and have no desire to be in it.
- The orange squares represent about 40,000 people who want a job but have not searched for work in more than 12 months. That means those individuals could find work under the right circumstances, but it is going to be hard to attract them into the workforce.
- The yellow square represents people who want a job and have searched for work during the last 12 months but are not currently available for work.
- The pink squares represent people who are available for work and have searched in the last 12 months. That is probably the most gettable share of individuals.

Of the people outside the labor force, the survey would indicate that there are about 30,000 people that are in the gettable pool of individuals. The data shows that these numbers are steady and do not fall to zero in the history of the series.

Page 50 displays the current employment levels and the annual change that Nevada is experiencing (Exhibit A). The first gray column is DETR's Research and Analysis Bureau's 2022 to 2032 long-term projected growth rate. It is an annual rate made with ten years in mind that will likely include a full business cycle in the scope of the projection. That is not to say that DETR's Research and Analysis Bureau expects the total non-farm employment rate to be at 1.3% every year, but rather, DETR's Research and Analysis Bureau expects the average rate to be 1.3% for total non-farm employment over the next ten years. About a month ago, the BLS released its ten-year projections for 2023 to 2033. The BLS's growth rates have slowed a bit more, going from 0.5% to 0.4% on average.

The growth rate is expected to slow over the next ten years. Growth in employment comes from one of two places: (1) employers are employing an increasing share of the existing population, or (2) population is growing, and employers are maintaining a steady share of employment. The Department of Taxation's presentation helped confirm that as Nevada's population is expected to slow, it will have impacts on Nevada's employment rate because there will be a smaller share of new workers naturally entering the workforce. If Nevada is close to normal in terms of its labor force participation rate, the population is the only other place from which it would be attracting workers. Long-term constraints on population growth can be expected over the next decade. Thinking about this next cycle for the Forum, Nevada may end up somewhere between the projection of long-term constraints on population growth and the current levels of growth.

Finally, page 51 shows some considerations for Nevada's outlook (Exhibit A). This slide was presented during the June 6, 2024, meeting of the Forum but DETR's Research and Analysis Bureau is including what has changed since that time. One key risk is that wage growth was lagging inflation. Nevada has seen increases in its wage growth while inflation has been falling nationally. Nevada is now growing at 3.6% in average hourly wage, which is in excess of inflation. Total weekly earnings are up 2.1%, which is close to the level of inflation that is being experienced in the state.

Additionally, the BLS projected that there is a preliminary downward revision to the current employment statistics. Monthly employment estimates that DETR's Research and Analysis Bureau often presents based on weaker growth. In the more comprehensive data that is now available for the first quarter of 2024, which is from the Quarterly Census of Employment and Wages (QCEW), the Current Employment Statistics survey gets benchmarked back down to the QCEW count. The QCEW is based on a nearly comprehensive administrative data set that comes from the unemployment insurance program and the growth rate has been lower. That is true in Nevada as well. Nevada is seeing about 3.5% growth rate in Current Employment Statistics estimates in the first quarter of this year. The data from the first quarter of the QCEW data shows about a 2.7% growth rate. While it is not a one-to-one match, it can probably be expected to see some downward revisions to the employment growth trends.

MR. GORDON:

Thank you for the overview. I am particularly appreciative of the dichotomy that you provided regarding the fact that Nevada has one of the fastest growing job markets in the country, yet it has one of the highest unemployment rates overall. Are there any industries or occupations that are driving some of those unemployment levels that perhaps have not been seen in the past?

MR. SCHMIDT:

That is a bit tricky to answer regarding the scope of total unemployment. Recently, I have been looking at trends in unemployment insurance claims. Unemployment insurance claims are about a quarter of total unemployment, but they are about half of the total job loss related unemployment. The other half of the job loss related unemployment are new entrants into the workforce that do not really have an industry or occupation component. Examining the people who are on the unemployment insurance program, there have not been any industries that are unusually high in terms of their overall layoff activity.

DETR's Research and Analysis Bureau has recently started pulling data to track employers that have ten or more initial claims, which are people entering unemployment for any week, and then aggregating that by industry. The sources of claims are the areas that tend to be normal sources of claims, such as the construction industry. The construction industry tends to have very high levels of claims because it is more project-based. A person is hired to do a job, finishes the job, and might claim unemployment for a few weeks, and then moves on to the next job. Because there is a higher flow of individuals, that industry is typically a high source of unemployment claims. The professional and business services industry and the administrative support industry also have a similar situation. There are people that will be hired on a contract and then they will file a claim and be through the system more frequently.

In the last few months there has been an increase in unemployment claims for people that were not regularly in and out of the system. There have been some businesses that have closed in the leisure and hospitality industry and the level of unemployment claims has spiked a bit, but it is falling back down quickly. However, there are not any industries that are showing unusually high levels of activity. Most of the trends have been the normal sorts of expected activity.

The tension of the average level of pay might be contributing to the increasing duration of people in unemployment. There has been a softening in employment growth, falling from the mid-3.0% to the 3.0% range. At the same time, wages have increased. The model of supply and demand would be confused by this because one would expect that if the labor market gets softer, the price of labor goes down but instead wages are increasing. What are the wages that people are expecting and are people holding out for a higher wage a little bit longer? The hourly wage is going up even though the duration of employment is increasing slightly. Employers are still asking how they can attract new employees, and at the same time, there is a slight increase in the duration of unemployment. The issue is in finding the right worker and that worker getting the wage they expect. The challenge of matching those criteria is where some of the increase in unemployment duration is coming from.

MS. LEWIS:

Over the past ten years that I have been on this Forum, there has been a strong commitment towards increasing manufacturing and trying to diversify Nevada's economy. This report is proof that Nevada is making strides in that direction. Seeing the growth in manufacturing versus the rest of the states, it is a lot of work, but it is working. I think that will continue to grow and will make a good impact on Nevada.

MR. SCHMIDT:

I very much agree. I would highlight that, in the manufacturing charts, the growth since 2019 is a particularly strong story for Nevada because using December 2019 as a basis for comparison is after the Tesla-Panasonic Gigafactory opened so that does not include the surge in manufacturing jobs because of that endeavor. The fact that Nevada is still leading the nation in terms of the pace of growth for manufacturing since that time is a particularly strong story.

There was no further discussion on this agenda item.

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

SUSANNA POWERS (Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

The presentation for this agenda item begins on page 53 (Exhibit A). The first five slides overlap with the employment and population outlook that was just presented by Mr. Wright and Mr. Schmidt; therefore, I will focus more on nominal and inflation adjusted income and wages and how Nevada compares to the national average.

Starting with page 60, the data is updated to the second quarter as the Fiscal Analysis Division finalized the charts before the BLS released its September inflation statistics late last week (Exhibit A). I do, however, have verbal updates for the third quarter report. The good news about inflation is that it is moderating. The overall inflation rate, shown as the year-over-year percent change on page 61, has been trending down from the peak of 8.6% in mid-2022 to 3.2% in mid-2024 (Exhibit A). In the third quarter, the headline inflation rate is at 2.6%. There has been some easing on a core Consumer Price Index (CPI) measure as well. The core CPI was up by 3.4% at the mid-year mark and it is at 3.2% in the third quarter.

Recent trends in food and energy price inflation have also shown signs of moderation after several years of significant increases (page 62, Exhibit A). These two components tend to be more volatile. Energy prices were up by 2.3% in the second quarter. In the third quarter, energy prices declined by 3.4% from the same quarter a year ago. Recently, there has been deceleration in the average food inflation. Food prices were up by 2.2% in the second quarter and that was the same reading as in the third quarter.

Page 63 shows the pieces and the respective shares of the total personal income for the United States through the second quarter of this year (Exhibit A). This information is from the latest available data from the Bureau of Economic Analysis of the U.S. Department of Commerce. There have not been any notable changes since the Fiscal Analysis Division presented the same information during the December 5, 2023, meeting of the Forum. Everything is largely stable post the COVID-19 pandemic.

Page 64 displays the same pieces and the respective shares of the total personal income for Nevada (Exhibit A). There is the same consistency across the board in Nevada as well.

Page 65 focuses on United States total personal income and total wages and salaries (Exhibit A). Recent personal income and wages and salaries trends have steadily increased, reflecting a positive economic outlook. In nominal terms, compared to the first quarter of 2020, which was the onset of the COVID-19 pandemic, personal income is up by 31.4% and wages and salaries are up by 29.3%.

Page 66 displays the same information for Nevada (Exhibit A). In nominal terms, compared to the first quarter of 2020, personal income is up by 36.6% and wages and salaries are up by 35.3%.

Page 67 shows the growth rates for personal income comparing Nevada and the United States (Exhibit A). Since the second quarter of 2020, Nevada's personal income growth averages 7.5% compared to the 6.4% for the United States.

Page 68 shows a comparison of the growth rates for wages and salaries between Nevada and the United States (Exhibit A). Since the second quarter of 2020, Nevada has outpaced the United States with a growth rate of 8.0% compared to a growth rate of 6.2% for the United States.

Page 69 brings in the population component and shifts to per capita personal income for the United States (Exhibit A). Compared to the quarter preceding the start of the COVID-19 pandemic, per capita personal income in nominal terms in up by 27.3%; however, when adjusted for inflation, the growth rate is lower and up by 5.1% since that period.

Page 70 displays that same information for Nevada (Exhibit A). In nominal terms, Nevada's per capita personal income is up by 29.2% since the first quarter of 2020. When adjusted for inflation, it is up by 6.8% since that period.

Page 71 shows a side-by-side comparison of per capita personal income for the United States and Nevada with information from the previous two pages in one chart (Exhibit A). Nevada's per capita personal income is trending below that of the United States but the nominal percent change in per capita personal income compared to the quarter preceding the start of the pandemic is slightly higher in Nevada than in the United States.

Page 72 demonstrates that Nevada's inflation adjusted per capita personal income is also trending below that of the United States (Exhibit A). However, the percent change in per capita personal income compared to the quarter preceding the start of the COVID-19 pandemic is slightly higher in Nevada than in the United States.

Page 73 shows that, in terms of the nominal per capita personal income growth rates, Nevada has performed slightly better compared to the United States since the onset of the COVID-19 pandemic (Exhibit A). For the last four years, the United States per capita personal income growth has averaged 5.7% compared to 6.2% for Nevada. On inflation adjusted terms, the trend is similar. For the United States, the average percent change in per capita income growth for the last four years is only 1.3% for the United States and 1.8% for Nevada (page 74, Exhibit A).

Page 75 shifts to wages and salaries on a per employee basis for the United States (Exhibit A). There has been a robust growth in employee wages and salaries. When compared to the quarter that preceded the start of the COVID-19 pandemic, wages and salaries per employee are up by 23.9%. When adjusted for inflation, wages and salaries are up only by 2.3% for that period.

Page 76 displays the same information for Nevada (Exhibit A). In nominal terms, Nevada wages and salaries per employee are up by 23.0% since the first quarter of 2020. However, when adjusted for the effects of inflation, wages and salaries on a per employee basis are up by 1.7% for that period.

Page 77 shows a side-by-side comparison of wages and salaries per employee in nominal terms for the United States and Nevada with information from the previous two pages in one chart (Exhibit A). It is interesting to note that the widening gap between the United States and Nevada that occurred after the Great Recession has never narrowed.

Page 78 displays a side-by-side comparison of wages and salaries per employee on inflation adjusted terms for the United States and Nevada (Exhibit A). On an inflation adjusted basis, the percent change in per employee wages and salaries in Nevada since before the COVID-19 pandemic peak is below that of the United States.

Page 79 summarizes the nominal growth rates of wages and salaries per employee for the past four years (Exhibit A). In terms of wages and salaries per employee growth rates, Nevada is very comparable to the United States.

Page 80 shows that on an inflation adjusted basis, for the last four years, wages and salaries per employee grew only 5.7% for the United States and by 0.8% for Nevada (Exhibit A).

Page 81 shifts to the median household income for the United States and Nevada between 2000 and 2023 (Exhibit A). After 2011, Nevada's median household income trailed below that of the United States for a long period. That trend briefly reversed in 2019 but fell again below the United States level in 2020. Since then, the median household income in Nevada has steadily increased, climbing slightly above that of the United States last year.

In inflation adjusted terms, household median incomes are still worse off when comparing the most recent data to before the COVID-19 pandemic peak (page 82, Exhibit A). When adjusted for inflation, the United States median household income fell by 1.6% between 2019 and 2023 and the Nevada median household income declined by 3.8%. Although that is not good news, those are improved statistics compared to the last time this information was presented to the Forum.

Page 83 is a summary of the United States versus Nevada comparison in terms of the nominal growth rates that I highlighted earlier (Exhibit A).

Page 84 is a summary of the United States and Nevada comparisons in terms of inflation adjusted growth rates that I highlighted earlier (Exhibit A).

Page 85 shows Nevada's General Fund revenue divided by the personal income of Nevada residents in thousands of dollars (Exhibit A). This chart is sensitive to the economic cycles and the effects of technology changes. If the blue line is moving up, the General Fund is growing faster than personal income. If the blue line is moving down, personal income is rising faster than the General Fund. Nevada witnessed a decline in FY 2020 due to the COVID-19 pandemic. There was a slight rebound in FY 2021, followed by a robust increase in FY 2022, a slight increase in FY 2023, and then no significant change in FY 2024.

Lastly, page 86 demonstrates how the General Fund and personal income growth rates have performed over time (Exhibit A). The first observation is that the trend between two series tends to move together. Obviously, the State General Fund received a large portion of revenue from sources that are supported by personal income. The second observation is that, while Nevada had record growth in tax revenue collection in FY 2022, compared with pre-pandemic growth trends, the peak in the General Fund growth rate—represented by the blue line—did not surpass the peak of FY 2004 that followed the 72nd (2003) Legislative Session when major changes were made to taxes.

CHAIR ROSENTHAL:

You mentioned that the gap between Nevada and the United States since the Great Recession has not recovered and remained steady. Has the diversification of the labor sectors impacted that or is there some other explanation for why that gap has remained?

MS. POWERS:

I do not have any insight on that, but I agree with your assessment that the diversification of the labor sectors is probably a reason, but there might be other contributing factors.

There was no further discussion on this agenda item.

VI. PRESENTATION ON THE CURRENT STATUS AND OUTLOOK FOR THE TOURIST AND CONVENTION/TRADE SHOW MARKET IN NEVADA.

STEVE HILL (Chief Executive Officer [CEO]/President, Las Vegas Convention and Visitors Authority [LVCVA]):

Today's presentation (page 87, Exhibit A) includes some themes, one of which is that the significant ups and downs in the industry have relaxed. The industry is back beyond the COVID-19 pandemic level. The trends in the industry are calmer than before, and the industry is doing exceptionally well. There are some opportunities that I will discuss further in terms of the number of visitors, the occupancy, and the destination. The industry has not recovered to where it was prior to the pandemic but, from a financial standpoint, it is setting records every year.

As we have budgeted for the LVCVA, which reflects the destination's performance to some extent, the LVCVA approached each of the past few years with the mindset that if last year's results could be replicated, it would be great. Yet, each time, the outcome has been significantly better. This year, the LVCVA followed the same approach, budgeting for its revenue, which is largely an increment of the room tax, down a bit from FY 2024. That is mainly because Las Vegas will not host a Super Bowl this fiscal year and it will host the second Formula 1 race rather than the first Las Vegas Formula 1 race. There is a different demand between the first race in Las Vegas and the second race. From June, July, and August, the LVCVA is 8.0% ahead of what it had budgeted. Thus, the LVCVA is on pace in the first three months of this fiscal year to be ahead of what was very much a record fiscal year, FY 2024.

Consumers are pausing and waiting for the election. In terms of pocketbooks, the more modest Las Vegas visitors are showing some signs of weaknesses and concerns. However, travel remains a disproportionate priority compared to what it was prior to the COVID-19 pandemic. Therefore, Las Vegas is still outperforming the nation, and travel is outperforming what it did in the past.

From a financial standpoint, visitor spend has reached a record, as can be seen in the chart titled *Record Visitor Spend*. In comparison to calendar year 2019 and calendar year 2023, overall visitor spend has gone from $37 billion to $51 billion, with a 15.0% year-over-year gain. That gain is continuing but it is moderating into FY 2024, which is up 2.5% so far over FY 2023.

Slide 4 shows the gaming revenue records over the last few years. Las Vegas continues to set records. The LVCVA primarily focuses on the revenue per available room (RevPAR), which combines occupancy with average daily rate. The RevPAR is setting a 10.0% record in FY 2024, and it continues to improve into FY 2025. The gray bars represent the national average. Las Vegas is overperforming versus the rest of the country in RevPAR. As I described, the LVCVA's General Fund room tax revenue for this year was $360 million, which is partially the adjustment the LVCVA made and partially the timing of when the judgement was submitted, as the LVCVA did not have full information for FY 2024 in April 2024. Las Vegas started and finished the year stronger than what the LVCVA had anticipated.

The charts on slide 5 display the occupancy comparison. For FY 2019, the occupancy was at 88.4%. Las Vegas peaked a couple years prior to that at 90.0% occupancy. Las Vegas has recovered to an 83.5% range and is now relatively flat. The LVCVA sees that as an opportunity and thinks there is a 5.0% occupancy rate, which is a significant number of visitors to be able to move forward. The LVCVA is working to try to make that happen. Additionally, slide 5 includes an average daily rate (ADR) comparison, which mirrors what I discussed earlier.

The chart on slide 6 provides a different way of looking at Las Vegas's visitor volume. Las Vegas was nearly back to 41 million visitors in calendar year 2023. Looking at 2024 year-to-date, Las Vegas is nearly back to 42.5 million visitors.

Convention attendance remains about 10.0% lower than what it was prior to the COVID-19 pandemic. It has recovered as much as a natural recovery is going to take place. That number can grow but it is going to take a sales effort. Convention attendance is not waiting for others to return who have not yet returned. The LVCVA has noticed two things:

1. There is a significant overlap between international visitation and meeting visitation. Las Vegas meeting attendees, who are largely from Asia, have not returned and the LVCVA does not anticipate a jump in return from Asian visitation as it relates to meetings.

2. Coming out of the COVID-19 pandemic, larger companies are sending less people to meetings as a cost-cutting trend.

On the other hand, 3.5 million square feet of net leasable meeting space was added to Las Vegas during the pandemic. About 20.0% of that was added to the LVCVA building but Caesars Entertainment, MGM Resorts International, Resorts World Las Vegas, and Wynn Las Vegas also added space. At the beginning of the pandemic, there was 11.5 million square feet of meeting space and there is now 15.0 million square feet of meeting space in Las Vegas. There is ample room to accommodate new shows across the city, which will be helpful in growing convention attendance. The LVCVA's goal is for that to grow to an excess of 8 million meeting visitors.

However, 30.0% has not been added to Las Vegas's room count. Las Vegas has not added enough room count to allow meeting visitors to grow past 8 million, especially if Las Vegas keeps those types of visitors in proportion to other types of visitors. Another goal of the LVCVA is to drive demand that exceeds supply. In some cases, the LVCVA is doing that. The growth in sports and events, the desire to grow meetings, and the overperformance of leisure travelers are now at some level competing for rooms and driving the price of those rooms higher, which is the goal; however, there are subsequent ramifications.

The chart on slide 8 shows a different way of looking at hotel occupancy. As can be seen, even into this year, hotel occupancy is relatively flat.

The next few slides include information on occupancy and numbers in the destination. The charts on slide 9 feature the midweek occupancy rates as well as the weekend occupancy rates for 2023 and 2024 in comparison to 2019. The LVCVA would like to get back to the pink dotted line.

As it relates to the national average on hotel occupancy, Las Vegas continues to overperform. Las Vegas has historically been 20 to 23 points above the United States' average. Las Vegas has recovered to the point that it is now more than 20.0% higher than the national average. Las Vegas continues to overperform the United States' average, which is more of a reference point to see how much Las Vegas was overperforming before compared to now.

The charts on slide 11 show the ADR year-to-date numbers, which are slightly different than the numbers that were shown for calendar year 2023 on slides 5 and 6. The LVCVA wanted to show where Las Vegas is with ADR to date.

The chart on slide 12 displays the growth trends in the RevPAR and the volatility that was seen three to five years ago. That volatility is starting to level out.

The chart titled *Clark County Gross Gaming Revenue* shows a significant jump has occurred since the COVID-19 pandemic. The LVCVA thinks that the federal stimulus that most everyone across the country received during the pandemic contributed to that increase in combination with the fact that there were fewer alternatives to spend money during that time. That money has largely been spent but the level of gaming has remained high.

Slide 14 shows the moderation of the growth as a total number. As can be seen on slide 15, Las Vegas is gradually returning to normal revenues. Las Vegas is still well above the levels prior to the pandemic, but on a per visitor basis, it is gradually starting to recede.

MR. LEAVITT:

Because there is an increase in visitor spending, is the mix of what visitors spend their money on when they come to Las Vegas changing? I ask because Nevada receives tax revenue from some things more so than others. Do higher room rates cause a decrease in what visitors spend on gaming or other things?

MR. HILL:

Mr. Gordon could probably answer that question better than I.

MR. GORDON:

The Forum looks at these numbers at every meeting and observes the Live Entertainment Tax (LET), gaming tax revenues, and major revenue sources, and I believe Mr. Leavitt is thinking about how the sources of those revenues have been shifting dramatically since coming out of the COVID-19 pandemic. Based on the LVCVA presentation, it seems there are more investments from travelers on experiences. I think that has been evident over the past couple of years. Travelers are investing in things that are a little different than maybe what they were investing in five or ten years ago. Some of those things have a greater tax revenue potential for the State General Fund. While there have been increases in room rates, at the same time, gaming spend is at an all-time high. Las Vegas now has a higher-end customer that is spending more money than before.

MR. HILL:

Thank you, Mr. Gordon. Las Vegas is seeing a shift in its customers, but it is also experiencing a record spend. Going forward, the LET will probably not be as robust as it was in the fiscal year when the first Formula 1 race and the Super Bowl occurred. Those were both meaningful portions to the increase in the LET. While the LVCVA has goals of bringing events of that size to Las Vegas every year, there will be some resulting fluctuations. It appears that gaming revenue is flattening, and visitor spend translates into a sales tax increment that matters significantly to state revenue. That continues to improve. The trend seen across the board is a moderation of growth; however, growth will be in the low, single digits rather than the 10.0% or 12.0% growth that has been seen in some areas.

MR. LEAVITT:

In December, the Forum must estimate revenues for Nevada for the next 2.5 years. A lot can happen in that timeframe. Based on what you see in the industry, how would you estimate revenues for the next 2.5 years compared to what Nevada has experienced in the last 2.5 years?

MR. HILL:

I remain optimistic about Las Vegas. It is outperforming the country for which there are solid reasons. A lot can happen in 2.5 weeks and more so in 2.5 years. The outcome of the election will potentially be helpful to understand how policies will be impacted. Things have been very strong, but I do not think that the growth of the industry is going to mirror what has happened over the last two or three years. It is not possible to grow and maintain that rate. On the other hand, the opportunity Las Vegas has in occupancy, meeting attendees, sporting events, and live entertainment bodes well for the tourism and hospitality industries. Steady growth is likely in a solid national economic backdrop. If the economic backdrop of the nation goes into a normal downturn—which, the nation has not had a normal downturn in a while—Las Vegas can maintain some stability. With that kind of range, I think Las Vegas can overperform that backdrop over the next 2.5 years.

MR. LEAVITT:

Nevada has some taxes that relate specifically to big events and performances. How do you see those changing over the next couple of years?

MR. HILL:

Generally, there is a great demand for increased events in Las Vegas. Largely, it is finding venues and the capacity to hold all those events that have an interest. Las Vegas will have major league baseball in 2028 and there is a real opportunity to have the National Baseball Association in that general timeframe as well. That will matter quite a bit when there are events that bring between 5,000 and 15,000 people. It is different than events at Allegiant Stadium, which bring in 60,000 people. Those events create compression in the market and create a higher level of spend, which is very important to driving the revenue that Nevada receives. There is an outsized effect because of the size of the events at Allegiant Stadium and there is sustained and growing demand for those events. That is seen across the board. The promoters of those events recognize the appeal of Las Vegas and are eager to be part of it. The LVCVA is looking forward to more venues becoming available because the demand is currently more than Las Vegas can accommodate.

MR. CROME:

I echo what Mr. Hill shared. Across the board there has been a lot of growth, and promoters want to participate. For example, rugby promoters saw the impact of having an event in Las Vegas and growing its fanbase in Las Vegas, but even from a viewership standpoint, promotors saw a significant jump because of that broadcast. There is increasing interest in larger events at Allegiant Stadium and across other venues in Las Vegas.

MR. HILL:

The National Rugby League (NRL) came to Las Vegas last year on a trial basis and later signed a four-year extension agreement. For the next four years, during the first weekend in March, the NRL will open its season here, which is a fantastic time for Las Vegas. There is a continued demand.

Continuing the presentation, slide 16 shows a summary of Las Vegas visitor statistics, many of which I have already covered. It shows all the statistics in one place as of August 2024.

Slide 17 is an index for many of the things the LVCVA tracks versus where they were in 2019. For the most part, things such as visitors and occupancy have almost returned to 2019 numbers. The financial aspects of what the LVCVA tracks are all substantially above 2019 levels.

Slide 18 provides a comparison of where Las Vegas is between the top 25 markets in the United States and the United States as a whole. It also provides a comparison of occupancy, ADR, and RevPAR numbers and how each of those study areas compares to 2019. Financially, for ADR and RevPAR, Las Vegas is substantially past the comparisons between the United States and the top 25 markets in the United States.

Slide 19 provides a snapshot of international visitation. Canada and Mexico are typically about half of Las Vegas's international visitation. People from Canada and Mexico are fans of Las Vegas and visit frequently. Visitation from overseas has not quite recovered. That is weighted more toward Asia than Australia, Europe, and South America but visitation is still down in the United Kingdom and the LVCVA is focused on trying to drive that back. Ireland and the United Kingdom are Las Vegas's biggest overseas market. The LVCVA is investing in additional resources to drive the recovery because it sees opportunity. Some of this is the overlap between international visitation and visitors who come for meetings. For example, the Consumer Electronics Show and the National

Association of Broadcasters have more than 30.0% international attendees at their events and are experiencing the same trend as Las Vegas.

The chart titled *International Visitation to Las Vegas* displays an outline of Las Vegas's top ten international markets. China is still a third of what it was before the COVID-19 pandemic. Korea is doing better than that and Las Vegas has a direct flight out of Seoul. Japan is still less than half of what it was prior to the pandemic.

I have already discussed some of the key issues. There is a bit of election anxiety. Additionally, there is a slowing growth in the job market and a concern at the lower end of Las Vegas visitors. Looking at the performance of properties that have lower price, mid-price, and high price: the high price properties continue to overperform; mid-price properties are solidly growing but at a diminished rate; and lower price properties have had some reduction over the past few months.

However, the LVCVA sees positive trends and opportunities. Las Vegas has the capacity to grow. I did not include the shift that will occur because of the renovation at the convention center, which will be done at the end of 2025, that is diminishing the recovery in the meeting industry. The LVCVA is having to shift shows around the building because there is limited square footage available. The LVCVA is renovating one hall at a time. That process will be done at the end of 2025 and the LVCVA will have more space available. The year 2026 is going to have a nice cycle for conventions and meetings in Las Vegas so there will be a bump moving into FY 2026.

MR. CROME:

You mentioned that the number of convention attendees is down slightly compared to before the COVID-19 pandemic, which I found surprising. Someone shared an anecdote about how a lot of people who were working from home had not returned to working in the office so the convention business would be an opportunity for people to get together and see people they do not see daily. What are your thoughts? With the convention business being down, is that business moving elsewhere? Is it moving more regionally because perhaps the office space is in a regional space? Is that a concern for Nevada?

MR. HILL:

Peers across the country are seeing the same things. This is not a shift of business and does not become more regional. Las Vegas is very reliant on the technology industry. If this were more regional, there would be a disproportionate bump in Las Vegas versus elsewhere. Mostly, this is happening because of the two things that I mentioned earlier. Companies have decided that they do not need quite as many people to attend such events. Interestingly, the exhibition space has not diminished as much as attendance. The same people are showing up to exhibit, but the number of attendees is slightly less. The show organizers and exhibitors are happy with the shows, but there are 10.0% to 15.0% less people in attendance, which means the LVCVA is going to need to sell more shows to recover. That may grow back at some level, but it is not a situation in which the rest of the people who have been reticent to travel and attend these shows are waiting to come back when they feel more comfortable.

MR. CROME:

You made a comment about how the room count is not keeping up effectively with the square footage of convention space. What does that pipeline look like from a room count? What is the shortage that Las Vegas needs to keep up with the convention space? If Las Vegas does not keep up, where does the squeeze occur—in the convention business, live entertainment business, or the transient business?

MR. HILL:

Las Vegas has slightly over 150,000 open rooms right now. It peaked around 156,000 when the Tropicana Casino Resort and Mirage Hotel and Casino were still open. There is room for growth in the meeting industry in the number of rooms. There is competition for those rooms. Among the leisure sector, the meeting sector, and the sports and events sector, the leisure transient customer has been overperforming over the past number of years to which the properties have generally responded. It has driven up room rates, which is a part of the LVCVA's customer's consideration when bringing their meetings to Las Vegas. The customers see the benefit of Las Vegas but as noted in the presentation, the spread between room rates in Las Vegas and the national average or with the top 25 markets in the United States continues to widen and that has been expressed as a concern to the LVCVA. However, that is a positive reflection on Las Vegas. Las Vegas wants to be the most valuable rather than the cheapest, and that is what it has become. There is a bit of a different mindset for meeting organizers as they look for room blocks.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

Next, the Forum will hear from the Reno-Sparks Convention and Visitors Authority (RSCVA).

MIKE LARRAGUETA (President and CEO, RSCVA):

During today's presentation (page 109, Exhibit A), I will provide a background of the RSCVA board and executive staff; information about the RSCVA's history, vision, and mission statement; historical data on visitor accounts, revenue, and ADR for Washoe County; a brief discussion on occupied rooms and the growth in the global distribution production segment; an update on the meetings and conventions segment; the impact of the United States Bowling Congress (USBC) to Washoe County and to Reno, Tahoe, and Sparks; a brief update on an endeavor that the RSCVA has invested in in Northern Nevada, which is a world-class 200-meter Mondo track arriving December 2024; and some air passenger data. Lastly, I will discuss the economic impacts and highlights for the past fiscal year.

The RSCVA Board of Directors consists of:

- Hillary Schieve, Mayor of the City of Reno, who serves as the board’s chair.
- Richard L. Jay, a representative from the Reno-Tahoe International Airport, who serves as the board’s vice chair.
- Stephen Ascuaga, a representative of the Reno-Sparks Chamber of Commerce, who serves as the board’s secretary/treasurer.
- Eddie Ableser.
- Charlene Bybee, Sparks City Councilwoman.
- John East, Chief Operating Officer for Jacobs Entertainment.
- Alexis Hill, Washoe County Commissioner, and chair of the Washoe County Board of County Commissioners.
- Greg Long, Chief Operating Officer for Travel North Tahoe Nevada.
- Rick Murdock, Vice President of Governmental Affairs at Caesars Entertainment’s THE ROW in downtown Reno.

The RSCVA executive staff consists of seven talented and experienced individuals who oversee the areas of communication and public affairs, facility sales, finance, and marketing.

The RSCVA was established in 1959. The vision of the RSCVA is to be the preferred event, gaming, and outdoor destination. Its mission is to attract overnight visitors to Reno and Tahoe while supporting sustainable growth of the RSCVA communities.

Looking at data from the past year and future projections for Washoe County, shown on slide 6, visitor counts in Washoe County and Northern Nevada have shown consistent performance, averaging approximately 3.8 million visitors per year for the past four fiscal years, following the COVID-19 pandemic and the lifting of travel restrictions in the State of Nevada.

Slide 7 shows that taxable room revenue has been consistent surpassing $457.0 million per year for the past three fiscal years. Moving into the next fiscal year, the RSCVA is forecasting a moderate decline in FY 2024-2025 to $448.0 million in tax revenue.

The ADR for Washoe County and Northern Nevada experienced a significant increase from $123.59 in FY 2020-2021 to $141.90 in FY 2021-2022, as displayed on slide 8. There was an additional increase of $6 from FY 2021-2022 to FY 2022-2023. Similar to what the RSCVA is forecasting for the budget of this fiscal year, July 2024 through June 2025, it is anticipating a slight decline in the ADR.

Slide 9 shows that cash occupied room nights, much like taxable room revenues and ADR, increased significantly in FY 2021-2022 and has remained consistent through FY 2023-2024. Again, the RSCVA is being somewhat conservative in its forecasting with a slight decline in cash occupied room nights for FY 2024-2025.

The global distribution systems are a channel in the hotel industry segment, which is predominantly driven by business travel. The RSCVA wanted to share this information with the Forum because there has been significant growth. As can be seen on slide 10, using FY 2018-2019 as the benchmark—because the market performed very well in Washoe County and Northern Nevada before the COVID-19 pandemic—there has been significant growth in room nights for the last three fiscal years, growing substantially from 160,000 room nights to over 190,000 room nights. The revenue relevant to that segment has also grown from $26.0 million to nearly $31.0 million. To echo Mr. Hill's comments, what is relevant to this segment is that this drives a higher ADR, and it is an ADR that is growing in Nevada's market significantly.

Washoe County's room inventory is shown on slide 11. There has been a moderate increase each year from FY 2019-2020 through FY 2023-2024. The RSCVA is forecasting a slight increase in FY 2024-2025 that is predominantly driven by the select service category. That includes places such as Hyatt or Hilton Gardens Inn, which generally cater to the business traveler.

As shown on slide 12, Washoe County is growing in the select service area. Available room inventory surpassed 36,000 in FY 2023-2024.

The meetings and conventions segment has seen increased demand in Washoe County. As shown on slide 13, group leads have increased in FY 2021-2022 and FY 2022-2023, with a slight decrease in FY 2023-2024. Contracted group room nights have increased in the past three fiscal years, finishing at just under 300,000 net room nights booked for FY 2023-2024. The RSCVA is unique in terms of the convention and visitors bureau and destination marketing organization worlds, as there is a tremendous reliance on the sales organization in the meetings and conventions segment to source but also convert over 50.0% of the contracted meetings and convention room nights that are generated on an annual basis. The Washoe County and Northern Nevada areas will generate about 600,000 room nights on an annual basis in the meetings and conventions segment, which also comprises the social, military, educational, religious, and fraternal segments as well as the sports segment. The RSCVA is responsible for consistently sourcing, contracting, and converting over 50.0% of the annual room night number.

The USBC Open and Women's Championships are contracted with the USBC through 2033 and currently negotiating an extension for 2035, 2037, and 2038. To put into perspective the relevance and importance that the USBC has on Northern Nevada, the Women's Championship represents approximately 15,000 bowlers, 35,000 room nights, and an economic impact of over $25.0 million every time they hold a congress tournament in Reno, Nevada. The Open Championship, which is significantly larger, brings approximately 50,000 bowlers, 120,000 room nights, and an economic impact of

$70.0 million per tournament. The Women's Championship will generally meet between April and June and the Open Championship takes place between March and July.

The RSCVA is very excited to announce that in June 2023 the RSCVA Board of Directors approved the purchase of a 200-meter world-class certified indoor Mondo track, shown on slide 15. This investment of $3.2 million is an opportunity to truly differentiate Northern Nevada from its competitors. There are only three indoor tracks in the entire western United States. Indoor track season takes place from December 1 through the end of February, which is consistently a slower period in terms of occupancy and demand in ADR for Northern Nevada. This world-class indoor track will be located in the Reno-Sparks Convention Center. In addition to the track, the board also approved the purchase of 1,200 portable bleacher seats and over $400,000 in track equipment from UCS Spirit, which is based in Carson City, Nevada.

The first season will begin in December 2024. The RSCVA has partnered with the University of Nevada, Reno (UNR), to be its home for the women's indoor track team. The UNR women's indoor track team will operate and run four meets in the first year and the RSCVA will have four additional meets contracted with other opportunities. Room night production in year one is forecasted at 24,000. As seen on slide 15, it tiers up on an annual basis. By year five, the RSCVA is anticipating over 50,000 room nights being produced during the indoor track season.

The RSCVA will also pursue opportunities like what Las Vegas has done in the collegiate basketball segment. The RSCVA plans to go after the Big West Conference, Mountain West Conference, National Collegiate Athletics Association (NCAA) conference championships, Western Athletic Conference, and any west coast affiliated type of conferences. The RSCVA will also pursue the opportunity to host the NCAA championships, which were held in Albuquerque, New Mexico last year. That is one of the three tracks located in the western United States.

Slide 16 provides a quick summary showing that this past summer, the Reno-Tahoe International Airport had its highest passenger counts in over two decades. It saw an increase between 9.0% and 12.0% in June 2024 through August 2024. The Reno-Tahoe International Airport added over 90,000 seats in 2024, which is a 9.0% increase in available seats this fall over last year.

To conclude the presentation, I will provide some economic impact highlights. Washoe County experienced over $5.2 billion in total economic impact of tourism in the calendar year 2023. This included $3.3 billion in visitor spending, over 43,000 in total jobs generated, and over $443.0 million in state and local taxes generated.

MR. GORDON:

I see that the USBC works in a cadence. When were the previous events? When should the Forum consider whether the USBC was included in the historical visitor volume data and other metrics?

MR. LARRAGUETA:

The USBC has been meeting in Reno, Nevada, but also in Las Vegas, Nevada, for over two decades. It generally rotates on average about every 2.5 years. The 2025 Open Championship will be taking place in Las Vegas at the South Point Hotel and Casino. There is over 20 years of historical data on the performance of the USBC bowlers. The USBC has met in other destinations across the country—such as Baton Rouge, Louisiana, and Syracuse, New York—but it has found the State of Nevada to be its home.

MR. GORDON:

When was the last USBC event held in Reno?

MR. LARRAGUETA:

The Women's Championship was held in Reno in 2024, and the Open Championship was held in Reno in 2023.

MR. GORDON:

Thinking about inventory and venues going forward, are there any changes on the horizon that the Forum should be thinking about over the next three years in terms of capacity that may be coming to the Northern Nevada market?

MR. LARRAGUETA:

As it relates to room inventory, Northern Nevada is seeing growth in the select service category. Northern Nevada is not seeing any significant growth in the larger casino resorts within Washoe County. There has been a lot of discussion about things happening at North Lake Tahoe with Cal Neva and the possibilities of other properties expanding or growing but nothing is concrete. There is a new 10,000-seat arena scheduled to open May 2027 at the Grand Sierra Resort. As part of the expansion, there are discussions and plans of an additional tower and possibly having AAA hockey in Northern Nevada, which is very exciting.

MR. LEAVITT:

As it relates to the total economy in Washoe County, what percentage of that is tourism? Is that percentage holding steady or changing?

MR. LARRAGUETA:

I do not have specific data with me today, but the RSCVA is budgeting a decline in total room tax revenue of approximately 5.0% to 6.0% for FY 2024-2025 compared to the prior fiscal year. There are several reasons that are driving that decline in taxable revenue, and some were mentioned in the LVCVA's presentation. The RSCVA is also forecasting a slight decrease in occupancy of just under 1.0% for FY 2023-2024. If those numbers come to fruition and the RSCVA is accurate, that is going to impact the overall economic deliverables for Washoe County this fiscal year.

MR. CROME:

The indoor track that you mentioned, is that a new facility or is it a portable track that will be built for the event and then disassembled?

MR. LARRAGUETA:

It is a portable track. The RSCVA can disassemble the track, should it book a major program or a full facility program that drives tremendous room nights during that time of year. The RSCVA has identified a 10,000 square foot facility that is adjacent to the Reno-Sparks Convention Center where it will store the portable track outside of indoor track season, which is around the months of March through November.

CHAIR ROSENTHAL:

Lastly, for this agenda item, the Forum will hear from the Department of Tourism and Cultural Affairs, Division of Tourism.

RAFAEL VILLANUEVA (CEO, Travel Nevada, and Deputy Director, Division of Tourism, Department of Tourism and Cultural Affairs):

With today's presentation, I will provide information about Travel Nevada, an overall look at state growth and revenue related to tourism, an overview of rural areas and the two major drivers of tourism to the state, and an outline of the 15 counties for which Travel Nevada is responsible (page 127, Exhibit A).

Travel Nevada is a division within the Department of Tourism and Cultural Affairs, which also includes the Division of Museums and History and the Nevada Arts Council (page 128, Exhibit A).

Travel Nevada is responsible for industry development, marketing, *Nevada Magazine*, public relations, and research (page 129, Exhibit A).

As shown on page 130, the Nevada Commission on Tourism, Travel Nevada's oversight and policy commission, is led by Stavros Anthony, Lieutenant Governor (Exhibit A). The commission has two members who are appointed by statue, which are the CEO of the RSCVA, Mr. Larragueta, and the CEO of the LVCVA. Currently, the LVCVA designee is Fletch Brunelle, Vice President of Marketing at the LVCVA. The commission also consists of commissioners that represent different areas of the state, especially the rural counties, such as:

- Shelly J. Capurro, Tom Clark Solutions

- Donald Contursi, Founder and President of Lip Smacking Food Tour.

- Mendy Elliott, consultant and lobbyist in Northern Nevada.
- Jane Moon, representing Fallon.
- Rick Murdock, Vice President of Governmental Affairs at Caesars Entertainment.
- Judith Perez Siegel, Siegel Group.
- Jill Rowland-Lagan, CEO of the Boulder City Chamber of Commerce.
- Herb Santos, Jr., attorney in Northern Nevada.

Travel Nevada expects to have two additional rural commissioners appointed by the Governor by the end of November.

The Nevada Commission on Tourism was established by a proposal made by Governor Richard H. Bryan in 1983. The proposal also included the task of diversifying the gaming focus on the tourism industry. Rather than focusing on the 17 counties, 6 territories were developed that could work together (page 131, Exhibit A). Those territories include: (1) Cowboy Country, (2) Las Vegas territory, (3) Nevada Silver Trails, (4) Pony Express Territory, (5) Reno-Tahoe area, and (6) Indian Territory, which represents the entire state.

Travel Nevada's goal is to lead certain areas and also support people and leverage against successes. The Forum already heard about the work that the LVCVA and RSCVA are doing to add visitors to their areas and encourage those visitors to explore the rest of the state.

Nevada visitor volume has yet to reach the numbers it experienced before the COVID-19 pandemic, but the numbers have still been substantial (page 133, Exhibit A). Currently, Nevada visitor volume is 52.2 million visitors, which is a substantial growth from 2022.

As shown on page 134, room nights occupied also grew statewide (Exhibit A). The Nevada occupancy rate grew about 4.0% from the previous year.

Nevada's ADR also increased about $17 statewide (page 135, Exhibit A). Much of that was driven by the growth of the higher end products in Southern Nevada. Convention attendance is 6.3 million. Much of the convention attendance and airport volume is driven by the success of Southern Nevada.

Nevada benefited substantially by investing $75.0 billion into its economy and $5.5 billion in state and local taxes, representing about 20.0% of jobs in the state and providing a major benefit to household tax savings of $4,800 (page 136, Exhibit A).

Regarding the rural areas, Nevada is very fortunate that it has two strong airports: one in Southern Nevada and one in Northern Nevada. However, a large portion of Nevada's visitors are from the drive market; therefore, Nevada is reliant on Arizona, California, Oregon, Utah, and other surrounding states.

Nevada's rural areas had a record setting growth of tax room collection of $1.26 million (page 139, Exhibit A). That is based on the percentage allocated to Travel Nevada to help market the destination. Visitors' volume was 5.4 million and room nights occupied had growth of $3.24 million.

The following three pages show how rural Nevada was not significantly impacted by the COVID-19 pandemic. As shown on page 140, there was a drop in 2020, but rural Nevada immediately surpassed pre-pandemic numbers in 2021, 2022, and 2023 (Exhibit A).

Visitor spending had an impact of $2.1 billion set over 17,900 jobs (page 141, Exhibit A), which represents about 8.5% of the jobs in Nevada. There was a labor income of $657.6 million, generating state and local taxes over $277.0 million.

Page 142 shows the gross gaming revenue by county with the blue line representing Southern Nevada, which was over $13.0 billion (Exhibit A). It is fascinating that Washoe County and the rural counties have about the same revenue generation of gaming, with each adding about $1.0 billion to the economy.

Finally, I wanted to discuss elements that Travel Nevada believes are affecting tourism. According to Tourism Economics, occupancy levels and ADR are going to flatten. The bulk of the growth is going to be in upper luxury products and the moderate and low hotel products are going to drop. Unfortunately, there are no luxury products in the rural areas. Outside of Southern Nevada, luxury products are very limited.

Travel Nevada's goal is to be able to develop taxable experiences in the rural areas to drive people there, recognizing that most people may do day trips because the volume of the product will be in Southern Nevada and Washoe County. Travel Nevada wants to drive spend at rural areas, so it has developed the 3D Project, which provides grants to communities to develop programs and products that can generate tax or jobs to the rural areas. That is currently on its second phase as Travel Nevada just awarded $1.0 million to two different groups: one in the "cultural portal" that is Carson City, Douglas County, and Virginia City to develop programs that will drive interest and volume of visitors to that area, and one in Boulder City that is going to take advantage of the outdoor recreation in that area.

Travel Nevada is hoping to develop programs along with economic development to drive lodging increases that are unique to those rural markets. Travel Nevada is aware that everyone who lives in rural communities understands and believes tourism is important to those communities; however, some people do not want an abundance of tourists. Therefore, Travel Nevada needs to maintain a balance of developing sustainable programs and stewardships to bring visitors to those areas but also teach visitors to take care of those areas so that the people who live in those communities are willing and want them back.

There was no further discussion on this agenda item.

VIII. PRESENTATION ON INTEREST INCOME GENERATED FOR THE STATE GENERAL FUND.

This agenda item was taken out of order.

ZACH CONINE (State Treasurer, Office of the State Treasurer):

I am joined today by the Deputy Treasurer of Investments, Steven Hale, and we are here to discuss the investment returns of the Treasury because those have gone up exponentially in the last couple of years. That is due to a combination of factors that I will review. Additionally, both Mr. Hale and I will discuss what the Office of the State Treasurer does to project investment returns, which is not an exact science, but this is a room of inexact science. The office appreciates the opportunity to talk about the work it does.

To talk scope and scale, I will begin on page 2 (Exhibit B). In the past, the Treasurer's interest returns were relatively de minimis. In FY 2024, there will be an excess of $350 million, which is not de minimis. Both Mr. Hale and I joined the process around 2021, and we are happy to show the "hockey stick" of investment returns on this chart. Investment returns in the state are primarily driven by three factors: (1) assets under management—part of that is a prediction game on what kind of assets under management Nevada will have as that number has gone up over the last couple of years due to federal dollars coming in that have not yet gone out as well as tax revenue being greater than expected, (2) what happens in the market, and (3) what happens for prowess perspective.

Mr. Hale and his investment team have effectively professionalized what Nevada did from an investment perspective prior to Mr. Hale's and my time at the Office of the State Treasurer. In the past, the investment efforts of the office were basically an accounting measure. The Office of the State Treasurer made sure Nevada had enough money to pay the bill on the day that bill was due, sometimes paying bills before they were due, which was not necessarily a good choice. That has since changed. The office now has an investment mentality, which shows up in what it buys, how it buys it, and in the returns.

STEVEN HALE (Deputy Treasurer of Investments, Office of the State Treasurer):

Looking at the chart on page 2 (Exhibit B), before 2022 or 2023, Nevada's returns overall for the General Fund were small. It is dramatic to have that kind of impact in a short period of time. I want to discuss what caused that. As Treasurer Conine mentioned, there are two drivers to overall interest earned in the General Fund and those are the overall level of market rates and the total assets available. The chart on the left on page 3 (Exhibit B) shows that from 2019 through 2021 interest rates were almost zero in the front end of the curve, like ten basis points on the federal funds and the two-year rate. Because of some exogenous shocks and inflation, the federal government had to move to bring interest rates higher and the market reacted overall on the long end of the curve to a large hike in interest rates. There was a twenty-fold increase in interest rates over a very short period, from late 2021 to mid-2022, which is a significant impact. Looking at the righthand chart on page 3, there was about $3 billion in assets under management through 2019.

Again, because of a variety of factors and federal funds, that grew to about $10 billion, which tripled the assets under management. Basically, there is a force multiplier on the interest rates for that period which caused that dramatic increase in the returns for the last two years.

How are these rates forecast going forward given they are volatile and highly subject to exogenous shocks and other things such as recessions and inflation? The office uses, as a proxy, treasury futures, which are basically an indication that there is a market for these. People who want to hedge or buy duration for fixed income portfolios trade these contracts and buy these going forth. They trade on a quarterly basis going out approximately five years, perhaps further. They are easily findable, and they are objective because they are an actual market. It is better than using a think tank's view of future interest rates. Given that, this is something that is printed, and it is usable, supportable, and repeatable. Thus, the office is comfortable that this is the best option.

The office uses four term maturities—federal funds, six-month, two-year, and five-year contracts—because that covers the investable period of the fund. Almost 60.0% of the fund is within one year. The office does some other things in terms of waiting to ensure it closely aligns the structure of the portfolio also, which I will discuss later. Using that data, the office creates an interest rate forecast that covers the 8 quarters of the FY 2026 and FY 2027 budgets. It is slightly more than that because there is an interim period between now and then that the office also must forecast; therefore, it is closer to 14 or 15 quarters. Thus, the office has that matrix of interest rates that it has calculated—there is a blended rate for each quarter going forward.

Projecting total assets involves five steps (page 5, Exhibit B). First, the office analyzes historical trends to gain a sense of how funds are coming and going. Sometimes staff are surprised at what happens in terms of revenues. For example, the impact of the Formula 1 race and the Super Bowl was evident. Fluctuating revenue from $9.2 billion to $9.5 billion was due to those events. The office adjusts for seasonality because sometimes there are large expenditures that only happen in a particular quarter. Historically, the office has used a 5.0% growth rate for investable assets. That has turned out to be conservative so it will be re-evaluated based on current trends. The portfolio definitely grew by more than 5.0% over the last four or five years.

The office incorporate anticipated inflows and expenditures and create an expected total assets available matrix for 8 to 11 quarters.

TREASURER CONINE:

Regarding the incorporation of anticipated inflows and expenditures in the last couple of years, that has been a much larger piece of this work. From an inflow perspective, the office knew when to expect the federal American Rescue Plan Act (ARPA) funds; however, the timing of the funds for some of the additional programs was unknown. By the time we observe an increase in tax revenues from a tax perspective, we have already seen it from a cash perspective, which often means we have that advantage. When there are legislative changes, such as the State Education Fund, they can broadly and quickly shift how money flows through the state. One of the biggest anticipated expenditures is approximately $1.0 billion to $1.4 billion in federal money that is still in the system that needs to be spent by December 31, 2026. That anticipated work is relatively challenging. There was an expectation that the state would have spent approximately $800 million of those funds in the previous biennium; however, that was not the case, so those projects were moved into the current biennium. That is a bit of a moving target but given the fact that the federal money must be spent by the deadline, the office is confident the funds will be expended.

MR. HALE:

Once the forecast for assets under management has been developed and a matrix for future returns has been established, it is just a matter of multiplication. It is no different than if someone had a money market fund—they could multiply it by current rates, which would allow them to forecast how much they could expect to earn. I would note the methodology weights a percentage of assets available towards each treasury to reflect asset liability requirements. The office will be paying major bills next week, this month, next month and that is always a priority; therefore, minimal cash is available. The office is required by compliance and policy to maintain a certain amount of cash in the near term, which the model reflects.

Forecasting earned interest is challenging—market rates and available assets are subject to unpredictable events like recessions, pandemics, financial crises, and wars, which makes it challenging. The office tries to take an objective approach to avoid being accused of weighting or underweighting certain things or being subjective. It is repeatable—my successors should be able to follow the same model as I did with my predecessors because it is not a new model.

Lastly, I would note that the office often takes a cautious approach because there is no benefit to overestimating. Thus, it may slightly lower the figure to prevent putting someone's budget at risk.

TREASURER CONINE:

I believe this group fully understands that there is no advantage to being overly optimistic in our work. The office appreciates the opportunity to go through the methodology.

MR. GORDON:

Thank you for the explanation about how the Office of the State Treasurer develops these forecasts. As the Forum works on the forecast for the 2025-27 Biennium, we know that expenditures may change between the start and end of the 83rd (2025) Legislative Session. How should the Forum approach the necessary adjustments for the next few years, and what is the timing for those adjustments? I have not fully considered how that process works when the Forum develops these projections going into the legislative session and then adjusts them after the legislative session concludes.

TREASURER CONINE:

Generally, it tends to balance out except in the case of major shifts in state processes, such as the recent change related to the State Education Fund, or the movement of federal funds within the state and the timing of when those funds need to be allocated. Functionally, if the state spends funds earlier than anticipated, it may or may not matter from an investment return perspective. I do not know that there is much value in trying to get it exact, as the legislative process will alter some parts of the puzzle. In the case of the ARPA funds, there are many private participants in that process, some of whom are going to move more quickly than others or submit for reimbursement more quickly than others. The Office of the State Treasurer is adept at ensuring there is enough money to pay the bills at any given time, but also maximizing potential output going forward. There is a sufficient amount of cash on hand to cover those bills, but the office also strives to remain fiscally cautious, keeping its core mandates. These mandates include ensuring there is enough money to cover bills, generating revenue, and avoiding financial losses. The office seeks opportunities to perform better. The main goal is not to aim for home runs, but instead, consistently hit singles.

MR. GORDON:

The conservative nature of how you approach it probably helps in that process.

MR. LEAVITT:

I am not looking for exact numbers, but I would like to know your present estimate as to how revenue in the 2025-27 Biennium will compare to the revenue in 2023-25 Biennium.

TREASURER CONINE:

From a treasury perspective, the revenue in the upcoming biennium appears similar to the current biennium with a slight decrease because interest rates are going to decline and assets under management are likely to decline. The revenue will be closer to the levels in 2022 and 2023 rather than 2024, and 2025 will be decent from an asset and management perspective. I expect the Federal Reserve will continue easing in some capacity, which will show in our work. The office does not expect that assets under management should continue to increase anywhere close to the rate that they have increased in the past. They may decrease as the ARPA funds are spent. Both of those things should bring that number down slightly going forward. Historically, that process is done in advance of the December Economic Forum meeting. The Office of the State Treasurer is beginning that process now. Futures contracts will look different in 60 days.

MR. LEAVITT:

Given the size of Interest Income, I have thought about changing it to a major revenue source as opposed to having it considered by the Technical Advisory Committee on Future State Revenues (TAC).

CHAIR ROSENTHAL:

Yes, that is an agenda item today.

TREASURER CONINE:

We deeply support that work, because it brings more attention to the staff at the Office of the State Treasurer and their hard work. This interest rate model has been in use for a long time, and it will only improve as more people examine and discuss it.

CHAIR ROSENTHAL:

It appears assets in 2024 were approximately $9.0 billion and there will be a reduction resulting from the federally mandated spend of $1.4 billion. Please remind me of the deadline for expenditure of the ARPA funds.

TREASURER CONINE:

The ARPA funds must be obligated by December 31, 2024, and spent by December 31, 2026. I would clarify that “spend” means the funds must have passed out of the state’s hands. I would note that some of that requirement is statutory, but much of the rules related to the ARPA funds are determined at the federal level. With a change in administration, those rules could change. However, we expect the timing to remain the same.

CHAIR ROSENTHAL:

What are you assuming in your forecast for the 2025-27 Biennium in terms of when that $1.4 billion will be spent?

TREASURER CONINE:

The Office of the State Treasurer has been working with the Governor's Finance Office and the Fiscal Analysis Division to review each line item. We currently have a good idea of the obligations of spend. For example, we know there is approximately $380.0 million in the Homes Means Nevada program. Each of those line items has specific components to which funds have been allocated and we can get smart about cash flows within them. We begin with the larger numbers and then move to the smaller ones. As noted earlier, the smaller amounts do not have as much of an immediate impact as the larger amounts, so it is important to know the timing of the expenditures. Currently it is being forecast in a straight line—the $1.4 billion in a two-year period. We can improve that, which is why we are working through each line item. Mr. Hale and his team do similar work related to education spend, tax revenues, etc. The more closely we align with actual outcomes, the more effectively we will be at deploying the capital.

CHAIR ROSENTHAL:

Regarding the rate portion of the forecast, I assume the Office of the State Treasurer has a required investment policy. Is that mandated by the Legislature or the Office of the State Treasurer?

TREASURER CONINE:

The investment policy is set by the Board of Finance, which includes me, the State Controller, the Governor, and two public members. Generally, we are constrained by constitutional prohibitions about the type of assets we can own. That constraint is tighter with statutory constraint and that statutory constraint is tighter on policy. Most of the constraint exists at the statutory level, such as the types of assets that can be purchased, credit ratings, etc. A couple of the constraints are tighter on policy. The investment policy does not change frequently. Occasionally there will be changes when the Legislature allows the purchase of a new type of asset or removes the ability to purchase a new type of asset, which is infrequent. There also may be changes when there is a directional decision by the rest of the members of the Board of Finance and the Office of the State Treasurer.

CHAIR ROSENTHAL:

The average of the benchmark rates that are used to do the forecasts are federal Treasury rates, correct? Thus, they are very conservative and therefore low. It sounds like there is room in your investment policy to invest in things that yield higher, which results in a conservative estimate. Is that correct?

TREASURER CONINE:

That is correct.

CHAIR ROSENTHAL:

Mr. Nakamoto, when we get to Agenda Item XIV, it would be helpful if you could provide the historical forecast versus actuals for this revenue source.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

I will have that information when we reach that agenda item.

There was no further discussion on this agenda item.

VII. PRESENTATION ON NEVADA INSURANCE MARKETS.

TODD RICH (Chief Deputy Insurance Commissioner, Division of Insurance, Department of Business and Industry [B&I]):

With me today is Adam Plain, Insurance Regulation Liaison, Division of Insurance, B&I. We would like to share some details on the current Nevada insurance market and the potential impact to the insurance premium taxes. I would like to begin with a quick overview of the functions of the division and then I will review the life and health segments of the market. Mr. Plain will then discuss the growing property and casualty areas. We will try to provide our view of the market and what we are witnessing in respect to potential future trends.

The division's foundational mission is to protect Nevada consumers in their interactions with the regulated insurance companies in the state. This is achieved by ensuring that insurance companies are solvent and have the financial capability to pay claims. The agency also gets involved at an individual claim level when consumers feel they are not receiving fair treatment related to their insurance contracts. To date for calendar year 2024, the division has recovered about $7.8 million for consumers.

The division is responsible for regulating auto, home, medical malpractice, health, life, and title insurance. Additionally, the division regulates the service contract industry as well as the Nevada self-insured workers compensation model. The division is responsible for approving rates and forms. There are currently 140 domestic carriers and over 1,400 authorized carriers that operate in the state. The division examines these companies from a financial solvency and market conduct perspective. Since the COVID-19 pandemic, the division has seen a significant increase in the number of individual producers. There are currently approximately 249,000 individual producers, most of which are out of state. When they renew their licenses, a large portion of the fee goes to the General Fund. For all the market segments, it is fair to say that Nevada has a well-functioning, competitive insurance market.

The overview of the Nevada market in 2023, found on page 147 of the meeting packet, includes a ranking or percentage breakdown of where the premiums originate (Exhibit A). The largest is the health insurance piece, which has over $10.0 billion in premium revenues. That is followed by the property and casualty areas at 33.0% with $8.5 billion, and then life, accident, and non-traditional health products, which is approximately $7.1 billion and accounts for about 28.0% of the premiums in the state.

When looking at Nevada's life annuities, accident, and limited health products. Limited health products are pieces outside of traditional health coverage. For example, Aflac is considered a limited health product. Page 148 provides a breakdown from where these direct written premiums have come, going back to 2015 (Exhibit A). There have been steady increases particularly in 2021 and 2022 and then a slight decrease in 2023.

In looking at life insurance premiums written again over the last ten years or so there has been a steady increase (page 149, Exhibit A). There was a significant increase in 2022 and a slight decrease in 2023. We would estimate, in terms of life insurance, which is a big driver of this number, that as Nevada's aging population reaches a certain age, they will not seek traditional life insurance. It becomes very expensive, and they may be in a position in their life where the need is less.

The pie chart on page 150 provides an overview of health coverage by source (Exhibit A). The largest section is the group market such as employers' coverage. Medicaid is also a large segment at 25.0%. The commercial market, which the division regulates, includes the large group, small group, and individual market. The division estimates there are approximately 300,000 uninsured Nevadans. I believe our colleagues from the Silver State Health Insurance Exchange will delve more deeply into that piece.

As I mentioned, the division only regulates the fully insured market—individual, small group, and large group—however, the Insurance Premium Tax is paid from this market in addition to association health plans, which are considered small group and large group, but they do contribute to the Insurance Premium Tax. Additionally, the Medicaid managed care organization plans pay into the Insurance Premium Tax; however, the fee-for-service traditional Medicaid does not.

When looking at health insurance by lines of business—individual, group, vision, dental, etc.—there was a moderate increase from 2022 to 2023 of about 8.1%. For the Affordable Care Act (ACA) health markets, there has been a steady change in terms of individual and small group, and then into large group. There have been some retreats from the small group and the large group. That is probably due to people who are not fully insured utilizing more of the products offered by their employer.

The division is responsible for approving rate increases. Page 153 shows the actual increases of the individual and small group market since 2022 (Exhibit A). The average for the individual market is approximately 4.8% and for the small group, it is about 5.2%. The division anticipates that percentages around 5.0% will continue. The primary driver of medical inflation is pharmacy costs, which are not expected to decrease any time soon.

Page 154 discusses health carriers and average monthly premiums (Exhibit A). The Silver State Health Insurance Exchange will discuss this in further detail.

ADAM PLAIN (Insurance Regulation Liaison, Division of Insurance, B&I):

Moving on to property and casualty, page 155 shows that Nevada's property and casualty market includes an extensive list of types of business, of which automobile insurance premiums top the list by a wide margin (Exhibit A). Page 156 is a recap of the same data that was shown for the health lines. Looking at that growth year-over-year in premiums, there was a large spike in 2023, which I will discuss shortly. There has been steady growth in all the property and casualty lines over the last decade.

Moving on to page 157, auto insurance premiums is a topic of concern for many Nevadans (Exhibit A). The division has conducted some consumer outreach around insurance premiums, cost of inflation related to labor for automobile repairs, parts (original equipment manufacturer [OEM] and non-OEM parts), frequency of auto accidents, and driving habits post-pandemic. All these items have led to a large increase in risks for auto insurance, which has led to a commensurate increase in auto insurance premiums in the aggregate.

All of this funnels into the Nevada Total Premium Written graph on page 158 and the Premium Tax Collections graph on page 159 (Exhibit A). It is important to note that the Nevada premium tax on insurance products is a gross tax on direct premiums written. There is no deduction for claims paid or administrative expenses. It is reflective of the general rate of inflation on claims costs and general population growth. As more businesses relocate and more people move to Nevada, the population increases and more policies are written, and ultimately premiums and the premium tax increase. It is important to note in this premium tax collections chart that it was not always the case. A home office tax credit program was created in statute that would depress premium tax collections by a small degree, but that was capped and then phased out as of FY 2020. The chart on page 159 is reflective of overall growth in population and direct premiums written.

MR. RICH:

I wanted to mention something in respect to the medical and health insurance side. In 2023, Friday Health Plans, a health insurer, went insolvent. This is unusual and has not happened in about ten years. The division placed the company under receivership, which means the Division of Insurance brought someone in to manage the company and pay the claims. I mention this because there could potentially be an impact to the Insurance Premium Tax for the carriers that were involved because there was an assessment of about $15.0 million to health carriers in the state to help the Nevada Insurance Guaranty Association pay these claims. In accordance with *Nevada Revised Statutes* (NRS) 686C.280, the member insurers that had to pay this assessment can offset the assessment to 20.0% of the amount over the next five years. They may get an offset in their taxable base because they had to pay out this assessment.

Moving on to page 160, *Forward-Looking Topics*, the division wanted to spend some time on auto and home rates and the overall concerns the division has seen in terms of auto rates (Exhibit A). Nevada is in the top ten in terms of most expensive states. Several factors have added to this problem:

- Nevada faces challenges with insurance fraud.
- The cost of replacement parts is still expensive.
- During the COVID-19 pandemic there was a shortage of law enforcement. Bad driving habits during that time has continued and law enforcement does not have adequate staff to address minor driving issues.
- Growing cities, particularly Las Vegas and Reno, have resulted in busier roads and increasing numbers of accidents.

The role of the Division of Insurance is to approve rates before carriers can implement those rates. The rates must be adequate to ensure that carriers can pay bills and claims. The rates cannot be unfairly discriminatory or excessive. The division evaluates and approves the rates. Unfortunately, the division has had to approve some large rate increases. The division considers carrier profitability and projections, and if the rate filings are appropriate, they will be approved. The rates that have been approved this year will not go into effect until next year and the following year. The division has seen rate increases of 10.0%, 20.0%, and 25.0%. Premiums are going to increase as well as the subsequent taxes.

Regarding home insurance, Nevada is lucky because currently the state ranks about 48th in terms of cost of home insurance. Nevada does not experience a lot of catastrophes such as hurricanes, windstorms, or hailstorms. However, Nevada is prone to wildfires, which drives some of the rate increases. There is a lot of pressure on carriers to get more rate to be more profitable to ensure they can pay claims. We have seen the cost of reinsurance, which is insurance that carriers pay to manage large claims, increase drastically since 2017. It coincides with the advent of all the fires in California and the west. Consequently, these costs are passed on to consumers; therefore, there will be higher rates on the home side as well.

We are seeing cancellations and non-renewals by some of the larger home carriers. The division is working with these carriers as well as consumers to ensure they can find coverage. Although not currently a major issue, it is a concern. The division is working to find solutions for consumers.

MR. PLAIN:

The Economic Forum is tasked with doing revenue projections for the upcoming biennium, and that is somewhat dependent on what comes out of the Legislature, although that is not necessarily considered when doing these projections. One item the division wanted to put on the radar for the Forum and staff is that of service contracts.

Service contracts are regulated under Title 57 of NRS, although these contracts are not traditional insurance products. Service contracts includes things such as a warranty to fix appliances when selling/buying a home, a new car warranty, etc. While service contracts are regulated by the division under NRS, they are under more scrutiny recently. Senate Bill 436 (82nd [2023] Legislative Session) directed the Division of Insurance to do some reporting on the service contract industry and the scope, and how it is interacting with consumers. We mention this to note that the service contract industry in Nevada is looking at about $690.0 million in revenue in calendar year 2022 against $176.0 million in claims in that same calendar year, and they are statutorily exempt from the Insurance Premium Tax. If the increased scrutiny continues through the 83rd (2025) Legislative Session, this may be a topic to revisit in terms of projections in future periods.

Finally, going back to the health insurance segment, I had the pleasure of addressing the Forum in 2012 and 2014 during which time we were discussing the implementation of the ACA and its impact on health insurance premiums. The impact on health insurance premiums was unknown at that time, but everyone hoped it would lead to more people being insured. In the past decade, we have learned that the actions at the state level are having some unanticipated effects. One of those effects is the concept of federal defrayal. Through a very convoluted process, the federal government pays health insurance carriers tax credits on behalf of consumers who meet certain income thresholds. When the ACA was passed, the federal government decided it did not want a green light for states to impose new benefit mandates that would drive up premiums and increase the amount of Insurance Premium Tax credits for which the federal government is liable on behalf of consumers. There are certain safeguards in place, one of which is that if a state enacts new health insurance benefit mandates in its state-regulated market for individuals, and those mandates lead to premium increases, the state, not the federal government, is responsible for covering those costs. I understand this is an expense item rather than a revenue item, but I mention it to highlight that there are no federal rules, guidelines, or laws defining how the state should manage this responsibility. It is simply a requirement that the state must pay. It is possible that the state will have some liability for Plan Year (PY) 2025 and beyond. In the situation where the state is liable for these payments, the cost could be covered by the General Fund, or the Legislature may choose to offset the expense to health carriers, potentially through a premium tax credit program, for instance. Again, I highlight this because it may impact future Insurance Premium Tax revenue projections.

MR. CROME:

On that last point, what is the magnitude of the federal defrayal?

MR. RICH:

The division's contracted actuaries analyzed the mandate and the estimate for each plan year is potentially $2.0 million to $5.0 million. It is a pharmaceutical mandate and we do not know the prescribing habits; therefore, the division will not know until it happens. The division's role is to identify that this is a defrayal issue. How the state will cover those costs has yet to be determined. Ultimately, that would be a policy decision beyond the division's scope.

MR. CROME:

Regarding the home insurance piece, you mentioned there were a lot of cancellations, mostly due to non-renewals. Initially, I thought that was contradictory, but you helped clear it up when you said that Nevada is a low-risk environment. What is the driving factor? It sounds like carriers are potentially exiting the market. Why would that be if it is a low-risk market for home insurance carriers. If you could help me bridge those two things—Nevada is a low-risk state, yet home insurance rate premiums are increasing.

MR. RICH:

When I said that Nevada ranks 48th, I was referring to home insurance costs compared to other states. Nevada is on the very low end in terms of what consumers pay for home insurance. The cost is approximately $1,040 per year compared to some other states that are much higher. However, some carriers are concerned about being in the Nevada market if they do not get a rate increase. They are also concerned about the wildfire risk, particularly in Northern Nevada. I would note the recent Davis Creek fire was not significant in terms of homes lost compared to other wildfires. Carriers are realizing the potential risks of writing in Nevada, so the division has had discussions with many of the big carriers to share with them that Nevada has never experienced a major fire issue. I believe the most homes lost due to a wildfire in Nevada has been 40, which is minimal compared to Colorado, California, Hawaii, etc.

Although Nevada is still on the low-end of home insurance costs, the division anticipates those rates are going to increase slightly as carriers are requesting and demonstrating a need for more rate.

MR. CROME:

That was helpful. Relative to the states, that increase is still lower on an average percentage basis than it would be in another state such as Florida.

MR. RICH:

The division is approving some rate increases in the range of 10.0% to 15.0%. The division is seeing some cancellations but have found that those consumers are finding other carriers, particularly people located in the wildland urban interface areas such as Incline Village. The division anticipates that home insurance rates will increase statewide.

MR. PLAIN:

Traditionally, rate setting in the property and casualty market has been based on actuarial analytics that is backwards looking—beginning with historical data and then trending it forward. In the last five years, carriers in states such as California have determined that is an outdated method. Based on historical data, California's rates were too low because there had not been a history of large-scale fires outside of a five-to-ten-year window. We look at this in Nevada and there is still not a history of devastating fires in the state. Traditionally, homeowners and property insurance premiums for fire and wildfire risks were lower. The insurance industry is now shifting its focus to a more forward-looking approach, rather than relying on past data. Thus, they are increasingly using wildfire and risk modeling systems to assess future risks. This is not limited to Nevada and California; it is also occurring in states such as Colorado, and states where tornados and hurricanes occur. The carriers believe that a 3.0% rate increase based on historical data no longer makes sense. Instead, carriers believe they need to request higher rates due to this forward-looking approach or cancel or non-renew a large portion of its business in a concentrated geographic area because the risk is too high. Carriers have said that although the risk of a particular area being completely devastated due to a wildfire may be low, if it occurs, those carriers stand to lose multiple billions of dollars in that one small geographic area. The company’s solvency cannot absorb that cost. That is where the non-renewal/cancellation pullback is originating.

MR. GORDON:

On the auto insurance side, it sounds like similarly, there could be double digit increases in overall premiums going into the next biennium. Is that how the Forum should be thinking about it?

MR. RICH:

The division is seeing a lot of pressure on the auto insurance side. As Mr. Plain mentioned, the division analyzes historical data and the profitability of these companies. Many carriers on the auto side are losing money operating in Nevada. There are a lot of factors such as insurance fraud. Nevada is a very litigious state in terms of auto insurance. I spoke with a small insurer a couple of weeks ago and the carrier is exiting the market because it felt that Nevada was just too costly. The division saw payouts from ten years ago that averaged around $39,000; now, they are up to about $130,000. The cost of doing business in the state continues to increase due to insurance fraud and crowded highways. Insurance carriers are losing money; therefore, the division is granting rate increases in the range of 5.0% to 20.0%; although that is expected to stabilize in the next couple years. I do not think we have even seen the impact so much from the insurance tax side because many of those increases will go into effect later this year and in 2025. From the Forum's perspective, I would say there will be significant growth on the property and casualty side of the insurance tax collections.

RUSSELL COOK (Executive Director, Silver State Health Insurance Exchange [SSHIX]):

I am joined this morning by Janel Davis, Chief Operations Officer. We appreciate the opportunity to give you an overview of the state of affairs at Nevada Health Link and SSHIX.

JANEL DAVIS (Chief Operations Officer, SSHIX):

I am going to review slide 2 of the presentation (Exhibit C), which provides an overview of the Exchange's vision, mission, and values. The Exchange's vision is access to health insurance for all Nevadans, and the mission is to increase the number of insured Nevadans by facilitating the sale of health insurance. SSHIX provides and connects eligible Nevada residents to quality health care and dental care through the creation of a transparent, simplified marketplace. SSHIX is consumer-focused and innovative with diverse stakeholder involvement, which is vital to the success and implementation of the Exchange. SSHIX is also committed to creating a business-friendly environment for the simple purchase of health and dental insurance.

MR. COOK:

SSHIX is the state agency that operates the online marketplace of Nevada Health Link (www.nevadahealthlink.com). Many resources have been invested to promote awareness. The essence of the agency is to connect Nevadans who are not insured by their employer or Medicaid and who are not eligible for Medicare to comprehensive health insurance coverage as well as dental coverage; however, most enrollees are enrolled in health coverage. Nevadans can purchase ACA-qualified health plans or qualified dental plans through the Exchange, and if eligible, they can receive subsidy assistance to help reduce the cost of their monthly premiums as well as the cost of doctor visits. Nevada Health Link is the only site where Nevadans can get access to this ACA financial assistance.

I would like to emphasize that the agency is solely self-funded through an assessment on monthly premium fees for the plans that are offered through the website. No state funds are used to support operations and only very limited federal funds are used to support operations. To clarify, the reason I mention federal funds is because establishment grants were provided under the rollout of the ACA. Those funds were exhausted several years ago, and for the last five years the agency has operated solely on the fee-based revenue.

MS. DAVIS:

Slide 4 is an overview of the county-level data that represents enrollees throughout the state. Clark County is the highest county with approximately 77,000 enrollees. The next highest area is Washoe County followed by Douglas County. All the figures listed on this page are current as of October 1, 2024.

MR. COOK:

The proportional distribution of these enrollments throughout the state roughly mirrors the populations of the respective counties themselves. There is a similar reach and impact in each county throughout the state.

Regarding 2024 enrollment demographics, the figures provided on slide 5 were based upon the end of last year's open enrollment period. Open enrollment runs from November 1 through January 15. As of mid-January 2024, there was total enrollment of approximately 99,000 health plan selections, of which 52.9% were female and 46.4% were male. That does not equal 100.0% because ACA regulations allow the Exchange to enroll consumers without having the gender identifier. The ratings are the same for males and females. That is one of the benefits that was introduced with the ACA.

Regarding age breakdowns, only 14.4% of enrollees are under the age of 18; 20.0% are between the ages of 18 and 34; 33.4% are between the ages of 35 and 54; and 32.2% are 55 years of age or older.

MS. DAVIS:

Slide 6 summarizes the open enrollment metrics as of January 21, 2024, which is the end of the open enrollment period for Nevada Health Link. This is a summary of the unique enrollees with a health plan. The total enrollees after this last plan year were 99,312. In the bottom left there is a pie chart that consists of the enrollees that used assistance from either a navigator or broker as well as non-assisted enrollees. In the top right corner, it shows the average premium costs before Advanced Premium Tax Credits (APTC) as well as after the APTCs, and then a monthly average APTC. I wanted to reiterate that this includes the unique enrollees with a 2024 plan selection in either confirmed or pending status. As of January 1, 2024, consumers who terminated their policies have been removed from these counts. The average premium values are monthly averages for all enrollees. The average APTC is the monthly average for enrollees with monthly APTC that is less than $0.

MR. COOK:

Before moving on, I wanted to note a couple things about the age distribution. You may have noticed that on slide 5, there were broader buckets in terms of age range, but we report federally ten-year increments for age brackets. The largest bracket by far is 55 to 64 years of age. We refer to that as the pre-Medicare population and this population is currently about 27,500 enrollees.

I also wanted to mention that most of the enrollees in that bucket do not qualify for subsidy assistance even though that is the largest group of enrollees. We believe that reflects the quality of ACA health insurance. It is heavily emphasized that these subsidies, or premium reductions, are available, but we believe this is a strong indicator that people are attracted to the quality of these health plans and the benefits they offer even if they do not qualify for subsidies.

I would like to mention a concept regarding the actuarial values of these plans. They are divided into "medal tiers". In the top row on slide 6, to the right of the number of total enrollees, there is a breakdown—silver, expanded bronze, gold, bronze, etc. That is an indicator of the actuarial value as well as the deductible and maximum out of pocket that is associated with each of those tiers of coverage. The higher the medal level, the higher the monthly premiums, but lower deductibles, lower maximum out of pocket, and higher actuarial values. We depend upon the enrollment assister population, because over 69.0% of enrollees receive free assistance from either an agent, broker, or navigator. These assisters extremely beneficial in helping consumers understand their out-of-pocket costs; it is not just about how much the individual is paying per month but also copays and deductibles.

Next, I would like to provide a history of enrollment numbers. The first year that Nevada Health Link offered coverage was 2014—that was the first year for ACA coverage nationwide. Nevada struggled with the rollout, as did every state, and the federal marketplace of https://www.healthcare.gov/. In fact, the technology problems were so troublesome during 2014 that Nevada made the decision to move to the https://www.healthcare.gov/ marketplace—the federally facilitated marketplace—starting in PY 2015 and through PY 2019. However, Nevada Health Link retained a desire rather to re-establish a state-based marketplace for a couple reasons. The chief consideration was the cost of utilization of the federal marketplace. The Centers for Medicare and Medicaid Services (CMS) was steadily increasing the utilization fee for the marketplace. SSHIX projected in approximately 2018 that those increases would literally price Nevada Health Link out of business by about 2022. Another consideration was the flexibility that is afforded to states that run their own state-based marketplace. When a state uses the federal platform, considerations like the timing of the open enrollment period, etc. are dictated by the CMS. Being a state-based marketplace offers a great deal of flexibility in terms of being able to make those types of operational decisions, which we believe are in the best interest of Nevadans.

Moving from 2019 to 2020, it coincides with the migration from the healthcare.gov platform to the Nevada Health Link platform. There was slight erosion there with a reduction from about 83,500 to 77,000. That was not the result of any technical issues with the migration—everyone who was enrolled through healthcare.gov was transitioned to the Nevada Health Link marketplace and their coverage was automatically renewed for 2020. The erosion was largely the result of voluntary cancellations from consumers. Nevada Health Link recovered quickly and has experienced steady gains since then, reaching a high point in 2022. That was largely attributable to the introduction of expanded subsidies under ARPA, which were more recently extended under the Inflation Reduction Act of 2022. That was a big part of the puzzle, but SSHIX also attributes a significant amount of the growth between 2021 and 2022 to enhanced marketing and outreach efforts as well as significant growth in the assister community, including an increase in the number of licensed agents and brokers who offer enrollment assistance for Nevada Health Link.

The last three years have been steady, reaching a plateau of around 100,000 enrollees. To contextualize that within the statewide insured landscape, the individual market represents about 4.0% to 5.0% of the statewide insured rate. Nevada Health Link fits within that range. The 100,000 or so enrollees exist alongside Nevadans who have purchased their insurance directly from an insurance carrier to comprise the whole of that individual insurance category.

MS. DAVIS:

Slide 8 relates to the Public Health Emergency (PHE) Medicaid Unwinding. August 2024 marked the final month of Nevada's unwinding of the PHE. I would note that the Exchange collaborated closely with its partners at the Department of Health and Human Services, Division of Health Care Financing and Policy, Medicaid, and the Department of Business and Industry, Division of Insurance. Together, the agencies worked to ensure effective outreach to Nevada consumers, educating them on the unprecedented unwinding process, while also safeguarding their eligibility and preventing any loss of coverage, whether through Medicaid or the Exchange. During this timeframe, approximately 129,000 Nevadans were referred to the Exchange following a loss of Medicaid or the Children’s Health Insurance Program (CHIP) eligibility during the unwinding period, which began in May 2023. Outreach efforts involved a comprehensive campaign that included expanding the number of customer service representatives, enhancing the consumer assistance call center, and making outbound calls. Recently, the Exchange embarked on a Short Message Service (SMS) text messaging campaign to reach every impacted household with a valid phone number on file. Of the individuals who lost Medicaid or CHIP eligibility, approximately 4,900 enrolled in health insurance coverage through the Nevada Health Link marketplace.

MR. COOK:

These numbers on slide 8 represent a subset of the total number of impacted households within the unwinding period. The unwinding was related to a moratorium on Medicaid redetermination imposed by the PHE legislation enacted in 2020. If an individual qualified for Medicaid during this time, they could roll on to Medicaid. The usual periodic Medicaid redeterminations that were conducted on a scheduled basis were paused beginning in the second quarter of 2020 and resumed in May 2023. The Medicaid rolls steadily increased over those years. The purpose of the unwinding period was to work through that backlog and redetermine all these households per the standards that existed prior to the enacting of the PHE.

The 129,000 Nevadans mentioned earlier by Ms. Davis is a subset of the total number of Nevadans who lost Medicaid or CHIP eligibility during the unwinding period. The reason being, the Exchange only receives referrals from Nevada Medicaid for households that lost their eligibility due to the specific reason of an increase in income which placed their household income over the Medicaid or CHIP eligibility threshold. There are a number of other reasons why households might have lost their Medicaid eligibility, including what is known as a non-cooperation or procedural denial, meaning that the household did not provide the requested documentation, usually income verification documentation, that would have been required to complete the eligibility redetermination. Of the total number of individuals and households that lost Medicaid or CHIP eligibility, the Exchange only saw a fraction of that. Of those 129,000 that were referred to Nevada Health Link, only about 11,500 took the next step of claiming their application data and receiving an eligibility determination from the Nevada Health Link platform. Of those 11,500, only 4,900 re-enrolled. That gap between 11,500 and 4,900 is very near to a 50.0% success rate in terms of attracting those individuals who received an eligibility termination and convincing them to enroll. That indicates the website was easy to navigate and that once consumers understood their options and received their eligibility determination, they were easily able to enroll. Over 50.0% who received eligibility determinations did not enroll. When analyzing that data, we made some inferences. Of the individuals that enrolled, the net premium that those individuals were paying each month looked like an inverse bell curve. At the low end of the scale, individuals who qualified for these premium reductions were typically paying a net premium up to about $80 per month, and there was a sharp reduction after that. At the high end of the scale, a significant number of people who lost their Medicaid coverage were enrolling in unsubsidized coverage, meaning that their income had increased so much during the unwinding period that they no longer qualified for Medicaid or CHIP and their income also exceeded the eligibility threshold for premium reductions through the Exchange. That $80 number for net premium seems to be a key threshold, beyond which individuals or households who were previously covered by Medicaid but are now required to pay for their own health insurance consider it to be unaffordable.

In terms of outreach and messaging efforts, since inception, the Nevada Health Link platform has provided email and print mail notifications to consumers who are referred to the Exchange from Nevada Medicaid. The Exchange supplemented those efforts to add the direct-to-consumer outbound calls and SMS messaging. To date, the Exchange has sent approximately 80,000 SMS messages. Every household with a valid telephone number or SMS-enabled telephone number on file has received at least one message.

Slide 9 discusses PY 2025 open enrollment. This year, Nevada Health Link will be offering a total of 141 qualified health plans for sale from eight different insurance carriers. Those are the same eight insurance carriers who offered health plans during PY 2024 as well—the Exchange was able to retain all eight of the insurance carriers. Those eight carriers are offering plans at all four metal tiers—catastrophic, bronze, silver, and gold. The monthly premium increases based on the tier, but so does the actuarial value, and typically, the deductible and maximum out of pocket decreases.

The next four bullet points detail the availability of health plans at the county level. The reason there are four bullet points is because the ACA rating methodology allowed Nevada to define four separate service areas, or rating areas, throughout the state. Rating area one, which includes Clark County and Nye County, is by far the most populous rating area. That area will have 86 health plans available from seven different health carriers. Rating area two, which is Washoe County, will have 71 plans available from seven carriers. Rating area three, which comprises Douglas County, Lyon County, Storey County, and Carson City, is referred to as the quad counties rating area. It will have 46 health plans available from four different carriers. The remainder of the state, rating area four, is the rural counties. That area will have 31 plans available from two carriers.

You may be wondering why the disparity in terms of the insurance carriers and plan offerings. Insurance carriers have the option to provide plans in only a subset of the rating areas throughout the state. Many have chosen not to offer plans in the rural counties. The Exchange believes that is primarily because the demographics tend to skew a little older; the actuary analysis is slightly more complex; and it is thought of as a higher risk pool of potential enrollees.

As noted earlier, the Exchange also offers dental coverage. There will be 18 qualified dental plans available from five different dental carriers throughout the state. As far as rate increases relative to 2024 are concerned, the final average rate increase on the Exchange is 6.55%. That is weighted in terms of the current distribution of enrollments throughout the platform. Most enrollees choose a silver plan, and gold and catastrophic tiers have the lowest enrollment numbers. That value of 6.55% is weighted in terms of the proportional distribution of enrollment across those different metal tiers and plans.

As noted previously, approximately 70.0% of the plans receive the benefit of free enrollment assistance. That happens from two different populations of enrollment assisters. On the one hand, ACA regulations require the Exchange to administer a Navigator program. Navigators are essentially grantees who are paid by the Exchange through its operating budget. The term “grant funding” is from the ACA legislation; it does not refer to federal grants. Agency fee-based revenue is used for this purpose, not General Funds. There are seven Navigator organizations throughout the state who are employing a total of 40 individuals to provide free enrollment assistance. Navigators are different from agents and brokers who receive monthly commissions; these grantees are paid by the Exchange to offer free enrollment assistance. Navigators are located in a variety of community partners throughout the state, primarily community health centers. They help the Exchange develop printed materials as well as to provide in-person assistance in a variety of languages. For example, the Exchange has a longstanding partnership with the Asian Community Development Center in Las Vegas, which provides printed resources and enrollment assistance in Tagalog, Korean, Mandarin, Chinese, Vietnamese, etc. The Exchange also has a Navigator presence at the Mexican Consulate in Las Vegas. Free enrollment assistance on a walk-in basis is provided at the consulate. The Exchange also has an extensive agent and broker community. Almost 900 agents and brokers are going to be licensed to offer enrollment assistance for PY 2025. Within that population, each year the Exchange singles out 8 broker awardees for the Preferred Broker program. These selections are based not only on exemplary performance but also on the Exchange's effort to identify emerging brokers, those new to the field, who are located in rural areas of the state. For instance, Reisa Nolte, who is a broker who works and lives in the Elko area. This is the first time the Exchange has been able to partner with a broker in that area. The awardees have a $10,000 budget every year with which they can use to promote their business, this in turn promotes awareness of Nevada Health Link. Ms. Nolte was able to get a billboard on Interstate 80. I had the pleasure of being in Elko last week for a community partnership event. I heard extensive and positive feedback from the community about how excited they were, and apparently this has been quite a boon to Ms. Nolte’s business as well.

These are just a few examples of the Exchange’s community outreach efforts aimed at establishing partnerships throughout the state that can help promote awareness of the Nevada Health Link marketplace.

MS. DAVIS:

Slide 10 is an overview of Nevada's uninsured landscape. I want to preface that this is somewhat outdated information from prior to the COVID-19 pandemic, but it still provides helpful insight into the uninsured landscape in the state. Before the ACA, depending on what you read, the uninsured rate in Nevada was around 24.0% to 26.0%. After the ACA and the marketplace in the state, that rate decreased to between 10.0% and 12.0%, and the situation changed slightly after the pandemic. The Exchange relied heavily on the Guinn Center for Policy Priorities, which conducted a study that showed an estimated 350,000 to 400,000, or nearly 14.0%, of Nevadans were uninsured. Of those uninsured, 37.0% were thought to be eligible for Medicaid or CHIP; 19.0% (around 77,000) were thought to be eligible for the Exchange with the assistance of subsidies; 12.0% were thought to be ineligible for Exchange financial assistance because they had affordable employer-sponsored insurance; 27.0% were ineligible for Medicaid or Exchange due to immigration status; and 5.0% were ineligible for financial assistance because they were over 400.0% of the federal poverty level, which is where the subsidy assistance ends. Subsidy assistance is available between 138.0% and 400.0% of the federal poverty level. However, these consumers may now qualify for the subsidies due to the ARPA increases.

The Exchange is considering conducting further research to update the data; however, I would note the Exchange uses the U.S. Census Bureau, which recently conducted an uninsured study. Based on that study, the current uninsured rate was reported at 11.6%.

MR. COOK:

Despite the difficulties that the pandemic has presented to other sectors of the economy, health insurance is one of the only sectors where business increased throughout the pandemic period. That was largely attributable to the expanded subsidies made available under ARPA and later under the Inflation Reduction Act of 2022. Those subsidies are currently scheduled to expire at the end of 2025. I did not want to end on a grim note but it is important to note that while there has been positive progress in reducing the statewide uninsured rate over the past few years—especially with the moratorium on Medicaid redeterminations playing a significant role—there is concern that the combined effects of the unwinding of the PHE and the potential expiration of the expanded ARPA and Inflation Reduction Act of 2022 subsidies could reverse this progress in the coming years.

Chair Rosenthal called a recess at 12:32 p.m. The meeting reconvened at 1:04 p.m.

IX. PRESENTATION ON THE SOUTHERN NEVADA ECONOMIC, CONSTRUCTION, AND HOUSING OUTLOOK.

JOHN RESTREPO (Principal, RCG Economics):

As economists focused on the labor markets and economic development, we love the motto, "Economics is extremely useful as a form of employment for economists." The other one I like is, "If you think amateur economists are dangerous, please do not listen to a professional economist."

I will begin with a brief overview of the United States economy, then on to discuss the Southern Nevada economy, and the real estate and land issue (page 163, Exhibit A).

CAMERON BELT (Senior Economist and Research Director, RCG Economics)

We wanted to provide some interesting insights at the macro–United States economic level to underscore some different themes throughout the presentation and hopefully highlight some things that have not been brought up throughout the rest of the day.

At the macro level, one of the things that is gaining interest is the divergence between Gross Domestic Product (GDP) and Gross Domestic Income (GDI). These two measures should track 1:1. It is two sides of the same equation—GDP is spending and GDI is income—you cannot spend more than you make. In reality, the numbers are showing some different scenarios right now. As of quarter two, the gap is not quite as big. The GDI is growing year-over-year at a slower rate than the GDP, and that raised some flags. Again, these numbers do get revised. They are from different types of surveys so there is always some bias; however, this is the first time we are seeing this big of a difference. It is also the longest time that we have seen a divergence between the levels of both the GDP and the GDI. The GDI has been below the GDP since the beginning of 2023, which does not happen very often, and it has not happened ever for this prolonged period. It is raising some questions to which there are a lot of different answers, but one of them is, debt possibly has more at play than expected.

Another topic that is not discussed much is the cumulative impact of inflation over time. Normally, we look at the CPI year-over-year, and in recent months, it has decreased from a large peak. I like to present it in a different way, which looks at the cumulative impact on prices from a base year to current time. From January 2021 until now, gasoline is up 35.0%, food is up 21.0%, and all items are up 19.0%, core prices in general are up 18.0%; however, average weekly earnings are only up 16.0%. There has been an increase in prices that has been cumulative over time; we hear it is decelerating, but the fact of the matter is that wages have been held back compared to prices. That plays into the GDP and GDI. Prices are increasing so on the surface we are seeing an increase in that activity, but we might not be seeing it at the household level. I would like to point out that for the past few years, median household income in the United States has decreased for three consecutive years, marking the first time in a long while there has been such a consistent decline. However, the most recent estimates for 2023 show a gain, which is great. That said, we are essentially back to where we were in 2019. It is nice to recover some of those losses, but we are still at the same level as a few years ago.

By the same token, we have seen household debt come back to where it was before, and savings, after declining to less than 2.0% in the middle of 2022, finally increased to 5.2%. Recently, wages have been stagnant, debt has been up, and savings has been down. At a macro level, those are the three things I like to examine. Those are three things to be aware of as we are thinking about this and as it ties into Nevada overall.

MR. RESTREPO:

The reason this is important is because we all know that in Southern Nevada particularly, it is still largely driven by discretionary spending by visitors. We export our product, and the visitors spend it in Nevada. When those visitors are feeling a little concerned about purchasing power, it impacts the state's economic activity. We always want to set the stage on the local economy by what is happening at the national level because we are dependent on the kindness of strangers coming here and spending their money.

On the Southern Nevada front—Las Vegas MSA, Clark County—the employment numbers are currently showing 1,200,000 jobs and an unemployment rate of 3.7%. The effects of the pandemic are evident, but if we went further back, you would see the real collapse after the Great Recession. Nevada is beginning to stabilize–the unemployment rate is holding steady, and the job numbers are growing at a decent pace. Annual job growth of 3.7% is respectable. We expect to maintain this momentum through 2025, but beyond that, the outlook is uncertain. Nevada's economy is performing relatively well, largely because the American consumer is doing okay. Despite rising costs, people are still spending, and there continues to be strong economic activity at the national level.

The chart titled, *LV MSA Wages: Since 2014 Nominal Up 47%, Real Up Just 7%* on slide 11 is very important. The dark blue line represents nominal wage growth, and the red line represents wages after adjusting for inflation. We are at $662 a week after adjusting for inflation, $1,000 before adjusting for inflation. I believe this number is equivalent to the level in 2010 or 2011. The wage growth is still stagnant, which causes a challenge with the cost of housing and other things. One of the biggest concerns for Southern Nevada right now is the wage issue.

The chart titled, *Clark County Taxable Retail Sales July 2024: -4.4% YoY, Real -6.9%* is provided because it relates to economic activity, consumer spending, etc. Recently, we have begun adjusting taxable retail sales by inflation—the purchasing power of the dollar. When the state looks at taxable retail sales, it should be looking at the nominal amount, which is the dark line, but also the spending power of that dollar, which is the red line. You can see there is a divergence at this point, which is not unique to Nevada. It is recommended to look at these fiscal numbers on an inflation adjusted basis when possible and when appropriate.

Gaming win is doing well. There have been historical numbers in the last couple of years, but when adjusting for inflation, it is not all that dramatically different from August 2014. The big collapse was the closing of the resort industry during the pandemic. Again, the purchasing power of these dollars are losing some of their strength.

Moving on to the real estate side, we depend on data from Home Builders Research. The median housing price of a new home in Las Vegas, at the end of August 2024, was $500,000. The median price of an existing home was $416,000, and the blended number between those two is about $436,000. The housing market is still growing in terms of housing prices, which is good for the seller but not the buyer. It has started to stabilize. New home prices have increased by 30.0% since 2020, existing homes have increased by about 40.0%, and the weighted average is about 38.0%.

The *Monthly Home Closings, 8/08-8/24: LV MSA* chart is a companion to the *SA Median Home Price: LV MSA* chart. The chart reflects home closings—amount of actual sales per month. The red line represents total home sales—there were about 3,500 home sales in August 2024, of which 874 were new homes and 2,700 were existing homes, because the inventory is much larger. There is a shortage of housing across the valley in terms of construction, which is causing prices to increase, along with a variety of other reasons. The chart shows the volume of activity absorption rates since 2020. Total home sales were down by 25.0%, existing homes were down by 5.0%, and new homes were down by 29.0%. It is not a function of affordability, more than anything. That is why the apartment market has grown over the last few years; that is what we are seeing in terms of a housing activity compared to apartments.

We analyze the Case-Shiller Home Price Index to see where Nevada stands on housing prices. The index is a little complex, but essentially Nevada is performing better than the United States average in terms of a housing cost index, which is good news. Compared to some of these national indicators, Nevada prices are better than others in terms of the affordability index.

The former Housing Opportunity Index is now referred to as the Housing Cost Index. The Housing Cost Index is developed by the National Association of Home Builders and Wells Fargo. The Housing Cost Index for Las Vegas is a bit higher compared to the United State average. The Housing Cost Index represents a share of the typical family's income needed to make a mortgage payment on a median priced home. It is at 38.0% in the United States and 40.0% in Nevada. We are getting mixed numbers, because on one hand, the Case-Shiller Home Price Index says Nevada is performing better than the national average, but looking at the Housing Cost Index, Nevada is performing worse than the national average in terms of affordability. It is even a little tougher in the Reno market.

Mortgage rates are finally trending down—most recently, 6.2%. Interest rates peaked at about 7.5%. They were much lower prior to the ramp up of all the liquidity that was put into the system that caused interest rates to increase. The Federal Reserve got involved to cool off the economy. The result of that is higher interest rates, which cooled off the housing market. That was not necessarily bad because the housing inventory was low due to lack of construction nationwide. The housing affordability issue is not limited to interest rates, but also lack of inventory for a variety of reasons—the pandemic, land issues, construction costs, etc.

I would note the Federal Reserve will likely decrease interest rates a couple more times before the end of the year, probably 25 basis points. That seems to be the consensus. The Federal Reserve is monitoring things very carefully to see where the economy is heading nationally.

The data shown on the *LV MSA Apartment Vacancy Index* chart is obtained from Apartment List (Exhibit A), which has good information. This index is an average of all vacancies at the property level; it is weighted by the number of units in each property. In Las Vegas MSA, the index was 6.3% vacancy rate at the end of September 2024, and 6.7% at the national level. Essentially, there is full occupancy—vacancy rates between 5.0% and 6.0% are basically considered full occupancy. There are not a lot of units available to absorb. There has been a cooling off of rents—more apartment complexes are offering move-in deals.

It is the same situation with overall rents—the *Overall Apartment Monthly Rent, 9/17-9/24* chart shows the average monthly rent in the United States versus the Las Vegas MSA. It compares the monthly average rents between September 2017 to September 2024. The average monthly rent in the Las Vegas area is about $1,500 a month, and it is about $1,400 at the national level. There has been a little divergence between those rents, but they are flattening out slightly in both the United States and Nevada. It is uncertain when rents will return to the $1,000 to $1,100 per month rate; I do not think it will be anytime soon, but at least rents are stabilizing.

The chart titled, *LV MSA Median Monthly Apartment Rents. 1 & 2-BR Units: October 2024* shows rents broken down by each of the valley's jurisdictions and one bedroom versus two bedroom. Currently, Henderson is clearly the most expensive rental market in the valley. The first three groupings combine to make the unincorporated Clark County average, which is in the middle, and then Las Vegas and North Las Vegas are to the right. That is a snapshot as of October 2024.

The *LV MSA Jurisdictions Y/Y Median Rent Growth: October 2023 – October 2024* chart shows the overall rent growth over the past year. North Las Vegas has had the highest rate of rent growth; the other ones are flattening out. I think the prices in North Las Vegas were a little less expensive so there was the most appreciation in terms of rent—people began moving into that area due to pricing.

Vacancy rates in the industrial and office market are used as indicators of the health of the economy and to a certain extent, the rate of economic development and economic diversification. The office market remains incredibly weak. Recently, while speaking with office brokers at a conference, I learned that the office market is weak nationally. There was a 12.0% vacancy rate at the end of the second quarter, and no indication that will change soon.

We are seeing an increase in the industrial vacancy rate, which is one of the key indicators we monitor from an economic diversification perspective. The industrial vacancy rate has increased to 6.0%, which is relatively full, but it is starting to increase. Currently, there is a limited supply of quality space available, and there is some building obsolescence driving some of the vacancy rate based on the remaining available space. However, the market remains overall healthy.

Moving on to office and industrial monthly rent—rents are a quarter per square foot, per month. Office is up at $2.64 but is has not changed drastically over the last few years. The rent in the industrial market is moving along at a decent pace, but industrial brokers are expecting a significant increase in rents over the next year. This is driven by growing demand from users entering Southern Nevada, particularly for large, big-box logistics centers. There is not as much on the manufacturing front yet, but it is progressing in that regard.

Over the last few years, we have conducted a number of studies for the National Association for Industrial and Office Properties (NAIOP), GOED, and more recently the Nevada Department of Transportation, under a consulting contract with another engineering firm. The studies have been to evaluate the land availability issue, because there is a severe shortage of developable land in Southern Nevada. Currently, there is a disconnect between the demand for land within the timeframes that developers and users need and when land will become available through the federal government. This is influenced by the lengthy process of land release, as well as pending legislation in Congress, including Senator Catherine Cortez Masto's land bill.

The map on the page titled, *LV MSA Limited Land Availability is Threatening Economic Growth*, is from a study that was conducted for GOED a couple years ago (Exhibit A). The dark blue places indicate the remaining vacant land parcels. At that time, there was only about 16,000 acres of developable land, in parcels of 20 acres or more with a slope no more than 7.0%. The reason for the 7.0% maximum slope is because it is difficult to build for large scale industrial warehouse distribution and logistics uses if the slope is beyond 7.0%. When we started narrowing it down by those parameters, there was not much land available in the Las Vegas Valley. This does not include the potential land that would be made available in other locations. I would note that these are parcels that will be ready within the next five to ten years.

We used a filtering system to identify all these parcels. We used a sophisticated modeling system to look at these parcels, after which we assigned points and tiers to the parcels based on certain factors. The tier levels are noted on the left side of page 190 (Exhibit A). The ranking criteria helped to determine the most developable parcels and more desirable parcels for end users—for companies and developers coming to Southern Nevada.

We did the study at the end of 2021 for GOED. We learned from the study that of those 16,000 acres, only 5,000 acres were in the preferred areas—Tier 1 and Tier 2. The majority of the parcels were in less desirable areas. Approximately 10,000 acres were in Tier 3 and about 1,200 acres were in Tier 4. These areas were less desirable because they were further out, not near housing or services, etc. The most concerning part is that there were no Tier 1 areas of any size. These are areas that are considered the best sites, areas with utilities, freeway and/or rail access, proximity to infrastructure, etc. Nothing that could accommodate a business such as Tesla or another large-scale user. This information was provided to Senator Catherine Cortez Masto's office, and I think it had a slight impact on her lands bill. Subsequently, we conducted a study for GOED that considered many factors in all the land down to Primm and Sloan and to the California border. The land situation is a little better in those areas, if that land is made available in a reasonable amount of time. However, it is unknown when the airport will be available and when the lands bill will be finalized. As I mentioned earlier, there is a disconnect between the demand for land within the timeframes that developers and users need and when land will become available through the federal government. This is concerning in terms of moving toward a more sustainable economy.

MR. BELT:

Earlier this year we conducted an exercise to categorize all the land that is available throughout the Las Vegas Valley. Through a partnership with the University of Nevada, Las Vegas Lied Center for Real Estate, we can visualize the amount of developable vacant land going back to 1980. This is primarily focused on vacant, privately held developable land. Anything that is in white on the maps on the page titled, *LV Valley Vacant, Developable Land: 1980 & 2024*, is either already developed land or federally owned or municipally owned land (Exhibit A). The white indicates land that is available to be developed by the private sector and has low enough slope for construction purposes. From 1980 to 2024 there was a dramatic difference—dramatic growth over the last 40 years. It is real—there is not much available land where development can occur. This constraint is continuing to put pressures on home construction and commercial development. The land issue is a real one that impacts multiple areas of the economy.

MR. RESTREPO:

I want to re-emphasize that the reason this information is important is because it ultimately impacts the fiscal state of Nevada in terms of revenue flows. The resort industry is doing well, and professional sports has also become critical to the state. However, clients in the commercial development and non-real estate industries have expressed concerns about the ability to sustain Nevada's economy to generate revenue needed by state and local governments to provide services. One aspect we have been examining, which is not necessarily a constraint in terms of physical or economic factors, is the state's regulatory framework. Along with other issues discussed today, factors such as zoning, business occupancy, licensing, etc. are also standing in the way of progress toward a more resilient economy. We are always evaluating these barriers to entry because addressing them is crucial for the state's prosperity. It is essential to ensure that the revenue base continues to grow.

MR. BELT:

There are five things currently on our minds at RCG, the first of which is the land supply issue, which is a real barrier that we can put real numbers behind. We can see the absorption happening on a yearly basis, and we know there is a fixed point. Because of that, it gains a lot of attention, and it is a significant concern. The next issue is wages and income. While we have seen growth overall in terms of nominal, that flattening out in the real basis is a concern. It is something to be aware of at least because that functions into everything that we have for Nevada residents. As we discussed earlier, the Case-Shiller Home Price Index shows that the Las Vegas MSA is less expensive compared to top 20 metros. That means that everybody coming from everywhere else can obtain housing for less money, but for those who live here, the cost of housing index is much higher than the rest of the United States.

The next issue we call "diversity of double down." We talk about economic diversification in terms of new sectors, but the question becomes whether to double down on a certain sector with more support. For example, when it comes to entertainment, should that be supplemented with more gaming related toward that, or is it health care that is toward sports and entertainment, or is it entirely new industries that do not really exist in Southern Nevada? It is one thing to take something from zero to one, and it is another to take what currently exists within the market and find ways to help offshoot for that as well—we call that doubling down to some extent.

MR. RESTREPO:

I forgot to mention this earlier, which is key to all of this, but what is the ultimate impact of artificial intelligence (AI) and automation to the job base in Southern Nevada and Nevada in general? Some studies that were conducted before the COVID-19 pandemic indicated that the Las Vegas MSA was one of the economy's most susceptible to losing jobs because of AI and automation—up to 65.0% of jobs that existed in 2019 will be lost by 2035. If we assume that is an exaggeration, and it is only 30.0%, it is still a significant disruption in the job markets due to AI, automation, and robotics. Ultimately, we will adjust, and people will get retrained and work alongside AI and robotics, but there will be some level of disruption in the state's economy as well as the United States' economy. Keep in mind that also could have a significant effect, at least in the short to intermediate terms as it spreads. We are concerned about these studies that show that Southern Nevada is one of the most vulnerable economies. All of this is influenced by AI—who knew it would grow so quickly and start taking over the world?

MR. BELT:

That is a perfect segue into the next point, regulations and the cost of doing business. With AI, there have been dramatic changes in how things get done. Regulations and regulatory environments are necessarily fixed in point, which can hinder resilience. As things evolve, some barriers that were originally well-intentioned and grounded in history may no longer be relevant moving forward. It is important to understand how these barriers interact with new advancements, and we must remain aware of this dynamic. As mentioned earlier, resilience is critical to our ability to make the most of our resources, such as our land, which is affected by zoning laws, and our minds, which relates to new business models and new ways of doing business. We need a regulatory environment that fosters innovation rather than hindering it. If we do not create that environment, other states will potentially attract growth, entrepreneurs, and new businesses.

We would like to end on one final bit of word on economics: "The function of economic forecasting is not to predict the future but to tell you what you need to know to make meaningful actions in the present" (Peter F. Drucker). It is not about getting everything right, but about being aware of what matters and recognizing the threats to those areas and where those challenges may lead.

MR. LEAVITT:

You provided a lot of interesting information. As you know, when we do the projections, we do them by individual taxes and such. If you were going to give the Forum advice on how to view the general economy for the next 30 months, what would you say?

MR. RESTREPO:

We do not know what to expect with the upcoming election. In a recent Wall Street Journal article, it said that 68.0% of the economists interviewed said that Donald Trump's economic plan or strategy would create incredible amounts of inflation. Mr. Trump is already talking about 1,000% tariffs, which is concerning for the economy; however, he says a lot of things that he does not follow through on so those tariffs may never come to fruition. We do not anticipate a downturn in the economy per se, but we do see a slowing down until inflation is controlled and wages catch up. Something that Americans do not speak about as much—notice how the savings decreased. Americans love to spend money—everyone agrees on that no matter where they are politically. Let us take on more debt, but that takes away from investment as well. I think Nevada will experience growth in the state GDP of 2.0% to 3.0% over the next 30 months. It will be less on wage growth, but it will be slow and steady growth. Again, barring anything crazy like an expansion of the war in Ukraine or other international issues.

MR. BELT:

One line item that comes to my mind is the slowing of the gaming win percentage. Any taxes that come along directly with gaming win may slow down compared to previous estimates. We might see that relaxing a little and I do know there are other entities here that are forecasting slowed growth on gaming win. That does not mean that the Las Vegas Strip overall is underperforming. Obviously, the LET could increase and things along those lines. However, I think gaming win will experience some moderation. I would say be conservative with any related estimates.

MR. RESTREPO:

It is all the question of discretionary spending.

MR. GORDON:

I was thinking about some of the trends you noted in the housing market and the commercial real estate markets. You mentioned that on the housing side, inventory is still tight, and prices have held their ground for several reasons. Please provide feedback on expectations going forward if we wanted to think about the value of property being transacted between residential and commercial.

MR. RESTREPO:

We are weighing the issue of demand for real estate in Southern Nevada, which remains strong. One of the greatest advantages of being next to California is the overflow of that economic activity. Southern Nevada and Nevada in general are in a great place in terms of location as a state and as a region. The issue of land availability is critical, and to a certain extent, that perception of the water issue. Nevada does well in managing its water resources, but the water level in Lake Mead is still decreasing.

I think there will be a slowdown in the commercial real estate markets, primarily because of the land issue and the cost of labor. At a recent NAIOP conference, I had an interesting conversation with a developer from California who had done a lot of work in Southern Nevada over many years. The developer said it was the first time they had seen that it is more expensive to develop commercial real estate in Southern Nevada than in Southern California because of construction costs, but more so because of labor and land costs. Southern Nevada is more expensive land wise then the Inland Empire, for example, for industrial land. Thus, I think we are going to see a slowdown in some of that demand because of costs and uncertainty related to interest rates and global events. We are already starting to see a slight downward trend in terms of demand and a slight upward trend on the vacancy side.

MS. LEWIS:

I spend most of my time thinking about land, so I appreciate hearing a discussion on the topic. Sometimes, I feel I have a little complex because my specialty is the Real Property Transfer Tax. That is such a minor tax compared to the sales tax and other revenue streams. However, with land, that will trigger investment in manufacturing, which will trigger sales tax with the housing. As it becomes more expensive to house people, it will start triggering problems with employment because people will not relocate to Nevada if they can go to Arizona and hire staff for lower wages and they can live better. I think land is somewhat an underpinning of the whole valley. What I have also seen is a push between residential and industrial—I have never seen industrial land more expensive than residential land. That is unprecedented. Historically, industrial land is in the middle of nowhere and a little scary. Now, industrial land is prime land in places like west Henderson and different markets. To me, it is crucial to think about how that is all going to marry up when we do the Real Property Transfer Tax projections.

Regarding rent, back in 2020, during the pandemic, many outside investors purchased mom-and-pop properties and raised rents, which led to a range of issues. Now that rents are beginning to decrease and concessions are being offered, these investors are losing some of those projects. As a result, we can expect some of them to come back through the Real Property Transfer Tax. However, it is always difficult to predict how it will play out. It makes me happy to know that land underpin most of the economy.

MR. RESTREPO:

It is interesting that for the first time in my history here, the commercial developers are not complaining about losing land to the home builders. It is a challenge, but it could be mitigated somewhat. One thing we have discussed with our clients in the public sector is visiting the municipal areas' zoning regulations and laws to see if there are barriers to making more infield development more feasible, desirable, and acceptable. If there are not going to be many large parcels on the outskirts, the question is what can be done to redevelop retail centers and similar properties using the regulatory structure to encourage development and make it easier for both residential and commercial developers to do more within the urban core.

MS. LEWIS:

I agree, and I think the timeframes are a key factor. When someone is holding land for three years, the only party benefiting is the lender. The value is not being added to the new homebuyer, industrial user, or manufacturer; instead, it is going to the lender. This could be more of a policy issue, separate from the Economic Forum.

MR. RESTREPO:

Sometimes we forget that housing affordability is a component of economic development. It is a factor that companies consider when moving into an area—they look at the labor force, cost of living, utilities, land costs, and other factors; however, housing costs for potential employees is a significant deciding factor. Housing affordability is key to economic resilience and economic development as well.

There was no further discussion on this agenda item.

X. PRESENTATION ON THE NORTHERN NEVADA ECONOMIC, CONSTRUCTION, AND HOUSING OUTLOOK.

BRIAN BONNENFANT (Project Manager, Center for Regional Studies, UNR):

I am going to discuss growth, housing, and income wage (page 199, Exhibit A). I am not going to talk about the more traditional economic indicators because I think that is provided to the Forum from experts at the state agencies.

I am going to begin with population growth. I am using this as a premise into the overall presentation because the two official sources of population growth and estimates are the State Demographer and the U.S. Census Bureau, both of which have very divergent methodologies and sources, but combined they do an excellent job explaining economic and demographic trends in the region.

The blue columns on the chart titled, *New Population Washoe County*, represent data from the State Demographer. The State Demographer estimated that over the last three years, Nevada grew by 35,000 people just in Washoe County. According to the U.S. Census Bureau, Washoe County only grew 10,000. You see that over the last three years there is a disconnect so we are going to evaluate these methods and sources to determine the reason.

The State Demographer population data is based on jobs and housing units. The chart titled, *2023-2024 Employment Change by Industry, Reno-Sparks MSA (CYTD thru August)*, shows jobs data in the Reno-Sparks MSA through August. The Reno-Sparks MSA includes the Tahoe-Reno Industrial Center (TRIC). Through August, the Reno-Sparks area is up approximately 6,300 jobs compared to the same period last year—in 2023, the Reno-Sparks area was up 5,700 jobs. Interest rates had a lot to do with those figures. That still supports the population number of 7,000 that the State Demographer reported in 2023. Prior to that, there was a clawback of jobs from the pandemic. During the "Tesla" years between 2014 and 2019, there was an average of 8,700 new jobs per year in the Reno-Sparks MSA.

Regarding the Current Employment Statistics data, as you have been hearing throughout the year, the current employment survey is revised often as it gets backed up with that cover employment from the QCEW data.

The top areas of growth in the Reno-Sparks MSA include the following industries: leisure and hospitality, construction, government, and education and health services. Those are regional and national growth trends in those sectors. Another trend in the Reno-Sparks MSA as well as nationally is a decrease in the professional and business services sector, which grew during the pandemic because of the need for temporary staffing. There are also some linkages with professional business services within the technology industry that continue to experience layoffs.

The data will get revised when the first quarter of 2024 QCEW data is available—that is the most recent data. In the Reno-Sparks MSA, only 950 jobs are showing over the first quarter in 2023, so we are seeing some real numbers pull back on that QCEW side. In the second quarter, we saw surprising numbers in the manufacturing sector, because Tesla laid off 700 employees at the Gigafactory in Storey County in June 2024.

The other side of the State Demographer population estimate methodology is related to housing units. The chart titled *New Residential Construction Washoe County* shows the number of housing units added to the Washoe County tax rolls according to the county assessor. Single family units are represented in blue and multifamily units are represented in red. In 2023, Washoe County nearly surpassed the 2005 mark of almost 6,000 new single-family units added to the tax roll, so 2023 was a banner year, which solidly supports the State Demographer's population estimate in 2023.

Prior to the Great Recession, there was a 15-year run of adding over 2,000 single family homes. We reached that in 2018, and then when interest rates were raised in 2022, the number of single-family homes dropped below the 2,000 mark. That gap continues to be filled by multifamily units. The juggle between single family and multifamily units is about the mortgage rate. That 6.0% is the key number as we see who is going to move into higher permitting—single family or multifamily. We are still tracking almost 6,000 multifamily units under construction in the area. We are going to continue to see a lot of that inventory and that product come in even though permits are down.

The U.S. Census Bureau uses natural growth plus migration—births minus deaths plus migration—to determine population estimates. The chart titled, *Natural Growth Trends Washoe County*, shows birth rates in Washoe County represented in blue. There have been more deaths in Washoe County. In 2022, with the increase in deaths from the pandemic, Washoe County organically grew by only 22 people. The new paradigm for many locations, especially rural counties, and even developing countries, is that birth rates are decreasing, deaths are increasing, and there is very low if not negative natural growth. Rural communities and developing countries rely on in-migration for growth. The chart titled, *Net Migration to Washoe County*, shows the upward trend in 2014 because of Tesla and the influx of jobs. The county reached approximately 6,000 per year in net migration. Currently, Washoe County is down to 372 in 2023 according to the U.S. Census Bureau. It should be taken as a warning that there is much less movement on a net into Washoe County.

As shown in the chart titled, *2023 Net Migration by Nevada County*, the U.S. Census Bureau gave Washoe County a net negative domestic migration of 241 in 2023. That probably has not happened since 1960 when the Stead Air Force Base was closed, so this is another new paradigm for the area. This indicates that the cost of living is so high that people can no longer afford to live in Washoe County. Consequently, there is a net leave out of the county. Much of the population growth in Washoe County was from foreign in-migration as noted in the second column. The other Northern Nevada counties—Carson City, Douglas County, Churchill County—are all doing well with net migration. Lyon County was above Washoe County with 1,188 in domestic migration. That shows the affordability as people are moving to Fernley and Dayton to get away from the high cost of housing and even gasoline in the Reno-Sparks area.

The chart titled, *In-Migration by Age Range*, shows that the Washoe County population is growing with 18- to 39-year-olds. They represent 53.0% of the incoming population, whereas in the United States population, they only represent 30.0%. Washoe County is poaching from other areas for those age ranges. It is very beneficial for the economy and the communities to have that labor force and homebuyers coming into the area.

There is also a decent number of people over the age of 65 moving into Washoe County, but they only represent 10.0% of in-migration in the county compared to 80.0% of the United States' population. That age group is underrepresented in Washoe County. Although there is good weather, there is snow as well as smoke from wildfires, so retirement age has not been the age range for in-migration in Washoe County.

Back to natural growth, there has been an increase in deaths. Consequently, only three counties in the United States organically grew in 2023, with Elko County barely meeting that mark. The counties in red on the chart titled, *2023 Population Change by Nevada County*, had a decrease in population due to the median age in those counties. This is going to be an ongoing issue as baby boomers become older. The number of births minus the number of deaths equal migration. In 2023, ten counties grew according to the U.S. Census Bureau. This is where the wheels fall off with the U.S. Census Bureau methodology—the rural Nevada counties and within the industries of mining and associated industries. What is the definition of a resident in those areas? Many of the residents in those counties in the rural areas are on wheels. That is a very hard task for the state and the U.S. Census Bureau to monitor and understand the population in the rural areas. I know the State Demographer and the county assessors struggle with this every year. There is transient labor within the rural counties—they buy gas and groceries, visit bars and restaurants, and pay for lodging. Looking at these two different methodologies, one is 10,000 and one is 35,000. The State Demographer's methods are more empirical—housing units and jobs are empirical data. However, the U.S. Census Bureau data is heavily based on surveys, which have been especially difficult to conduct since the pandemic. The Bureau of Labor Statistics reports that the unemployment survey response rate was 60.0% pre-pandemic and post-pandemic it is 30.0%. The 2020 decennial census conducted by the U.S. Census Bureau was not fully released due to the lack of confidence in the sample size.

The chart titled *New Home Sales Activity Washoe County* shows home sales by month for the last five years. Home sales in 2024 through August are slightly higher than 2023. Approximately 107 new single-family homes were sold compared to 102 in 2023. The median values are represented in red. Since the mortgage rates increased in 2022, the median price has increased significantly. When normalized with the size of the structure, the cost per square foot between August and now is $281. The lowest red dot, January 2024, was $274 per square foot compared to the highest red dot, July 2023, at $280 per square foot. The builders are keeping these prices in check—not a lot of variation. The volatile red line is affected by whether people are purchasing large or small homes.

The chart titled *Number of Single Family Permits Issued Monthly* is through August 2024. From January through August 2024, single-family permits are up 21.0% compared to a 24.0% decrease in 2023. There is a lot of optimism from the builders due to increased demand. We estimate 2025 to be about the same as the 2024; however, it depends on how the mortgage rates are adjusted by the Federal Reserve.

The chart titled *Existing Home Sales Activity Washoe County* shows the existing home sales market. The sales volumes are slightly higher in 2024 through September compared to 2023. However, on the median values, the prices are increasing when normalized with the size of the house. In September 2024, the median price was $329 per square foot. In July 2024, which was the highest point in the last year, it was $322 per square foot, and then the lowest point was January 2024 at $295 per square foot. Existing homes in the Washoe County area are about $50 more per square foot than a new single-family product.

The chart titled, *Existing Home Price Trends Greater Reno-Sparks*, looks at quarterly median values and just existing homes in the Greater Reno-Sparks area since 2001. The blue line represents the average annual appreciation rate in the 1990s, which is a very solid, non-volatile decade of home appreciation, and that was a 3.8% average annual appreciation rate. Between 2001 and now, the average annual appreciation rate in the third quarter of 2024 is 4.8%. Between 2012 and the pandemic, the average annual appreciation rate of housing was 11.0% per year for those many years. From the pandemic to mid-2022, as mortgage rates increased, it jumped to a 22.0% average annual appreciation rate. Since the rise in mortgage rates, seasonal patterns are more erratic, and the mortgage rates are expected to affect property values. We are hoping for a moderate 4.0% to 6.0% per year in average appreciation. The last four quarters in the area have been exactly that—between 4.9% and 6.3%. We like the 4.0% to 6.0% range because that is how income and wages grow. However, housing prices are not hostage to wages and income—they are very much about supply and demand. With mortgage rates lessening, the race will be between buyers and sellers—who is going to lead that race? The demand is still there, but not the supply. New listings and active listing totals in the area are still well below pre-pandemic levels.

The chart titled, *Wage & Income Trends Reno-Sparks MSA*, separates Washoe County from the TRIC, where wages are $200 more per week to entice people to commute. It can be a difficult drive in the winter. The last ten-year average annual wage increase in the TRIC area has been 6.3% per year—very good wages. In Washoe County, the ten-year average annual wage increase has been 4.1% per year.

Looking at the first quarter in 2024 QCEW wage, there has been a cooling of that wage in Washoe County at approximately 3.7%, and 5.7% in the TRIC area. The annual income of $77,000 in the first quarter of 2024 affords Class A rents between $1,650 and $1,675. By doubling the $77,000 annual wage, a household could afford to purchase a single-family home.

The chart titled *Regional Home Sales* looks at regional home sales in 2024. It contains three quarters of the sales volumes and the gross sales across all the areas broken apart between new and existing. This data comes from county assessor data, so it is very empirical. We prorated that fourth quarter in 2024 to get an estimate on 2024 sales volumes and gross sales. We understand the fourth quarter is seasonal—it cools off—but with the lessening mortgage rates, we think it will buttress that seasonality to provide the fourth quarter as a proration.

We have this data in the raw format, each record, and would be happy to share it if you or staff would like to tease out the tax revenues with the Real Property Transfer Tax or the property tax.

There has been a lot of discussion about investors buying up the single-family market. We regularly look at the assessor data to review the property tax cap of 8.0%. It is coded in the data so it can be pulled out to run ratios. Also, the owner names, even if the property is owned by a Limited Liability Company (LLC), are available. We also check this regularly because of all the narrative about investors putting that upward pressure on the prices by purchasing homes; however, we do not see it. When the prices become high, those investment algorithms take a pass on us—those $600,000 homes are not for the investment clubs. What we are seeing is in the multifamily units, or apartments. In the past five years the investments have been focused on multifamily units. Multifamily rent rates and vacancy rates do not have official real time database collected, so there is a lot of anxiety with these rates. The data on the graph titled, *Apartment Vacancy & Rent Trends Greater Reno-Sparks*, comes from Johnson Perkins Griffin, local appraisers. They have done a survey for several years, which is very transparent. The data is for Class A rent, not Class B, Senior, or Affordability, but it shows rent trends. The graph regularly shows a vacancy rate of less than 3.0%. Builders see this data and seek to lower that vacancy rate if they can afford the land. However, there is a lot of pushback from CoStar and Apartments.com, which is owned by the same global national company. They feel the vacancy rate is more in the 8.0% to 10.0% range. I think they believe that have data that backs this up, but I have been unable to access the data. The U.S. Census Bureau, American Community Survey data includes rent rates and vacancies, but it is two years old. In looking at their data, however, it is still very low.

Looking back more than three years, rents have been around the $1,600 mark. Rents also have a seasonality like home prices. The increased inventory is helping with the rent rates.

The chart titled, *Number of Multi-Family Units Permitted Monthly*, shows that multifamily building permits are down 29.0% in 2024 through August compared to 2023, when it was down 42.0%. From 2022 to 2024, permits decreased by 59.0%. I believe this decline is primarily due to high interest rates, which prevents access to capital to purchase land as well as rising construction and material costs. The September 2024 job report was stellar with an unemployment rate of 4.2%, which is still full employment rate. There was also a revised GDP of 3.0% in the second quarter, a revised GDI from 1.3% to 3.4% in the second quarter, and persistent inflation. Given current economic conditions, it is unlikely interest rates will drop in November. It may take until 2025 before the Federal Reserve reduces interest rates below 6.0%. Additionally, with political changes at the local, state, and federal levels, I believe investors will likely hold off making any significant moves until after the 2024 General Election.

There is a lot happening in the Reno-Sparks regional economy. There are now four economic clusters that are driven by geopolitics, climate change, and consumer purchasing behavior. That is all benefiting the economies in the region with the logistic economy, the federal economy, the renewable economy, and the electric vehicle economy, which now has its own little ecosystem with mining, manufacturing, and recycling—a complete loop. With the lightning pace of accepting AI, the region is about to add a fifth economic cluster to the region, which will be data centers. I believe Tract broke ground in the TRIC on its first project. This project is going to require as much power as 1.5 million homes. This is about renewable energy and increasing grid capacity. I have heard this is why there is a big push out west, because the east coast is out of grid capacity. Consequently, there is a tremendous amount of interest in data centers in the region. There is still a lot of land available, which works perfectly for data centers. There is a lot of angst from economic development officials about data centers, possibly because data centers do not require as many employees. Although they are high-paying jobs, there are not many. However, data centers are the darling of local governments because there is minimal cost of services but imagine the amount in property tax and sales tax where the machines have to be regenerated every two to three years.

Overall, the region is doing well. We are hostage to capital costs and interest rates as well as the outcome of the election. These economic clusters are budding, and our region is prime for a lot of growth. I did not talk very much about commercial real estate. I think that was parked into that distressed land of them negotiating with lenders through the year. There are reports from CBRE, Colliers, and Dickson Commercial that track rents and vacancies. On the construction side, retail and office are off the table. It is currently about the manufacturing industry and data centers on the commercial real estate side.

There was no further discussion on this agenda item.

XI. REPORT AND DISCUSSION OF FY 2024 ACTUAL COLLECTIONS COMPARED TO THE ECONOMIC FORUM MAY 1, 2023, FORECAST, ADJUSTED FOR LEGISLATIVE ACTIONS APPROVED DURING THE 2023 SESSION AND THE 34TH AND 35TH SPECIAL SESSIONS.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

Agenda Item XI begins on page 221 of the meeting packet (Exhibit A). Table 1 shows the actual compared to the forecasts for the major revenue sources as well as selected minor revenue sources for FY 2023 and FY 2024. I will be walking through the last column on the right titled, *May 1, 2023 Forecast*. This column displays the forecasts for each of the forecasters as well as the Economic Forum's approved forecast under the Economic Forum line. The actual collections as well as the forecasts are shown. For example, the Sales and Use Tax, the actual collections of approximately $1.79 billion were $52.9 million dollars below the forecast. The actual collections of $999.9 million for the Percentage Fee Tax were approximately $44.2 million above the forecast. Actual collections for the Insurance Premium Tax were approximately $33.7 million above the forecast. Including all components of the Modified Business Tax (MBT), actual collections were approximately $73.7 million above the forecast.

I will provide a high-level overview of the major revenue sources, which include the Sales and Use Tax, Percentage Fee Tax, Insurance Premium Tax, MBT, LET (gaming and non-gaming), Real Property Transfer Tax, and Commerce Tax. The select non-major General Fund revenues are shown on page 223 (Exhibit A). I will also focus on one non-major revenue on page 224, Interest Income-Treasurer, because it will be discussed under another agenda item as well.

Interest Income in FY 2024 finished at $224.9 million, which was approximately $54.3 million above the forecast, approximately 24.1%. I will also provide the FY 2023 information as well because that is relevant to the question. The actual collections of $142.6 million were approximately $25.9 million above the forecast. I would note the agency, fiscal, and budget forecasts were identical and that was what the TAC had approved as its consensus forecast, which was brought to the Forum for approval.

At the bottom of page 226, the total General Fund revenue net of tax credits was approximately $6.0 billion, which was approximately $285.2 million, or 4.8%, above the forecast (Exhibit A). Given all the economic conditions, I think the Forum did well.

I would note that Table 2, which begins on page 229, is similar information, but it includes all the revenue sources that are forecast by the Economic Forum, both majors and minors for both the December 2022 and May 2023 meetings for FY 2024 (Exhibit A).

There was no further discussion on this agenda item.

XII. REPORT ON FORCAST ACCURACY BY FORECASTER FOR SELECTED REVENUES.

CHRISTIAN THAUER (Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

The Forecast Accuracy Report has been updated for FY 2024 (Exhibit D). The members have been provided a printed copy, and it is also available on the committee meeting page (https://www.leg.state.nv.us/App/InterimCommittee/REL/Interim2023/Meeting/34549).

The table of contents shows what is included in the Forecast Accuracy Report. Under *Forecast Error Analysis by Forecaster for Selected Revenues*, each of the major revenue sources are listed with page numbers. The information provided for each of the major revenue sources includes the forecast versus actual collections. A broad overview and summary of the overall picture of forecast accuracy is provided on pages 1 and 2 of the report, with page 2 being a helpful summary (Exhibit D).

CHAIR ROSENTHAL:

On that summary table, is that for FY 2024?

MR. THAUER:

The table on page 2 is the average and absolute average percent forecast error over all biennia (Exhibit D). It does not include FY 2025 because the 2023-25 Biennium is not over yet. If you are interested in, for example, the General Fund forecast for those actual comparisons for FY 2024, you would find that in the individual sections for revenue sources. On page 37, in the upper row, is the Economic Forum forecast variance to actual collections for FY 2024, which is 4.4%. That number is gross, so it does not include tax credits. Beneath that is the variants of forecast versus actual collections for the agency, fiscal, and budget.

There was no further discussion on this agenda item.

XIII. PRESENTATION OF HISTORICAL TAXABLE SALES, GAMING MARKET, AND COMMERCE TAX STATISTICS.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

Agenda Item XIII contains a series of charts and tables relating to taxable sales, gaming statistics, and the Commerce Tax. The information has been updated to include the latest observations and is available on the committee page (https://www.leg.state.nv.us/App/InterimCommittee/REL/Interim2023/Meeting/34549).

I would note that we normally do not print this agenda item because there are hundreds of pages; however, I did print the Statewide Taxable Sales by NAICS—FY 2021 to FY 2025 (Exhibit E). The table shows the sales tax and taxable sales FY 2023, and it might provide some insight as to why the forecast missed. Many of the top performing categories were not performing as well as expected.

There was no further discussion on this agenda item.

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

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

There are two components that the staff to Economic Forum and the TAC need from the members with respect to this agenda item to proceed in our duties for the upcoming meetings. The first component is the decision on the Commerce Tax, and if that should remain a major revenue source, regardless of whether there will be individual forecasts, or a consensus forecast. The consensus forecast works well, especially considering this is still a relatively new tax. Looking at some of the information for Agenda Items XI and XII, we have done well in terms of the forecast. We will defer to the guidance of this body on how to proceed.

MR. LEAVITT MOVED TO CONTINUE INCLUDING THE COMMERCE TAX AS A MAJOR GENERAL FUND REVENUE SOURCE AND AS A CONSENSUS FORECAST.

MS. LEWIS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

MR. NAKAMOTO:

The second component of this agenda item is to determine if there will be any changes to the major General Fund revenue sources and non-major General Fund revenue sources. Based on conversations in previous meetings, the primary question is related to the Treasurer's Interest Income. I pulled information back to FY 2007, but I think the last few biennia might be a useful guide to the committee members based on conditions during that time. I have given the statistics for the May 1, 2023, meeting for FY 2023 and FY 2024 when there was a larger variance in the forecast. Based on information provided by the Office of the State Treasurer, part of that was because the state had more money than expected. Also, the Federal Reserve did not act as quickly as anticipated in reducing interest rates. Both factors resulted in a higher variant.

The May 1, 2021, Economic Forum forecasted about $7.8 million for Treasurer's Interest Income, and the actuals came in at approximately $24.2 million. Much of that was endemic of what was happening with revenue collections in FY 2022. Coming out of the pandemic, all the actuals came in significantly above the forecasts. We also did not anticipate that much revenue interest due to rising interest rates.

For FY 2021, it was slightly closer—the forecast was approximately $7.7 million, and the actuals came in at about $8.8 million. That was at the end of the pandemic and things were accelerating more than expected. For the May 2019, Economic Forum forecast, FY 2020, revenues were a little more stable and interest rates were stable and low. The Treasurer's forecast for FY 2020, which was accepted at the May 2019 Economic Forum meeting, was approximately $17.6 million and actual collections were just over $20.0 million. For FY 2019, the forecast was approximately $17.7 million and actual collections were approximately $18.2 million.

I do not know if that is helpful in making a decision. As staff to the Economic Forum and the TAC, regardless of the decision, we can make arrangements for the Office of the State Treasurer to provide a presentation. Even if the Forum decides to leave Interest Income as a minor revenue source, when you get to that agenda item at the November and December meetings, the Office of the State Treasurer can present its forecast and provide a detailed explanation. As forecasters, we think the Office of the State Treasurer has done well, all things considered.

MR. CROME MOVED TO MOVE TREASURER'S INTEREST INCOME TO A MAJOR GENERAL FUND REVENUE SOURCE AND REQUEST THE OFFICE OF THE STATE TREASURER PRESENT THE FORECAST TO THE ECONOMIC FORUM.

MS. LEWIS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

MR. NAKAMOTO:

Given the late notice, it is entirely possible that the Forum will receive a consensus forecast presented by the Office of the State Treasurer. We will make arrangements with the Office of the State Treasurer to present the forecasts and include it as a new major General Fund revenue source for the November and December meetings.

CHAIR ROSENTHAL:

I think it is fine to have a consensus forecast because I know the Office of the State Treasurer is the source of the information. The committee members would like to be able to talk to and obtain input from the Office of the State Treasurer and have an opportunity to revise the forecast if necessary.

I must leave to catch my flight, so I will turn the gavel over to Vice Chair Lewis.

There was no further discussion on this agenda item.

XV. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

MICHAEL NAKAMOTO (Chief Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB):

The two meetings of the Economic Forum for this cycle have been scheduled for November 7, 2024, and December 2, 2024. The meetings will be held in Carson City and videoconferenced to Las Vegas. I believe the staff at the GFO has contacted the members for any necessary travel arrangements.

There was no further discussion on this agenda item.

XVI. PUBLIC COMMENT.

There was no public comment.

XVII. ADJOURNMENT.

Vice Chair Lewis adjourned the meeting at 2:39 p.m.

Respectfully submitted,

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Carla Ulrych, Secretary for the Minutes

APPROVED:

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Linda Rosenthal, Chair

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Date

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