MINUTES OF THE DECEMBER 2, 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 9:02 a.m. on Monday, December 2, 2024, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 165 of the Nevada Legislature Office Building, 7230 Amigo Street, Las Vegas, 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
Mauricio Solorio Arteaga, Ph.D., Economist, Governor's Finance Office

EXHIBITS:

Exhibit A:	Meeting Packet and Agenda
Exhibit B:	Agenda Item VI—Table 1 – General Fund Revenues – Actuals: FY 2022 through FY 2024 and FY 2025 versus FY 2024 Year-To-Date through November
Exhibit C:	Agenda Item VI—Table 9 – Comparison of Average Growth Required over the Remainder of FY 2025 to Achieve the FY 2025 Forecast
Exhibit D:	Agenda Item VI—Gaming Control Board, Gaming Revenue Forecasts
Exhibit E:	Agenda Item VI—Fiscal Analysis Division Forecast Information Packet
Exhibit F:	Agenda Item VI—Department of Taxation, Major Revenue Forecasts
Exhibit G:	Agenda Item VI—Governor's Finance Office Revised Forecast
Exhibit H:	Agenda Item VI—Table 8 – Comparison of May 1, 2025; December 2, 2024; and November 7, 2024, Forecasts by Forecaster
Exhibit I:	Agenda Item VIII—Final Report to the Governor and Legislature on Future State Revenues (Revised 12-3-2024)

I. ROLL CALL.

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

II. OPENING REMARKS.

CHAIR ROSENTHAL:

I would like to welcome the members, presenters, staff, and members of the public to the December 2, 2024, meeting of the Economic Forum (Forum). I would like to thank the LCB staff for their work in preparation and support of today's meeting. Today's meeting will include forecasts presented by the various forecasters of the state's major General Fund revenue sources. The Forum will be approving forecasts for FY 2025, FY 2026, and FY 2027 for each revenue source.

Additionally, the Forum will review the Technical Advisory Committee on Future State Revenues (TAC) forecasts approved at the November 21, 2024, meeting, and approve a forecast for the minor revenue sources and tax credit programs. Once the forecasts for all the revenue sources and tax credits have been approved, the Forum will recess to allow staff time to input the decisions in the forecast tables and the forecast report. Finally, the Forum will approve the Economic Forum's report that will be provided to the Governor and members of the Legislature as the forecast approved today is required to be used by the Governor in developing The Executive Budget submitted to the Legislature for the 83rd (2025) Legislative Session.

III. PUBLIC COMMENT.

There was no public comment.

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

EMILY MANDEL (Associate Director – Senior Economist, Moody's Analytics [Moody's]):

I know the Forum has a lot to discuss today, so I am going to focus more on changes to the outlook from last time rather than reiterating the outlook itself. By and large, the recent data tells a similar story to what was discussed at the November 7, 2024, Forum meeting. The labor market is slowing, and you can see that in this metric, which is national-level data for a variety of labor market metrics (page 6, Exhibit A)—job openings, how much demand for labor for added positions, and people quitting their jobs and layoffs. The main story is still that these are falling. There is a gradual downward slope in these metrics—it is not unexpected and not necessarily a bad thing right now, but it still sets things up for a little weaker growth going forward when looking at these tax series that are on the agenda today relative to the growth we have seen over the past couple of years.

Nevada has a slightly weaker picture. The chart on page 7 (Exhibit A) is an update to the chart I showed the Forum a month ago but with one additional month of data. Looking at employment from a year ago, it is not significantly different and still had growth over the past year—close to 1.5 percentage points. That is in line with the United States but a little slower than the regional area of the mountain west. However, looking at three months ago, Nevada has been slipping more dramatically. You can see that it is below the horizontal access, meaning that Nevada has lost jobs on net looking at the past three months relative to the moving average of the previous three months.

Once again, this is not raising alarm bells, but it is not exactly where we would like to be right now for Nevada. It is possible that we will get some revisions that will improve this somewhat. I imagine that we are closer to flat rather than declining, especially when comparing the non-seasonally adjusted data to the seasonally adjusted data. There are some comparisons—especially for professional services, for example—that make me think this is a story of flat employment levels. There were a couple announcements earlier in the year that could have resulted in job losses, such as the closing of the Mirage Hotel and Casino. However, that should have come in around July, so I do not think that is really impacting things now. For example, looking at warn notices of upcoming layoffs, there is nothing of significance; therefore, I think this is a little broader across sectors.

When we see job growth slowing, that puts a lot more focus on layoffs. This is one of the higher frequency indicators we can see as far as stress—not just slowing, but outright stress—but that is still looking fine. The chart on page 8 (Exhibit A) shows two metrics. Initial unemployment claims in blue—people filing for unemployment benefits—as well as layoffs from the Job Openings and Labor Turnover Survey in green. These have edged up slightly but nowhere near levels from even most of the post-Great Recession recovery. We are close to where we were prior to the pandemic, which is not bad. There is some weakness but not really any large-scale layoffs. Without large-scale layoffs, consumers generally continue to spend—that confidence stays up, they continue spending, and with that continued spending, there is continued movement in the economy and forward progress. Altogether not a significantly different story from last time—a little more negative potentially on the Nevada front. You will see some of that flow through to some of the new numbers I have for the tax revenue series. As I said, a similar story, slowing but not anywhere near recession.

Page 9 (Exhibit A) is a slide that I did not show last time, but I think it is relevant to consumers' health and potential spending. This chart looks at delinquencies—people who are behind on their debt payments. On the left side is mortgage debt, which remains extremely low, and that is a source of strength in the economy because homeowners have built up a lot of equity in their homes and they might not be tapping into that yet, but they are able to tap into that equity as interest rates decline. It is also a source of confidence—if your home is worth much more than the purchase price, that makes you feel better financially.

On the right, the area that has seen a little more stress, is other types of debt. I have excluded mortgages as well as student loans, because the defaults on those are extremely low right now because of federal programs. This category includes credit cards, auto loans, etc. This is an area where we have seen it increase, largely because of the higher rate environment and the higher inflationary environment. This is an area where you can see that consumers have come under more stress even relative to prior to the pandemic, but it has also leveled off recently. As interest rates continue to climb, we expect this to stabilize further from its current point.

I am trying to point out some of the areas of potential stress, but there is a lot that is still smooth sailing, especially compared to the Great Recession. We are not currently in that territory and do not expect to be in the future.

In November, I talked a lot about uncertainty. The uncertainty around the new presidential administration and Congress and how it might change the macro-outlook. We do not have more information as to the actual policies that will be implemented, but we have made some assumptions as to the adjustments that we will make in the December baseline that is currently in production. This is not included in the number you are seeing—it will be included in May 2025—however, I think it is useful to get a sense of the scale of any changes that are anticipated. The scale is relatively conservative. We are expecting the administration to take a gradual approach to implementing additional changes, assuming that any shakiness in the economy is going to cause some pullback in more extreme policy suggestions. For example, we may not see tariffs implemented at the full scale that has been discussed—implemented to some degree but not as potentially damaging from an economic perspective.

There are a few different areas in the table on page 10 (Exhibit A). The left column is Moody's November 2024 baseline, and it does not include any election impacts. December baseline includes changes that we anticipate pushing through in December 2024 or January 2025. Then there is the difference between those growth rates. We show this for real Gross Domestic Product (GDP) growth, which was slowing more so than economic growth nationally. That largely comes from some negative impacts to the economy from tariffs and immigration and resulting impacts on the labor force. That is being offset somewhat by expectations of more generous tax policy—prolonging the individual income tax from the Tax Cuts and Jobs Act pushing through an even lower corporate tax rate, which provides some stimulus to the economy.

In the Inflation column, it shows slightly higher inflation expectations from the new baseline (page 10, Exhibit A). That as well as higher interest rates to accompany that both in the near-term and long-term interest rates. From a tax revenue perspective, these offset somewhat because we look at nominal tax revenues. Higher inflation is a strain on consumers, but higher prices mean higher revenues for sales taxes, which has a positive impact on actual collections. On the other hand, higher interest rates can cause some reduction in spending as spending financed on debt is more expensive. Altogether though, this keeps us on the path of continued rising GDP growth and a continued reduction in interest rates, albeit a slightly slower return to that equilibrium interest rate/federal funds rate than we expected. It is a moderate adjustment, not calling for any recessions as a result of these policies; however, none of these policies have been implemented yet because the new administration is not in place. Moody's has some estimates about how to adjust for this but there is still uncertainty.

Thinking about Nevada, which is not a large exporter, the main area that could potentially impact the state is immigration. It could be potentially damaging for the leisure-hospitality industry. In the chart on page 11 (Exhibit A), Nevada is in red, which indicates it has a particularly high share of foreign-born employees. If the immigration policy becomes stricter and there are deportations or more restrictive legal immigration, that will reduce some of this labor force and potentially impact leisure-hospitality and home building, some of the areas that rely heavily on immigrant labor. This is something to take note of as we think about the outlook for employment in the state.

I am going to shift over to the revenue forecasts (page 12, Exhibit A). There are slightly larger changes than normal—some of this is defaulting to more conservative options and assumptions behind some of these forecasts as I think about potential upcoming changes. There is also an additional month of data for these different revenue series.

For the sales tax side, that continued to be on the weaker side. Also, another year of data came through around personal consumption expenditures for Nevada and that data was weak. It shifted down the expectations for spending by consumers in Nevada, particularly on goods. I think this was one of the themes of last month's conversation—these shifting patterns as far as consumer spending and how that has been less supportive of sales tax revenues. This new data further underlines that story where consumers may be spending more on services, shelter, or other areas that are not captured by taxable sales.

Ultimately, Moody's forecast is slightly more conservative, particularly in FY 2025 and especially towards the start of the year and the next couple of quarters, gaining speed further out as interest rates begin to come down. We are still expecting growth, but these numbers are going to be a little lower, thinking about a level shift down from what we talked about last month, which is coming from those three areas—weaker recent data points, lower expectations for durable goods spending, and weaker recent labor market data coming from Nevada—combined, it makes me want to take a more conservative approach.

Shifting over to gaming, the chart on page 14 (Exhibit A) has a lot going on. This is an area where I have also shifted the forecasts lower. That is coming from a couple areas similar to sales tax, although the factors are slightly different. This chart is looking at the exchange rate of the United States dollar against other currencies. The United States dollar has gained some strength, and this is continued after the span of this chart ends where the data ends. The strong dollar makes international tourism into the United States more expensive. This is an area of slow recovery, and we do not expect that to fully recover anytime soon. Also, I think this is an area that could provide some further drag on recovery. This is one other factor that is slightly negative.

The other factor is a change that I made thinking about the presentation from Michael Lawton of the Gaming Control Board during the November 7, 2024, meeting related to hold on baccarat winnings. Moody's model is structured in such a way that looks at changes to the economy, changes to some of these major economic variables, and Moody's takes those changes to modify the path of revenues—changes to revenues versus changes to economies. If you look at the past year and think it was not necessarily real in the sense that some of the changes were based on favorable hold percentage for the house, then that leads me to shift some of this lower to discount some of that recent performance. Moody's is combining that with some of the factors discussed last time around the difficulty repeating the major events of the past year and the closure of the Mirage. There are some factors that have led me to bring this a little lower than last time.

I think the main difference from this forecast relative to some of the others is I have stronger expectations for that rebound in the out years. That is bringing things together with this growth in incomes that we are expecting to continue to see and have that eventually flow back into an increase in tourism, spending, and the Gaming Percentage Fee revenues in Nevada. Altogether though, a downward shift across this forecast horizon.

There was no further discussion on this agenda item.

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

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

This is a regular agenda item for the Economic Forum. Staff updates a series of tables and charts that are not printed but are available on the committee meeting page (https://www.leg.state.nv.us/App/InterimCommittee/REL/Interim2023/Meeting/34551).

The information that is provided under this agenda item includes updated sales tax information through the third month, September, which was reported by the Department of Taxation last week. The gaming information is only through October—that is for four months rather than five months. Typically, we would provide the fifth month of data, but the Gaming Control Board has not yet released the latest month of gaming information due to some reporting issues. The gaming charts that are on the website are the same as last month.

There was no further discussion on this agenda item.

VI. REVIEW AND APPROVAL OF FORECASTS OF MAJOR GENERAL FUND REVENUES FOR FY 2025, FY 2026, AND FY 2027.

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

F. REAL PROPERTY TRANSFER TAX
G. COMMERCE TAX
H. INTEREST INCOME – TREASURER

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

There are six tables that are available under this agenda item, four of which are in the meeting packet and two of which are outside the packet. The first table is Table 3, which is on page 19 (Exhibit A). It lists the forecasts by each of the forecasters—the agency, fiscal (Fiscal Analysis Division), and budget (Governor's Finance Office [GFO] Budget Division)—for all of the revenues that are under consideration today, both the majors and the non-majors, that will be under Agenda Item VII. The next table, Table 3—Difference, is on page 29. It is keeping in line with the comments by Chair Rosenthal at the previous meeting about trying to keep this meeting focused on changes to the forecasts. This table shows the change in the forecasts from the November 7, 2024, meeting to today for all these revenues, major and non-major revenues. Table 4 on page 35 shows the agency, fiscal, budget, and Moody's forecasts for the major revenue sources for FY 2025, FY 2026, and FY 2027 as well as the FY 2024 actuals and the May 1, 2023, forecast for FY 2025.

Lastly, Table 8 shows the major revenue by forecaster as well as the changes from each meeting going forward (page 39, Exhibit A). This table shows everyone's forecasts for each fiscal year based on the meeting. This table is also pulled from the meeting packet and printed on green paper (Exhibit H); we often refer to it when discussing the forecasts to make it easier to see all the forecasts and changes to the forecasts.

On the subject of tables that are outside the meeting packet, there are two additional tables that would typically be included in the meeting packet; however, because of the timing of this meeting, they were not included in the meeting packet. The first table is Table 1 (Exhibit B), which has green and orange stripes on the right side. This table shows the year-to-date collections through November of FY 2024 and FY 2025. Table 1 was compiled yesterday morning, so it contains the most current information. This is all the information that we have with the exception of the gaming revenues because of the issues at the Gaming Control Board. The gaming revenues data is the same information from the November 2025 meeting.

Table 9 is a three-page table with green and yellow stripes (Exhibit C). It shows the reference period—three months, four months, or a quarter—the actual collections for FY 2023, FY 2024, and FY 2025. It also shows how much each of the forecasts would need to grow based on the year-to-date actual collections to reach the FY 2025 forecast.

Lastly, I would note that the committee members were provided a draft of the Economic Forum report, which will be discussed under Agenda Item VIII. The draft was made available last week and hopefully you have all had a chance to read it. Before the meeting goes into recess, we will discuss any possible changes to the document before the final numbers are added.

CHAIR ROSENTHAL:

I have one general overarching comment as we listen to the presentations on these specific revenue sources. I would ask that the forecasters focus on the changes to their forecast since November and any significant drivers of those changes.

A. GAMING PERCENTAGE FEE TAX

MICHAEL LAWTON (Senior Economic Analyst, Gaming Control Board [GCB]):

The GCB has made minor downward revisions in FY 2025 for percentage fees based on the limited preliminary data for October's gaming win and collections. Nothing was materially adjusted in FY 2026 or FY 2027 for percentage fees due to the timing of the October gaming revenue release, which the GCB is planning to release Wednesday, December 4, 2024. For today's meeting, October results were not included in the GCB forecast models. However, I wanted to disclose that October's win results followed a similar narrative to recent months. There will be a low single-digit decrease to gross gaming revenue due to baccarat hold as well as a poor month for sports wagering for the State of Nevada due to hold. National Football League football wagering did not perform well during the month of October. Those are the two drivers for the decrease that will be reported December 4.

The first chart outlines the total gaming win forecasts for the state (page 2, Exhibit D). These figures are unchanged from the November meeting. No new major property openings are anticipated during the forecast period. Growth is being driven by gradual increases to slot win and a stabilization of game and table win after the hold driven record set in FY 2024.

The next chart outlines the slot win forecast (page 3, Exhibit D). These figures are unchanged from the November meeting.

Returning to the total gaming win forecast, fiscal year-to-date, the state is down 1.2%, $59.6 million (page 2, Exhibit D). The state is facing a growth rate of 5.0% for the remaining eight months. The average growth required over the last eight months of the fiscal year to achieve the total gaming win forecast is a decrease of 0.9%.

Slot win fiscal year-to-date is up 1.8%, or $61.4 million. Volumes are up 1.3%, or $633.9 million. The comparison over the last eight months is an increase of 2.0%. The average growth required over the last eight months of the fiscal year to achieve the forecasts is also an increase of 0.9%.

Moving on to the game and table win forecast, nothing has changed from the November 2024 meeting (page 4, Exhibit D). Fiscal year-to-date, game and table win is down 6.9%, or $121.0 million. Volumes are up 1.3%, or $141.6 million. The comparison for games win over the next eight months is an increase of 11.4%. The baccarat increase is a comparison of 53.5% growth. Non-baccarat table game win is basically flat, a decrease of 0.4%.

The average growth required over the last eight months of FY 2025 to achieve this forecast is a decrease of 4.4%. The driver for the game and table win forecast decreasing is the hold comparisons on the Las Vegas Strip related to baccarat; the assumption that there will be a weaker second Formula 1 race related to hold as well as a February 2025 that does not include a Super Bowl game.

My next two charts, as requested by Mr. Crome, outline baccarat volume and win forecasts for the biennium (pages 5-6, Exhibit D). Baccarat volume during FY 2024 totaled $9.14 billion and increased 9.7%, or $803.9 million, over FY 2023. As the chart illustrates, baccarat volumes have steadily increased post-pandemic; however, volume remains 23.4%, or $2.8 billion, below the peak level of $11.93 billion recorded in FY 2014. Fiscal year-to-date, volumes are down 1.3%, or $37.6 million. The comp for volume over the last eight months of FY 2024 is an increase of 14.1%, or $778.6 million.

As I stated in November, the baccarat business is healthy; however, it remains very concentrated and volatile. Based on that assumption, baccarat volumes are expected to decrease slightly by 4.0%, or $365.6 million, in FY 2025 totaling $8.8 billion. The average growth required over the last eight months of FY 2025 to achieve this forecast is a decrease of 5.2%. This decrease is based on the current fiscal year-to-date figures being down in addition to the difficult remaining comp in FY 2024, which includes a February 2025 that does not benefit from the Super Bowl. In the next few months—November, December, and February—baccarat volumes are in or at the billion-dollar range. I am confident we can come close to those amounts, but I am not so sure that we will be able to grow on those amounts. As stated, the baccarat business is healthy, but still facing difficult comps on the volume side; therefore, the GCB forecasted a slight decrease. In developing this forecast, the assumptions also ran the baccarat volume, totals were averaging 25.0% of total games volume. This was within the range that we have seen over the last four years, thus being reasonable.

In FY 2026, volume for baccarat is forecast at $8.9 billion, an increase of 1.7%, or $150.0 million. In FY 2027, baccarat volume is forecasted at $9.1 billion, an increase of 2.0%, or $176.6 million.

The chart on page 6 is the baccarat win total forecast (Exhibit D). There was a significant spike in FY 2024 driven by hold. The baccarat win increase of $494.5 million accounted for 84.2% of the state's $587.5 million increase in total gaming win in FY 2024. Fiscal year-to-date, baccarat win is currently down $175.8 million, or 31.5%. The hold is 13.65% versus 19.66% last year at this time.

Once the GCB developed the baccarat volume assumptions, the agency applied hold percentages which were more in line with historical norms and well below the anomaly in FY 2024. The average hold percentage over the forecast period was 13.78%, which could be considered slightly aggressive, but we do feel some of the new side bets which have been offered recently are lifting the game's overall hold. The average hold percentage applied to baccarat volumes developed the forecasted baccarat win amounts, which were on average 24.0% of total game and table win. This percentage is in line with a range seen over the last several years, not including FY 2024, which saw baccarat win account for 30.7% of game and table win. The GCB felt that these percentages were reasonable. Based on those assumptions, baccarat win is expected to decrease by 26.8%, or $440.5 million, in FY 2025 totaling $1.206 billion. The comp for baccarat over the last eight months of FY 2024 is an increase of 53.5%, or $379.1 million. The hold comparison is 17.3%. To hit this forecast, the required growth over the last eight months of FY 2025 is a decrease of 24.3%. In FY 2026, baccarat win is forecasted at $1.23 billion, an increase of 2.0%, or $24.2 million. In FY 2027, baccarat win is forecasted at $1.256 billion, an increase of 2.1%, or $26.1 million.

The final chart is percentage fees (page 7, Exhibit D). The GCB is forecasting $969.8 million in collections. It is a decrease of 3.0%, or $30.2 million, from the record total in FY 2024 of $999.9 million. This is a $2.3 million downward revision from the November 2024 meeting based on the limited information available prior to finalizing the forecast last week for today's meeting. Currently, fiscal year-to-date, four months reported, percentage fee collections are down $320.2 million, or 3.0% percent, or $10.0 million. The comparison over the last eight months is an increase of 3.9%. The forecasts for FY 2026 and FY 2027 are basically unchanged. The average growth required over the last eight months of FY 2025 to achieve the forecast is a decrease of 3.1%.

DR. MAURICIO SOLORIO ARTEAGA (Economist, GFO):

Regarding gaming percentage fees, my original assumption was that all visitors that come to Nevada come here to gamble, which was not realistic. Thus, I developed some realistic expectations that only 80.0% of visitors come to the state gamble, and I added an additional gamble amount of $250 per visitor. This gamble amount is actually a dynamic amount—I began with a higher amount in FY 2025 and that amount decreases as the fiscal years move on. This will have a neutralization effect that I will show on my predictive forecast—as the number of visitors increase and the gamble amount decreases, that will produce a very stable gaming percentage fee, which is currently being seen in the incoming data. The limitation in my model is that it is still unable to encompass the complexity of gambling that comes with difference in demographics, wealth, and travel purposes. Thus, it still has limitations in terms of consumer spending behaviors. It also does not capture the competition from other sources such as California lotteries, holds in baccarat, or people who gamble millions of dollars in poker or sports.

The new model with new assumptions comes down to revenue of $983.7 million in FY 2025, $987.3 million in FY 2026, and $986.4 million in FY 2027.

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

The Fiscal Analysis Division’s gaming forecast begins on page 27 of the forecast packet (Exhibit E). Our forecast did not change from the one presented last month. Since the GCB was unable to provide an additional month of collection data, there was no reason to change the forecast.

Moving on to page 29, Table 1B summarizes the collection forecast (Exhibit E), which is the same as last time. Gaming percentage fee collections are expected to decline this year largely due to challenging year-over-year comparisons. The Fiscal Analysis Division's forecast estimates that collections will decline by 3.2% to $968.08 million in FY 2025. Recent trends have not raised significant concerns about gaming volume. Additionally, consumer incomes have still experienced good growth despite inflation. Therefore, we forecast a 2.2% increase in collections in FY 2026 reaching $987.92 million, followed by a 1.9% increase in FY 2027 to $1.007 billion.

MR. LEAVITT:

My general feeling is for the December forecast, we are likely to be more conservative than liberal in this forecast so that we do not have to decrease it on May 1, 2025. Looking at the numbers this time, if we accept the agency forecast for all three years, we are slightly conservative compared to the Fiscal Analysis Division. The GFO in the outer years is a little different, but it would be slightly less than the Fiscal Analysis Division, which I think is a more conservative position. My motion is to recommend going with the agency forecast for all three years.

> MR. LEAVITT MOVED TO APPROVE THE AGENCY'S (GAMING CONTROL BOARD) FORECAST FOR PERCENTAGE FEE COLLECTIONS OF $969,771,000 FOR FY 2025, $980,813,000 FOR FY 2026, AND $992,863,000 FOR FY 2027.
>
> MR. CROME SECONDED THE MOTION.
>
> THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

B. LIVE ENTERTAINMENT TAX
GAMING • NON-GAMING

MICHAEL LAWTON (Senior Economic Analyst, GCB):

This forecast took some soul searching from the last meeting and more analysis and phone calls. The GCB has a slight downward revision of $932,000 from the November meeting based on the limited information available prior to finalizing the forecast last week for today's meeting. I apologize, the GCB experienced technical difficulties with the servers, which is why this information is not included in the forecast. October's Live Entertainment Tax (LET) collections followed a similar trend seen this fiscal year. Revenue is down about $1.8 million, or 15.6%, with $10.0 million in collections in the gaming LET. That results in $39.1 million for the fiscal year, down 16.7%, or $7.8 million compared to FY 2024. The average growth required over the last nine months of FY 2025 to achieve the forecast is a decrease of 3.8%. None of the assumptions have changed—the Mirage closure, and the ending of Adele and Garth Brooks' headlining acts at the Colosseum at Caesars Palace.

I would like to briefly explain the above assumption that I felt might have been lost in translation during the last meeting. I did not remove Caesars Palace LET from the base.

I attempted to remove the impacts of the aforementioned acts from the base. I appreciate the concerns regarding the trajectory of this forecast, it concerns me as well. I understand that replacements will be announced; however, to be clear, Adele and Garth Brooks ran a combined 154 shows between FY 2023 and FY 2025, which played a large part in the growth of gaming LET during that period. Caesars Palace has not indicated that it has headlining acts of that magnitude running for an extended period of time comparable to Adele and Garth Brooks. Blake Shelton is playing in February 2025, but he has a limited residency of six shows. In other words, there are big shoes to fill for a lengthy period of time. Further impacting collections is the continued lag being seen in convention attendance and international travel from pre-pandemic levels. These two market segments overlap and are significant drivers to midweek hotel occupancy, showroom attendance, and ticket prices.

Lastly, the piece of information that I was most appreciative of from industry partners was the non-gaming LET venues, which are negatively impacting gaming LET in terms of attendance and shows, particularly the Sphere. Since the opening of the Sphere in September 2023, the delta between gaming and non-gaming LET has shrunk considerably, not including the Super Bowl impact of FY 2024, which allowed non-gaming to surpass gaming for the first time. When I look at the forecast, the non-gaming portion is averaging around $100.0 million per fiscal year. Subsequent to the law change in FY 2016, non-gaming collections were averaging $26.0 million per fiscal year pre-pandemic.

As I stated earlier, LET collections are off to a slow start this fiscal year, but I do anticipate gaming LET can make up some ground this fiscal year due to certain show rotations that will benefit collections; however, at this time, I do not see a path for growth. My forecast for FY 2026 and FY 2027 did not change, still under the assumption that collections will stabilize due to improved midweek group and convention business, which is a key driver for LET. It allows large production shows and headliners to reach maximum occupancy and profitability. That assumption is expected to offset some of the decreases anticipated to the base as the result of shows ending their run in FY 2025 and continued competition from non-gaming LET venues.

CHAIR ROSENTHAL:

Mr. Nakamoto, do we want to go to the Department of Taxation's revenue so that all gaming and non-gaming are together, or should I backtrack on my request to do both together?

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

I think the usual pattern is to have the agencies discuss gaming and non-gaming and then have the GFO followed by the Fiscal Analysis Division discuss gaming and non-gaming. I think the next step would be to have the Department of Taxation discuss the non-gaming.

ERICA SCOTT (Economist, Department of Taxation):

I will present the Department of Taxation's major revenue forecasts. We can go over the key assumptions revisited, although nothing drastic has changed in the department's outlook (page 2, Exhibit F). Similar to the other agencies, very minor revisions have been made. For the most part, they have been revised downward just slightly based on gathering the most recent information—first quarter of FY 2025 and September, which is the third month of the monthly taxes. Factoring those recent months into the model, that is mainly the driver for any revisions.

Next is the non-gaming portion of the LET (page 4, Exhibit F). During the last meeting, we discussed the substantial growth in the LET over the past three years due to the state opening new stadiums and concert arenas and hosting international events. Revisiting this color-coded table showing the monthly totals of LET for FY 2022 into FY 2025, we can see the more yellow and green shaded months representing the highest revenues and most occurring in FY 2024. While forecasting for this revenue source, I once again reviewed the average monthly revenue for non-gaming LET to obtain a realistic normal monthly average; I eliminated February 2022 as an outlier. At the last meeting, this gave a 12-month average of over $9.0 million. Now adding in the most recent month of September, this 12-month moving average still remains above $9.0 million, although it was down slightly from the last meeting. Again, $9.0 million in LET revenue for the non-gaming portion was used for this revised forecast. While the average monthly revenue for non-gaming LET is still above the $9.0 million, the fiscal year-to-date comparison is down 23.9% due to the difficult comparisons of the prior year. Prior fiscal year-to-date comparisons included the opening of the Sphere and the inaugural Formula 1 race, which may have had some more demand than the second race. While the year-to-date is down compared to the unprecedented FY 2024, the monthly average is still 321.0% higher than the pre-pandemic fiscal year of 2019.

Moving on to the next slide with the time series of the non-gaming portion of the LET, the department added September 2024 (page 5, Exhibit F). As was mentioned at the last meeting, the non-gaming LET is due when the admission is sold, so the majority of the revenue may or may not be reflected during the actual month of the event, depending on the timing of the taxpayer releasing tickets for sale and also depending on the consumer behavior of ticket purchases. Typically for a high-priced, large venue event, the tax revenues tend to be realized in the months leading up to the event itself, although this is not always the case. Additionally, I would like to mention that cancellations of events can cause issues with the non-gaming portion of this tax since the tax is due at the time of the ticket sale. Rarely, but occasionally, an event is canceled after a taxpayer has already collected and remitted the taxes to the department; thus, refund activity would offset any new event ticket sales from this revenue source. Those could impact some of the revenue stream from this tax, although it is not a typical situation.

On page 6, there is a bar graph showing the non-gaming LET revenues from FY 2019 through FY 2024 in the blue bars, and the red bars represent the department's forecasts (Exhibit F). Without a one-shot event on the calendar as popular as the Super Bowl in this biennium, the forecast for the LET goes down in FY 2025 but still high above the prior year revenues of FY 2023. The department's forecast is for continued growth from this revenue source. The department's forecast through the biennium is $104.7 million in FY 2025, $110.0 million in FY 2026, and $113.8 million in FY 2027.

On page 7, is a table with the forecast by fiscal year, the year-over-year growth, and the forecast revision percentage change (Exhibit F). The non-gaming LET forecasted revenues were revised downward by 3.0% and 5.0% in the next biennium since the last meeting, mainly due to adding the September 2024 actual revenues into the series. September came in quite a bit lower than the prior year. While the revision was downward, there is still overall growth forecasted after FY 2025 with that tough comparison year of FY 2024. The continual announcement of artist tours in Nevada indicate that we will maintain a steady growth from this revenue source.

CHAIR ROSENTHAL:

You made a comment about the fact that Formula 1 is repeating but might be weaker, and that the Sphere only had one grand opening, but the Sphere continues to have excellent venues and continues to sell out. I just want to make sure in your forecast that you are not showing a decline in contribution. I know you cannot talk about individual contributors, but the trajectory of the overall tax, would it include at least stability in the Sphere contribution?

MS. SCOTT:

That is correct. That is part of the reason I discussed the 12-month average of growth. It is a difficult comparison to when a venue first opens, but there is a forecast for steady growth in the LET.

DR. MAURICIO SOLORIO ARTEAGA (Economist, GFO):

I will be presenting the LET for the gaming portion. My original assumption on my prior model was that the LET will return to pre-pandemic levels. However, after discussing with my colleagues and talking to some other people about the original assumption, it was clear to me that yes, it will decline as the non-gaming venues increase; however, it will not return to pre-pandemic levels because the demand for alternative forms of entertainment will remain. There is also inflation in the mix—increasing operational costs and ticket prices will still increase. There is also an increasing market effort by non-gaming venues to maintain their attendance (Exhibit G).

As Mr. Lawton mentioned, there are some other artists that are trying to come to Las Vegas, so there will be some strong shows going forward. My revised forecast with these new assumptions is revenue of $116.9 million for FY 2025, $115.7 million for FY 2026, and $114.6 million for FY 2027.

Moving forward to non-gaming LET, my original assumption was not an assumption to say, it was more of a mistake of the model (page 9, Exhibit G). The model was forecasting the opening of new venues, which is not going to happen; thus, I constrained the models by the total seating capacities of the non-gaming institutions. The total seating capacity was around 83,606, which is an approximation because I know that some of these venues can increase or decrease their seating capacities according to the event. I also took into consideration the amount of people that Formula 1 brings into the state—100,000 people per night. I included that in my model and the average ticket price between the races and the events was around $400 to $600 per venue. Including this in my model, it constrained how much these venues can host events because there are only so many events that can be held each year. Having these constraints in the model created more realistic expectations in terms of revenues.

I am still showing steady growth in revenues; however, not as high as FY 2024. The revenue for FY 2025 will be $105.75 million, $107.49 million for FY 2026, and $108.11 million for FY 2027.

CHAIR ROSENTHAL:

What is the commitment for Formula 1; is it a ten-year commitment?

DR. SOLORIO ARTEAGA:

I believe it is a three-year commitment. Formula 1 will be held in calendar year 2026, but it is unknown whether it will be held in Las Vegas in calendar year 2027.

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

The forecast for the LET begins on page 45 of the Fiscal Analysis Division Forecast Information Packet (Exhibit E). I will begin with the gaming LET, also called the casino LET. It is levied on ticket sales for live entertainment taking place under gaming license. Since the division has not received any additional information since the November 7, 2024, Forum meeting, it did not see any reason to change the forecast. The forecast is the same as it was in November. The division projects the gaming part of the LET to decrease in FY 2025 when compared with FY 2024 by 4.7% to $121,055,000. From FY 2026, the division projects the gaming LET to moderately grow by 2.1% to $123,551,000. For FY 2027, the division forecasts continued moderate growth of 2.5% resulting in $126,602,000 in tax revenues.

I would now turn to the non-gaming part of the LET. Since the November 7, 2024, Forum meeting, the division has received information on an additional month of tax collection, namely the tax collections for September 2024. Revenues for September 2024 came in lower than projected resulting in first quarter revenue collections in FY 2025 of $22.1 million, approximately $7.0 million lower than in the first quarter of FY 2024. The first quarter actuals for FY 2025 are also approximately $4.5 million lower than projected in November.

The question is what the division should read into these numbers for September, and whether the December 2 forecast should revise the November 7 forecast in view of these lower than projected revenues as considered as a general outlook. The answer to that question is that the Fiscal Analysis Division does not see a reason to change our forecast as concerns its fundamentals. There are mainly three reasons for this, the first of which is that the first three months in FY 2025 coincided with the transition period between concert residencies at the Sphere. Dead & Company had their last show in early August 2024. The new residency of the Eagles, which was recently extended through March 2025, only began in late September. Thus, there was a period of about 1.5 months between early August and late September without a concert at the Sphere, naturally resulting in lower tax revenue collections.

The second reason is that it appears that September revenues were unusually low due to a larger repayment amount that was accounted for in this month. The repayment concerned taxes collected in FY 2024 on ticket sales for a festival that was canceled at the last minute due to weather. The repayments reduced the revenue collections for September as they are booked as negative revenues in that month.

Lastly, it appears that much of the ticket sales for the Formula 1 race that took place this November—which as you will recall, the division's forecast projects to be lighter than last year—will only be accounted for as concerns tax revenues from October 2024 onward. This means that the division believes that some of the Formula 1 tax collections that came in September of last year will come in October of this year.

For all these reasons, the Fiscal Analysis Division does not believe that the low September collections are an indication of a fundamental shift in the live entertainment market in Las Vegas. For the division, September's relatively weak actuals only mean that it must adjust the takeoff point of the forecast but not how tax revenues will develop over the biennium. We even believe that at least part of the revenue losses of this September when compared to September of last year will be made up for in the upcoming months and fiscal years. In view of these considerations, the Fiscal Analysis Division's December 2 forecast projects $104.28 million in LET non-gaming tax revenues in FY 2025. The December 2 forecast is thus $2.12 million lower than the November forecast. For FY 2026, the division projects $106.55 million in revenues, a reduction of $1.15 million when compared to the November forecast. For FY 2027, the division forecasts $101.27 million in non-gaming LET tax revenues. The December 2 forecast for FY 2027 is approximately $190,000 under the November forecast.

As a reminder, as explained at the November meeting, the Fiscal Analysis Division's forecast for FY 2027 considers that the contract between the Formula 1 and the Las Vegas Convention and Visitors Authority schedules annual Formula 1 races until the end of calendar year 2025. It is yet to be decided whether the Formula 1 race will take place in Las Vegas in FY 2027 or more precisely, in November 2026. The division decided to factor in this uncertainty relating to the Formula 1 race taking place in Las Vegas in FY 2027 by cutting the anticipated revenue generated by a Formula 1 race in half.

CHAIR ROSENTHAL:

Just to be clear, in each of the non-gaming LET forecasts, in FY 2027, which includes calendar year 2026, the Fiscal Analysis Division included half of a benefit from Formula 1. For the Department of Taxation and the GFO, please tell us what is in the forecast for FY 2027 related specifically to Formula 1.

MS. SCOTT:

I also did a 50.0% chance for FY 2027.

DR. SOLORIO ARTEAGA:

I do have a Formula 1 race occuring in 2026. My guess is that the race will occur.

MR. LAWTON:

A little out of my lane, but what we have been reading is that those negotiations are occurring. I would think from the resort operator side, I would be shocked if that does not get continued.

MR. LEAVITT:

I am convinced to go with the agency forecast for FY 2025. I am concerned that it drops too much in the second year, so I propose we go with the Budget Division's forecast, which is slightly higher than the agency, and then go back to the agency for the third year.

> MR. LEAVITT MOVED TO APPROVE THE AGENCY'S (GAMING CONTROL BOARD) FORECAST FOR LIVE ENTERTAINMENT TAX-GAMING OF $117,257,000 FOR FY 2025, THE BUDGET DIVISION'S FORECAST OF $115,694,000 FOR FY 2026, AND THE AGENCY'S FORECAST OF $114,817,000 FOR FY 2027.
>
> MS. LEWIS SECONDED THE MOTION.
>
> THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

MR. LEAVITT:

I am thinking of using the Fiscal Analysis Division's non-gaming LET forecast for the first two years. I do not want to go down quite as much as they did in the third year, so I would use the Budget Division's forecast for the third year, which would be in between the two.

> MR. LEAVITT MOVED TO APPROVE THE FISCAL ANALYSIS DIVISION'S FORECAST FOR LIVE ENTERTAINMENT TAX-NONGAMING OF $104,276,000 FOR FY 2025 AND $106,549,000 FOR FY 2026, AND THE BUDGET DIVISION'S FORECAST OF $108,106,000 FOR FY 2027.
>
> MR. CROME SECONDED THE MOTION.
>
> THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

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

The Fiscal Analysis Division would like to ensure it has the correct numbers for the tables. For the gaming LET for FY 2025, the Forum went with the agency's forecast of $117,257,000. In FY 2026, the Forum went with the Budget Division's forecast of $115,694,000. In FY 2027, the Forum went back to the agency's forecast of $114,817,000.

Then for the non-gaming LET, in FY 2025, the Forum went with the Fiscal Analysis Division's forecast of $104,276,000. In FY 2026, the Forum went with the Fiscal Analysis Division's forecast of $106,549,000. In FY 2027, the Forum went with the Budget Division's forecast of $108,106,000.

C. STATE 2% SALES TAX

ERICA SCOTT (Economist, Department of Taxation):

I will be reviewing the State 2.0% Sales and Use Tax General Fund forecasts and the revisions that the agency has made. We will once again visit the time series graph, which now includes the September 2024 monthly sales tax revenue (page 9, Exhibit F). While September sales tax revenue was the tenth highest revenue month on record, it was still very flat in comparison to the prior year. Fiscal year-to-date, this revenue source is down slightly at 0.6%. When the agency reviewed taxable sales categories by taxpayers North American Industry Classification System (NAICS), we found that this fiscal year so far, food and beverage/drinking places, which has the largest taxable sales of any category, is down slightly by 1.6%. The second highest taxable sales are in the motor vehicle and parts dealers NAICS category, which is down 12.0% fiscal year-to-date. Meanwhile, other NAICS categories like non-store retailers are up by 9.0% fiscal year-to-date. Online shopping is still making a positive impact, although not enough to offset the slight decline in food and beverage taxable sales.

The reason for this mention is that food and beverage/drinking places is the largest category of sales tax generated with thousands of taxpayers; thus, any trend is not the impact of a few large taxpayers, but many. The indication here is that consumers may be tightening their belts slightly on spending. Also, as prices are coming in, year-to-year comparison is a bit tighter than prior years. Truly, December's sales tax revenue should really tell the story of what is to come in FY 2025 as that is always the highest month out of the year, but unfortunately, due to timing, we are not so lucky to have that information yet.

That said, on page 10, we can review the department's revised forecasts (Exhibit F). In the red bars, we see that the department has once again factored in the most recent month of revenue into the forecast series to include September. We are seeing very flat to negative comparisons. For this reason, the department's 2.0% sales and use tax forecast has been revised down to $1.8 billion in FY 2025, $1.9 billion in FY 2026, and $1.9 billion in FY 2027.

Page 11 (Exhibit F) shows the year-over-year growth, which works out to 0.2% growth in FY 2025, 4.0% growth in FY 2026, and 3.2% growth in FY 2027. These revisions from the November forecast were downward by roughly 2.5% to 4.0%. The department's downward revisions are based mainly on incorporating September's revenue for this tax type, as well as the latest Moody's releases from November, which include the Nevada retail sales estimates, the Nevada GDP, and the Consumer Price Index (CPI). No one indicator necessarily had a significantly large change, but the slight downward revisions contributed to revising this forecast downward.

DR. MAURICIO SOLORIO ARTEAGA (Economist, GFO):

I am presenting the State 2.0% Sales and Use Tax. My prior model forecast steady consumer spending. However, I reviewed the Congressional Budget Office report on the economic outlook—this office publishes good data on consumer spending behavior, especially on tangible goods. In the research, the Congressional Budget Office learned that the consumption of goods would decline after the pandemic. I also added a better supply chain into my model with some steady state economic growth and higher long-term interest rates. From what I have seen in reports, everyone has this forecast for 2027 still on the higher end between 4.0% and 5.0%, so I still have my long-term interest rate higher than pre-pandemic levels of 2.0%.

The graph on page 13 (Exhibit G) from the Congressional Budget Office shows the budget and economic outlook. The economy as a whole—the entire United States—consumers have preferred to spend their money on entertainment or other sources of leisure. For example, vacations instead of a television. One of the things seen during the pandemic was a large spike in the consumption of tangible goods instead of leisure activities such as fine dining or vacations. Not only was there a significant increase in the consumption of goods but also in sales tax. After 2024, we have seen that the COVID-19 Relief funds are finally gone from households' bank accounts; therefore, the consumption of goods will be included in the projections for January 2024. You can see how it is decreasing quite rapidly. I am also adding that into my forecast as well as inflation. We have also seen inflation play a major role in inflating the sales tax because everything was very expensive.

One other thing to keep in mind is that during the pandemic, there were supply chain disruptions. People were stuck with the expensive items. Moving forward, that will not be the case. If something is expensive, people will look for a substitute. Another thing that my model considers is the effects of tariffs. Goldman Sachs came out with a research report just last week on the inflation effects of tariffs, especially with Canada, Mexico, and China. Goldman Sachs is projecting that everything in the economy is going to be 1.0% higher. Looking at the inflation of the Federal Reserve, which is around 2.0%, and adding 1.0% inflation on top of that due to tariffs, there will be a 3.0% inflation on goods, which will make consumers more mindful with their money. They will be spending their money on essentials. My model keeps that in mind, moving forward, if there are tariff wars or retaliatory wars.

Consequently, my forecast is now predicting for FY 2025 revenue of $1.75 billion, $1.77 billion for FY 2026, and $1.82 billion for FY 2027. The reason I show FY 2027 increasing is because I believe we are going to realize that tariffs are not the answer for illegal immigration and drug trafficking. Hopefully tariffs are not going to be a part of the future in FY 2027. Also, I am forecasting interest rates will go down to the 5.0% benchmark. If those two conditions hold true, FY 2027 revenue will be $1.82 billion.

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

The State 2.0% Sales Tax forecast is in the Fiscal Analysis Division Forecast Information Packet beginning on page 53 (Exhibit E). The December 2 forecast has not changed when compared with the November forecast, except for an adjustment of the take off point of the forecast and an adjustment to incorporate approval of Ballot Question 5 in the last General Election, which exempts diaper products from the State 2.0% Sales Tax.

Since the November Economic Forum meeting, sales tax net revenues for September came in just about $8.0 million higher than the division had forecast. The question is of course, what does this one additional observation really tell us, and does it incline us to change our overall outlook? The answer to that question is no, it does not. The Fiscal Analysis Division believes that is basically in line with what it had forecast.

Whereas July and August—the first months of FY 2025—State 2.0% Sales Tax revenues came in lower than in July and August of the previous fiscal year, the September 2024 revenues came in 2.6% above the September 2023 revenues. The question is whether this means the period of shrinking revenues, sales tax revenues, is over. The division would caution against such a hasty assumption because if you look closer at what made up this increase in taxable sales, you see that, as Ms. Scott has already referred, the main drivers of taxable sales in Nevada are still giving a mixed picture. For example, sales of car parts are down year-over-year in September when compared to September of the previous year; sales of clothing, building materials, and gardening materials are down. As well, all types of retail and merchandise store sales are down. The sales of food and drinking places, the most important driver of our sales tax here in Nevada, has grown in September compared to September of the previous year by 2.3%. However, that is moderate growth that is under the inflation level.

What caused this growth of 2.6% in September compared to September the previous year? The division believes that these were mainly one-off and extraordinary sales related to data centers. When looking at some of the NAICS codes and the sales increases that occurred, data processing, hosting, and related services sales are up 195.7% in September 2024 when compared with September 2023, and electrical equipment, appliance, and compound manufacturing are up 600.0%. The Fiscal Analysis Division believes that the good news of the growth in September may still be an extraordinary event and that we are still in the process of realignment of consumer behavior. Consumers are spending money on goods, items, and services that are not covered by the sales tax such as rental income, insurance premiums, and groceries. The division does believe that its overall story still holds. This realignment may go on for another month or two, and then we will embark on a moderate growth path for the 2.0% sales tax again with inflation and interest rates coming down and pent-up demand. For example, the demand for car parts and cars, for which consumers can only postpone for so long.

All that means that the September forecast for FY 2025, FY 2026, and FY 2027 is approximately $7.7 million above the November forecast. That is mainly due to the higher September revenues. We basically have a different take off point for our forecast. We thus project that State 2.0% Sales Tax revenues will increase by 0.7% to $1,803,000,000 in FY 2025; increase by 3.7% to $1,869,000,000 in FY 2026; and increase by 4.6% to $1,956,000,000 in FY 2027.

MR. LEAVITT:

I am happy to hear about the increase. As I mentioned before, I still think the Forum should be a little conservative on the estimates for this time. By the time the Forum gets the May 2025 forecast, it will include the Christmas season, which is a large season as it relates to sales tax. Based on that, I would recommend that we use the agency forecast for all three years, which would be slightly less than the Fiscal Analysis Division's and Moody's forecasts, and slightly more than the Budget Division, which I am concerned is a little on the low side.

> MR. LEAVITT MOVED TO APPROVE THE AGENCY'S (DEPARTMENT OF TAXATION) STATE 2.0% SALES AND USE TAX FORECAST OF $1,793,172,000 FOR FY 2025, $1,865,437,000 FOR FY 2026, AND $1,925,690,000 FOR FY 2027.

MR. GORDON:

I will second that motion. I agree the sustainability of some of these consumer spending trends are a little concerning. I feel we should probably look at the agency forecast.

> MR. GORDON SECONDED THE MOTION.

> THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

MR. THAUER:

The motion approved adopts the agency's forecast, which means that for FY 2025 $1,793,172,000 in revenues; for FY 2026, $1,865,437,000; and for FY 2027, $1,925,690,000.

E. MODIFIED BUSINESS TAX
NONFINANCIAL • FINANCIAL • MINING

This agenda item was taken out of order.

CHAIR ROSENTHAL:

Mr. Nakamoto, in November, I thought we talked about having the financial and mining portions of this tax as a consensus forecast.

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

That is correct. I suggest that we have the presentations from Ms. Scott, Dr. Solorio Arteaga, and Ms. Owens on the nonfinancial portion and then I will cover the consensus forecast for financial and mining separately.

ERICA SCOTT (Economist, Department of Taxation):

For the Modified Business Tax (MBT), we revisit the color-coded table, which shows the highest and lowest revenue quarters from FY 2022 through to quarter one of FY 2025 (page 17, Exhibit F). The first quarter of FY 2025 came in above the department's forecast model. Nothing has changed significantly from the model itself other than just applying this quarter of real revenue into the model. Quarter one came in at $168.9 million to the General Fund, which was 7.9% higher than the prior fiscal year.

On page 18 is the time series again to include the first quarter of FY 2025 (Exhibit F). With this view of the revenues, we can see that seasonality play out. Quarter one is typically the lowest quarter of each fiscal year. With that quarter coming in above the department's expectations, the forecast was revised upward.

On page 19 (Exhibit F), we can review the prior years with the blue bars, which adds back in the tax credits, as well as the agency's forecast, which is shown in the red bars. With the revised forecast for the upcoming biennium, the department has forecasted $849.9 million in FY 2025, $894.6 million in FY 2026, and $941.0 million in FY 2027. Again, this is just for the general business division of the MBT.

The next page shows year-over-year comparisons (page 20, Exhibit F). I was able to add back in the tax credits to the prior year, so we have a correct comparison. With the FY 2025 forecast of $849.9 million this would be a 6.5% increase in the MBT general business. In FY 2026, the forecast is for a 5.3% increase, and in FY 2027, a 5.2% increase. The revisions were small at only 0.2% and 0.1%, but these were upward revisions to the forecast and based on the stronger quarter one of FY 2025.

DR. MAURICIO SOLORIO ARTEAGA (Economist, GFO):

Nothing really changed in my model for the MBT. The only thing that I realized after I presented at the previous meeting is that the tax revenues were with tax credits applied and not the gross tax revenue. That is why my numbers were $35.0 million shy. I added those tax credits back into my forecast, and that is the revised numbers I have provided. The forecast is $786.89 million for FY 2025, $798.14 million for FY 2026, and $832.7 million for FY 2027.

HAYLEY OWENS (Economist, Fiscal Analysis Division, LCB):

I am presenting the Fiscal Analysis Division's forecast for the MBT for nonfinancial institutions. The forecast begins on page 79 of the Fiscal Analysis Division Forecast Information Packet (Exhibit E). Since last month's meeting, the division took between $4.0 million and $5.0 million off its forecast each fiscal year, which corresponds to just about half a percent of the forecast. These changes were largely due to employment in certain sectors coming in softer in the third quarter than expected. In the model, the division forecasts selected sectors on a quarterly basis. With the release of September employment on November 15, staff was able to add the third quarter of Nevada employment into the model as actuals instead of forecast. A couple of sectors came in softer than expected, namely leisure-hospitality, professional services, and retail trade; therefore, the division had to temper those.

On the other hand, construction, manufacturing, health care and the “all other” category were close to our expectations and changed minimally. Altogether for that quarter, statewide employment came in about 9,200 jobs, or 0.7%, lower than forecasted. As a result, staff adjusted the employment outlook for some of those sectors and also tempered the wage growth expectations for some of those sectors, which results in a slightly lower forecast.

The revised forecast is 3.9% growth in MBT collections for nonfinancial institutions in FY 2025 to reach $828.9 million, 4.4% growth in FY 2026 to $865.5 million, and 4.1% growth in FY 2027 to $900.8 million.

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

I will be going through the consensus forecast on the MBT for financial institutions and mining. The numbers for this consensus forecast are not on Table 8 (Exhibit H), rather they are on page 47 of the meeting packet (Exhibit A).

The Fiscal Analysis Division treated the consensus for the MBT on financial institutions and mining similar to how it would treat the consensus forecasts for the TAC. That is, the division asked the Department of Taxation and the Budget Division to do their own forecasts for these two pieces and the Fiscal Analysis Division also did its own forecasts, which appear on Table 8 (Exhibit H). Table 1 on page 47 (Exhibit A) shows all of these forecasts that were submitted for FY 2025, FY 2026, and FY 2027 as well as what we have determined to be the consensus forecast.

I will begin with MBT financial institutions. The forecast is $42.8 million in FY 2025, $44,673,000 in FY 2026, and $46,802,000 in FY 2027. Those are the average of the agency and Fiscal Analysis Division forecasts based on the conversation that the division had with Ms. Scott and Dr. Solorio Arteaga. For reference, if we had done the same average for the November forecasts, it would have resulted in a decrease of approximately $738,000 from what the average would have been for those forecasts. In November, it would have been $43,538,000 in FY 2025, $45,754,000 in FY 2026, and $47,975,000 in FY 2027. The differences in FY 2026 and FY 2027 would have been about $1.1 million to $1.2 million lower. These are the forecasts that you have here as the consensus for your consideration for financial institutions.

For the mining portion, which is also on page 47 of the meeting packet, it is a similar story (Exhibit A). The forecast is the average of the agency, fiscal, and budget forecasts. In this instance as well, due to downward revisions to all the forecasts, the numbers that you see there: $20,010,000 in FY 2025, $20,228,000 in FY 2026, and $20,279,000 in FY 2027; or $781,000, $1,039,000, and $1,550,000 lower than the same average would have been at the November forecast. Again, this is due to downward revisions in the forecasts.

Lastly, for reference, Table 9 shows the growth needed to get to those forecasts (Exhibit C). We neglected to put the consensus forecast for these on the table. To reach the consensus forecast for the MBT financial institutions, the tax would have to grow by 7.4% over the last three quarters of FY 2025. For the MBT mining, it can fall by 1.0% over the last three quarters to reach that forecast.

MR. GORDON:

I may just not be looking at Table 1 correctly. In terms of the consensus forecast, is it just simply the average of the three forecasters? Is that how you arrived at the consensus?

MR. NAKAMOTO:

That is the case for the consensus forecast on the MBT mining portion, that is the average of the agency, fiscal, and budget forecasts. For the MBT financial forecast, the consensus is the average of the agency and the Fiscal Analysis Division only.

MR. LEAVITT:

In looking at the presentations for the MBT nonfinancial, the Fiscal Analysis Division indicated they saw some softness since the November meeting. Given that and my general inclination to go with a more conservative forecast, I would recommend that we use the Fiscal Analysis Division for all three years for the MBT nonfinancial and then the consensus forecast for the MBT financial and mining.

> MR. LEAVITT MOVED TO APPROVE THE FISCAL ANALYSIS DIVISION'S MODIFIED BUSINESS TAX-NONFINANCIAL FORECAST OF $828,906,000 FOR FY 2025, $865,515,000 FOR FY 2026, AND $900,829,000 FOR FY 2027.
>
> TO APPROVE THE MODIFIED BUSINESS TAX-FINANCIAL CONSENSUS FORECAST OF $42,800,000 FOR FY 2025, $44,673,000 FOR FY 2026, AND $46,802,000 FOR FY 2027.
>
> TO APPROVE THE MODIFIED BUSINESS TAX-MINING CONSENSUS FORECAST OF $20,010,000 FOR FY 2025, $20,228,000 FOR FY 2026, AND $20,279,000 FOR FY 2027.
>
> MS. LEWIS SECONDED THE MOTION.
>
> THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

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

The Forum approved the Fiscal Analysis Division's forecast for the MBT nonfinancial for all three fiscal years. The amounts were as follows: $828,906,000 in FY 2025; $865,515,000 in FY 2026; and $900,829,000 in FY 2027. For the MBT financial, it was the consensus forecast (page 47, Exhibit A) of $42,800,000 in FY 2025; $44,673,000 in

FY 2026; and $46,802,000 in FY 2027. For MBT mining, again, it was the consensus forecast of $20,010,000 in FY 2025; $20,228,000 in FY 2026; and $20,279,000 in FY 2027.

D. INSURANCE PREMIUM TAX

CHAIR ROSENTHAL:

I overlooked the Insurance Premium Tax, so we will go back to that now.

ERICA SCOTT (Economist, Department of Taxation):

The slide that I wanted to present is the time series of the Insurance Premium Tax (page 13, Exhibit F), which we looked at during the previous meeting. This is the Insurance Premium Tax just for the Department of Taxation's administered portion of the tax. The overall upward trajectory over the past eight fiscal years is shown and now the department has added in the first quarter of FY 2025. While the first quarter of FY 2025 was higher than the prior year, it still came in a little softer than what was expected against the agency's prior forecast. Quarter one of FY 2024 was $140.8 million to the General Fund, while quarter one of FY 2025 was $143.5 million, a 1.9% increase, which was short of the agency's November forecast. For this reason, the department revised the forecast downward, although not by a significant portion.

On the next slide, is the bar graph with the past six years of Insurance Premium Tax revenues in blue and the forecasted amounts in red (page 14, Exhibit F). The forecast is done with the credits included, so the blue bars are net credit. The department's revised forecast is $637.3 million in FY 2025, $674.5 million in FY 2026, and $710.3 million in FY 2027.

On page 15, we see the year-over-year comparison and the revision change percentage. Please disregard the 9.1% growth rate from FY 2024 to FY 2025 as 2024 is net credits. The real growth before any tax credits is about 4.0% in FY 2025, 5.8% in FY 2026, and 5.3% in FY 2027.

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

The Table 8 (Exhibit H) numbers do not match the information that Ms. Scott provided because of the portion that is collected by the Insurance Division of the Department of Business and Industry. The Insurance Division's forecast did not change, so the revisions of this forecast are wholly attributable to the Department of Taxation forecast.

DR. MAURICIO SOLORIO ARTEAGA (Economist, GFO):

Nothing has changed in my original forecast. The only thing that I added was an increase that is expected to happen on health insurance premiums due to the new hospital tax and state-directed payments and higher spending for managed care organizations. This is information that was provided to me two weeks ago, so I incorporated this into my model to reflect this increase in health insurance premiums.

With the new health premium increases that are expected in the upcoming biennium, my forecast is revised for $656.49 million for FY 2025, $688.03 million for FY 2026, and $715.09 million for FY 2027.

MR. NAKAMOTO:

The forecast for the Insurance Premium Tax begins on page 71 of the Fiscal Analysis Division Forecast Information Packet (Exhibit E). As you will recall, the division's forecast for the Insurance Premium Tax is looking at the quarterly collections based on insurance premiums written in each quarter, which makes up around 95.0% of the tax. The division's forecast for November had the first quarter at $153,997,000, or an 8.7% increase. You can see the year-to-date actuals were at $135,351,304, or a 4.4% decrease. Needless to say, the mark was missed a little on those quarterly collections. However, the department was kind enough to provide some information on the taxpayers. In looking at those quickly, it looks like there were some taxpayers who did not pay on time. This is not unusual for any tax.

Looking at the taxpayers, it looks like about $3.0 million of collections was missed, or what we anticipate should have been collected, which does not quite get us back to where we thought we were going to be. One of the things that also happened is that we received about $9.6 million of Insurance Premium Tax collections that were attributed to prior fiscal years. Thus, it got that gap a lot closer than what we anticipated.

The net result of our forecast, as you can see on Table 8 (Exhibit H), is that we are now at $683,008,000 in FY 2025, which is about a $5.9 million decrease from our November forecast; $720,903,000 in FY 2026, which is approximately a $5.2 million decrease; and $757,792,000 in FY 2027, which is approximately a $6.1 million decrease from our November forecast. The division's outlook on this tax has not changed. This is a general theme for a lot of the division's revisions. It is mostly a path adjustment from that first quarter and taking that into account.

MR. LEAVITT:

Based on Mr. Nakamoto's statement, I am inclined to go with the Fiscal Analysis Division for the current year. I am not quite as optimistic as the division is for the next two years, so I would think to go with agency for FY 2026 and FY 2027, which would be slightly more conservative than the Fiscal Analysis Division.

> MR. LEAVITT MOVED TO APPROVE THE FISCAL ANALYSIS DIVISION'S FORECAST FOR THE INSURANCE PREMIUM TAX OF $683,008,000 FOR FY 2025, AND THE AGENCY'S (DEPARTMENT OF TAXATION) FORECAST OF $699,556,000 FOR FY 2026 AND $735,775,000 FOR FY 2027.
>
> MS. LEWIS SECONDED THE MOTION.
>
> THE MOTION PASSED UNANIMOUSLY BY THE MEMBERS PRESENT.

MR. NAKAMOTO:

The approved forecast for FY 2025 was the Fiscal Analysis Division's forecast of $683,008,000. In FY 2026, the approved forecast was the agency forecast of $699,556,000. In FY 2027, the approved forecast was the agency forecast of $735,775,000.

F. REAL PROPERTY TRANSER TAX

ERICA SCOTT (Economist, Department of Taxation):

For the Real Property Transfer Tax, I once again have a slide with historical values (page 22, Exhibit F). Nothing significantly changed about the department's outlook, even with the quarter one data of FY 2025. We can see the leveling out after the pandemic with the lowest interest rates for mortgages, the spike in Real Property Transfer Tax in FY 2022, and with the decline in FY 2023, the department thinks that is stabilizing.

Page 23 is the bar graph with the agency forecast (Exhibit F). When the first quarter of revenues for Real Property Transfer Tax came in, it was in line with my FY 2025 forecast. The department is sticking with the same forecast that was presented in November. Just to mention, the growth that we see in FY 2026 and FY 2027, the assumption there is that the market will move for real estate, more residential property purchases based on the stabilization of mortgage interest rates.

DR. MAURICIO SOLORIO ARTEAGA (Economist, GFO):

Nothing has changed in this forecast. My assumptions—they still hold—homeowners with historically low mortgage rates are unlikely to sell; new residential developments will slow due to high construction prices; interest rates will decrease but stabilize around 5.0% especially with tariffs coming into place and raising inflation by 1.0%; and existing housing inventory will sell at above market prices due to limited supply and strong competition. With this in mind, my forecasts remain the same. For FY 2025, I am forecasting $120.43 million in revenue, $124.54 million for FY 2026, and $127.76 million for FY 2027.

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

The Real Property Transfer Tax forecast for the Fiscal Analysis Division begins on page 107 (Exhibit E). As it pertains to changes in the forecast, the division had no changes in its outlook for real estate. However, the division did receive some additional information with relation to actual collections. When I presented the Fiscal Analysis Division's forecast back on November 7, there were 15 of the 17 counties reporting their first quarter collections for the Real Property Transfer Tax—only missing were Storey and Esmeralda Counties. Since then, there have been two new postings. One of them was Storey County, and the other one was additional revenue for Douglas County. Historically, those two counties combined is about $100,000. It turns out that Storey County was considerably higher, which resulted in an increase in the forecast by $490,000 in FY 2025. That is solely to account for that additional revenue above the forecast from

Storey County as well as the bonus revenue from Douglas County. The division has no changes to its forecasts in FY 2026 and FY 2027, resulting in a forecast of $118,525,000 in FY 2025; $125,982,000 in FY 2026, or a 6.3% increase; and $132,195,000, or a 4.9% increase in FY 2027.

MR. CROME MOVED TO APPROVE THE FISCAL ANALYSIS DIVISION'S FORECAST FOR THE REAL PROPERTY TRANSFER TAX OF $118,525,000 FOR FY 2025, $125,982,000 FOR FY 2026, AND $132,195,000 FOR FY 2027.

MS. LEWIS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

MR. NAKAMOTO:

The forecasts that were just approved were the Fiscal Analysis Division forecasts for all three years. That is $118,525,000 in FY 2025, $125,982,000 in FY 2026, and $132,195,000 in FY 2027.

G. COMMERCE TAX

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

Before you are the Commerce Tax estimate scenarios for the December 2024 consensus forecast between the Fiscal Analysis Division, the Department of Taxation, and the Budget Division (page 49, Exhibit A). Between November 7 and now we did not have any new information in terms of collections, or for that matter, at the time the consensus forecast was done, we did not have any information on the Commerce Tax credits either. The only real information was a change to Moody's baseline forecast for Nevada gross state product, which decreased between the October and November meetings. At the November meeting, Moody's baseline for the Nevada gross state product was a 5.5% growth in FY 2025, a 5.6% growth in FY 2026, and a 5.4% growth in FY 2027. For Moody's November forecast, which is reflected in Table 1 on page 49 (Exhibit A), the forecast is now 5.3% in FY 2025, 5.4% in FY 2026, and 5.4% in FY 2027. Very small revisions downward.

As the Fiscal Analysis Division, Department of Taxation, and the Budget Division discussed, this did not give us any real reason to change the forecasts for the Commerce Tax. Therefore, the end result is the forecasts that you are presented with and as shown on Table 2 on page 50 (Exhibit A). The forecasts are identical to the forecasts that were presented at the November 7 meeting. That is $353,940,000 in FY 2025, $370,063,000 in FY 2026, and $390,416,000 in FY 2027.

Likewise, on page 51 (Exhibit A) are the forecasts for the Commerce Tax credits against the MBT because we had no additional information on the usage of the Commerce Tax credits for the first quarter of FY 2025. Also, because we did not change the forecast for the Commerce Tax, we did not change the forecast for the Commerce Tax credits. Those are $67,626,000 in FY 2025, $70,062,000 in FY 2026, and $73,915,000 in FY 2027. Those are negative numbers; they are a reduction against the forecast.

CHAIR ROSENTHAL:

I might be missing something, because I am seeing slightly different numbers in FY 2026 and FY 2027 on Table 8.

MR. NAKAMOTO:

I believe I read you the wrong numbers. It should be $67,626,000 in FY 2025, $70,383,000 in FY 2026, and $74,264,000 in FY 2027. I will have to find out why the tables on page 51 (Exhibit A) are not correct. The numbers in Table 8 are correct (Exhibit H)—those are the consensus forecast for the Commerce Tax credits.

> MS. LEWIS MOVED TO APPROVE THE CONSENSUS FORECAST FOR THE COMMERCE TAX OF $353,940,000 FOR FY 2025, $370,063,000 FOR FY 2026, AND $390,416,000 FOR FY 2027.
>
> MR. LEAVITT SECONDED THE MOTION.
>
> THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.
>
> MS. LEWIS MOVED TO APPROVE THE CONSENSUS FORECAST FOR THE COMMERCE TAX CREDITS OF $67,626,000 FOR FY 2025, $70,383,000 FOR FY 2026, AND $74,264,000 FOR FY 2027.
>
> MR. GORDON SECONDED THE MOTION.
>
> THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

H. INTEREST INCOME – TREASURER

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

The Interest Income forecast is again a consensus forecast that was submitted by the Treasurer's Office, and the Fiscal Analysis Division and Budget Division agreed with the forecast. The information that was submitted by the Treasurer's Office begins on page 53 of the meeting packet (Exhibit A). Steven Hale with the Treasurer's Office is available to present this item and answer questions.

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

The forecast changed slightly from last time. For FY 2025, the Treasurer's Office increased the forecast by about $7.0 million; for FY 2026, it declined by about $6.0 million; and for FY 2027, it deviated the most by about $17.0 million. The reason is twofold. First, the forecasted interest rates from futures contracts increased slightly because there has been a lot of talk about economic impact of tariffs and how that might impact inflation going forward, as well as comments from the Federal Reserve stating that it is under no pressure to raise interest rates as fast as markets have been discussing. I often say the Federal Reserve is driving the bus and the markets are sitting in the back of the bus trying to tell people where the Federal Reserve is going. I tend to listen to the Federal Reserve. The Federal Reserve is not going to cut rates as fast as the market had believed, so rates promptly backed up in real time as well as in the futures contracts. Those two things had an impact on FY 2025.

The other thing that happened is that we received some preliminary numbers for the first quarter. They have not been published yet, but they look very consistent and possibly even favorable to what we experienced in the most recent fiscal year. That was the impact on FY 2025. Fiscal Year 2026 changed slightly because of what I described earlier. Fiscal Year 2027 had the biggest movement in rates, they actually declined, which is the reason for the $17.0 million decline in the forecast.

CHAIR ROSENTHAL:

The drivers make sense to me; all is good. In terms of the changes from your last forecast, I do not know if it is a matter of decimals, but I am seeing a $13.0 million increase in FY 2025, a $2.0 million increase in FY 2026, and a $1.7 million decrease in FY 2027, not $17.0 million. I just want to make sure we have the right numbers.

MR. HALE:

I am still seeing $244,289,385, $227,770,491, and $222,378,556. Is that what you have?

CHAIR ROSENTHAL:

Those look like the correct numbers. I just wanted to make sure because you read off some variances from the last forecasts that were significantly different.

MR. HALE:

I have done about 12 iterations of this over the past two months so I may have selected the wrong one. The overall take is that the changes are not significant. With the outlier, the furthest year, I think those are accurate.

MR. CROME:

When you say there is a 6.0% increase from your last forecast for FY 2025, that is similar to your last forecast for FY 2025. Does that sound right to you?

MR. HALE:

Yes.

MR. NAKAMOTO:

In looking at page 56 (Exhibit A), which is the table that Mr. Hale is referring to as part of his presentation, that was the information that he submitted in comparing that to the numbers in Table 8 (Exhibit H), which do match. The numbers in Table 8 and then the differences between the November and December forecasts on Table 8 are accurate.

MR. CROME MOVED TO APPROVE THE INTEREST INCOME—TREASURER FORECAST OF $244,289,000 FOR FY 2025, $227,770,000 FOR FY 2026, AND $222,379,000 FOR FY 2027.

MS. LEWIS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

MR. NAKAMOTO:

As those of you who have been a part of this will recall, one of the other batch of revenues that is approved in accordance with the major revenues are the General Fund commissions. When a 2.0% sales tax number is approved, there are four other revenue sources that are the commissions that are retained based on local rates for the State General Fund.

For FY 2025, the amount is $74,446,000; for FY 2026, it is $77,447,000; and for FY 2027, it is $79,947,000. These numbers do not appear on Table 8, they are what is calculated through formulas.

There was no further discussion on this agenda item.

VII. REVIEW AND APPROVAL OF FORECASTS OF MINOR GENERAL FUND REVENUES AND TAX CREDITS FOR FY 2025, FY 2026, AND FY 2027 APPROVED BY THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES (NRS 353.229) AT ITS NOVEMBER 21, 2024, MEETING.

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

Under Agenda Item VII, there are four tables that are in the packet for consideration of the non-major revenues based on the TAC approved forecast from its meeting on November 21, 2024.

The first table is Table 5 on page 57 (Exhibit A). Essentially, this is the Table 4 counterpart to the non-major revenues. There are ten non-major revenues—what we consider the major-minor revenues. The table shows the FY 2024 actuals as well as the forecasts for FY 2025, FY 2026, and FY 2027 that were approved by the TAC, as well as the agency, fiscal, and budget forecasts for each of those revenues. Table 6 on page 59 is the consensus forecast that was approved by the TAC, and that is what I will be focusing my forecast on. On page 71, is Table 6 – Difference. In keeping in mind Chair Rosenthal's comments to just discuss the changes to the forecast, the division decided to put that in so you could see the changes to the forecast. I am not going to go through the entirety of those changes; I will just touch on the highlights. Lastly, on page 77 is Table 7, which is the summary document of what the forecast looks like in comparison.

Turning to page 59 (Exhibit A), which is the TAC's approved forecast, and therefore, your preliminary forecast for the non-major revenues. One of the things that I will note is that the process for developing the consensus forecast is the same as in the past—the Fiscal Analysis Division asks for revised forecasts from the Department of Taxation, GCB, Budget Division, as well as the Treasurer's office and the Secretary of State's office. We did not receive revised forecasts from everyone. The Fiscal Analysis Division also had a revised forecast. After the revised forecasts were submitted, staff had a meeting with Dr. Solorio Arteaga at the Budget Division to develop the consensus based on whatever assumptions we were making—whether we were going to choose a forecast or take the average of all three of the forecasts for each of the fiscal years.

At the outset, I will note that the decision rules that we used for this forecast compared to the October 30 forecast were unchanged. The only changes to the forecast were because one or more of the forecasters changed their forecast between the October and the November meetings.

I am just going to point out some of the highlights, but all the information is available on Table 6 – Difference (page 59, Exhibit A).

The Transportation Connection Excise Tax was the average of the agency and fiscal. The forecasts for this tax were decreased by $598,000 in FY 2025, $920,000 in FY 2026, and just over $1.1 million in FY 2027. This was due to downward revisions to the forecast by the Fiscal Analysis Division. The division received the third month of this tax, and it was far weaker than expected; therefore, it revised the forecast downward. Taking the average, it revised the forecast downward by those amounts.

The Cigarette Tax is a similar story. The amounts that you see in Table 6 are revised downward by approximately $540,000 in FY 2025, $509,000 in FY 2026, and $481,000 in FY 2027. Again, this was an instance where we received another month of collections, and the Fiscal Analysis Division revised its forecast downward. Taking the average of the agency, fiscal, and budget forecasts, it caused a negative revision to that forecast in those amounts.

There is nothing on page 60 because that is the MBT and that was already discussed under the previous agenda item. On page 61, the largest revision is to GL 3113, the Business License Fee (Exhibit A). This was an upward revision of approximately $320,000 in FY 2025, $319,000 in FY 2026, and $318,000 in FY 2027. This was, again, the average of the agency, fiscal, and budget forecasts, but it was the Fiscal Analysis Division having upward revisions to this forecast based on stronger than expected collections through the first three months for this tax.

There were some minor revisions to the Liquor Tax and Other Tobacco Tax. There were upward revisions for the Liquor Tax and downward revisions for the Other Tobacco Tax due to collections coming in higher or lower than anticipated. They are minor in the grand scheme of things.

I am going to move on to page 62 and discuss the licenses (Exhibit A). There are also very few changes worth mentioning. The most notable change is GL 3130, Commercial Recordings from the Secretary of State's Office. There was an upward revision in FY 2025 of approximately $465,000, a $612,000 upward revision in FY 2026, and a $374,000 upward revision in FY 2027. Again, this was the average of the agency, fiscal, and budget. This was the Fiscal Analysis Division increasing its forecast in all three years. There were two reasons why this happened, the first of which was that collections for the first three months were a little stronger than anticipated. I will also admit that the revision in FY 2026 is slightly higher than the other two fiscal years because we had a formula error when we did our forecast and we were picking up the wrong information, and it had our October 30 forecast going negative. Therefore, we added a little more revenue into FY 2026. Taking the average, it caused the forecast to go slightly higher in that fiscal year.

The other one in Licenses that is worth noting is Real Estate Licenses—GL 3161, which had an upward revision of $59,000 in FY 2025, and then downward revisions of $52,000 in FY 2026 and $193,000 in FY 2027. This was based on revisions to the forecast by the Budget Division. Taking the average of the agency, fiscal, and budget forecasts, which was the decision rule that was used the previous time, that was the end result to those forecasts.

Under Fees and Fines, the only one that is probably notable to mention is GL 3066, Short Term Car Lease. This actually has that component as well as the Peer to Peer Car Rental Tax, which is a similar tax that is imposed on companies like Turo where you can rent your own car to someone else. Based on the information that we received through the first quarter on this tax, the Fiscal Analysis Division had substantial revisions downward for this tax because the collections were not as expected. Our downward revisions were approximately $2.5 million in FY 2025, nearly $2.7 million in FY 2026, and about $2.75 million in FY 2027. Taking the average of the agency, fiscal, and budget forecasts, it resulted in downward revisions of $839,000 in FY 2025, $890,000 in FY 2026, and $915,000 in FY 2027.

Turning to page 63 under Use of Money and Property, there were no revisions to the forecast and no revisions worth mentioning for Other Repayments and Other Interest Income (Exhibit A).

Under Other Revenue, there are two that I will mention that were noteworthy. The Expired Slow Wagering Vouchers, GL 3047, was revised upward by $2,000 in FY 2025, $172,000 in FY 2026, and $368,000 in FY 2027. Mr. Lawton had additional information and insight; we went with his forecast in the October meeting and again this time. Therefore, his revisions resulted in the forecast revisions.

Unclaimed Property, GL 3255, is where there were the most significant revisions to the forecast. The State Treasurer is required to receive money that has been abandoned by people in bank accounts, financial institutions, etc., which is then considered unclaimed property. People can go to the State Treasurer's website to see if their name is on the list of unclaimed property and then file a claim. Thus, we can see the money that is coming in and going out. The forecasts were revised upward by the Treasurer's Office and the Fiscal Analysis Division.

In October, Fiscal Division staff was looking at collections information. The largest category from which we receive revenue is called “holder receipts,” which is primarily bank accounts and things of that nature. Because the deadline for that information to be turned in is October 31, we did not have complete information and had to make estimates. It takes some time to get everything processed. When I was reviewing the information about two weeks after the deadline and compared the numbers to the original analysis, approximately $80.0 million to $90.0 million in revenue from holder receipts was received; far more than anticipated. The amount of revenue received into this account year-to-date through FY 2025 is higher than all of FY 2024. Consequently, we revised our forecast upward. Then it becomes a question of what will happen with those funds after they have been received. There are a number of factors that come into play, the first of which is that the Treasurer’s Office is allowed to keep some of these receipts for its operations. As operations increase with wages and so on, there is a little more growth. The big question is how much of this will be paid out. You would think with all this money coming in, somebody might actually miss that money, go to the website, and make claims against the state; it is a perpetual liability upon the state. If money was turned over ten years ago and you never claimed it, your name is still on the list, and you can still claim it.

When I reviewed it historically—we have been tracking this for a number of years—the amount of money that comes in versus what goes out is in the range of 45.0% and 50.0%. For example, for every dollar received from a bank account, between 0.45 cents and 0.50 cents goes out. In FY 2024, that number was around 37.0%, which is unusually low.

The result is that I put the forecast back to the historical numbers. The Treasurer's Office had increases in its forecast of about $3.3 million in FY 2025, approximately $4.5 million in FY 2026; and approximately $4.7 million in FY 2027. The Fiscal Analysis Division increased its forecast by nearly $13.8 million in FY 2025, $8.6 million in FY 2026, and $9.1 million in FY 2027. This resulted in an upward revision of the forecast, keeping in mind this is the average of the agency, fiscal, and budget forecasts of approximately $5.7 million in FY 2025, approximately $4.5 million in FY 2026, and approximately $4.9 million in FY 2027. The bottom line is this revenue source is the big reason why there is an upward revision to the TAC’s forecasts.

The forecasts for the tax credit programs are at the bottom of page 63 (Exhibit A). The numbers that you see for all the tax credits are unchanged from the previous forecast. We have received no additional information from the agencies who administer these tax credit programs that indicate any reason why these forecasts should be changed. Nor had we received, at the time, sufficient information relating to revenue collections that would cause us to change these forecasts for tax credits. These will be reevaluated and there may be revisions to the forecast when we get to the May 2025 meeting.

CHAIR ROSENTHAL:

Regarding unclaimed property, it is such an amazing amount. Is there any insight into whether it is truly just the combination of a million tiny little accounts, or were there any significantly large items that contributed to this big, unexpected increase?

MR. NAKAMOTO:

I had some conversations with the Treasurer's Office in an effort to get a handle on the situation. I asked the same question. The information that I received related to some law changes that had occurred that perhaps required a little more revenue to be turned over in this fiscal year than had been in prior fiscal years. The Treasurer's Office anticipated this to be more of a one-time nature. Revenue that had not previously been turned over is now being caused to be turned over so that will perhaps explain why the forecast is a little higher in FY 2025 and then comes back down in FY 2026 and FY 2027.

MR. NAKAMOTO:

To summarize the TAC's forecasts, it might be easier to look at Table 7 on page 77 (Exhibit A). The table lists the selected major, non-major revenues as well as some of the gaming taxes and fees and then the "all other." As you can see in the top block titled, *General Fund Revenue Sources Forecast by the TAC (Before Tax Credits)*, that is the gross amount and then we line up the tax credits separately. For FY 2025, the forecast that is under consideration that was approved by the TAC is $779,263,278 before tax credits. That represents a 3.4% decrease compared to the actual FY 2024 collections of $806,932,817 before tax credits. For FY 2026, the total of $776,695,384 is approximately three-tenths of a percent below the FY 2025 forecast amount. In FY 2027, the total of $786,708,884 is approximately 1.3% above the FY 2026 amount, again before tax credits.

While I am on the subject of the gross revenues and why it decreases in FY 2026, the main driver for that is the $5.0 million from the Transportation Connection Excise Tax that goes to the State Highway Fund in the first year of each biennium. In each even-numbered year, those collections go down by $5.0 million. If that was added back, the state would have slightly positive growth in both fiscal years; however, because we take that $5.0 million out and send it to the Highway Fund, that is what causes that negative in FY 2026.

Down below, you can see the total tax credits, which are itemized by each of the programs. The forecast of $50,996,100 is approximately $12.7 million higher than the tax credits used in FY 2024. The tax credit forecast for FY 2026 of $72,310,650 is approximately 11.3% higher than the forecast for FY 2025. In FY 2027, the forecast of $83,155,700 is approximately $1.8 million higher than the forecast for FY 2026. That brings us then to the bottom line of the forecasts after tax credits. The FY 2025 forecast of $728,267,178 is approximately 5.3% lower than the actual collections after tax credits of $768,641,759. In FY 2026, the forecast of $704,384,734 is approximately a 3.3% decrease. The forecast for FY 2027 of $703,553,184 is about one-tenth of a percent decrease from FY 2026. The net change to both the gross and net numbers is an increase of $4,508,300 compared to the October 30 TAC forecast; for FY 2026, it is a net increase of $3,051,700; and for FY 2027, it is a net increase of $2,840,400. Again, there were not significant changes to the forecasts other than the ones mentioned, but the net results are slightly increased forecasts compared to what was presented to you at the previous meeting.

MR. LEAVITT MOVED TO APPROVE THE REVENUE FORECASTS OF MINOR GENERAL FUND REVENUES AND TAX CREDITS FOR FY 2025, FY 2026, AND FY 2027 AS APPROVED BY THE TECHNICAL ADVISORY COMMITTEE ON FUTURE STATE REVENUES.

MR. CROME SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY WITH THE MEMBERS PRESENT.

VIII. APPROVAL OF THE ECONOMIC FORUM'S DECEMBER 2, 2024, REVENUE FORECAST REPORT.

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

Last week, all the members received the preliminary draft report that was written by Fiscal Analysis Division staff relating to this revenue item. The Forum will be taking a recess for staff to enter all the figures into the tables and ensure everything is correct as well as adding the final numbers to that report. I would ask that if there are any changes that need to be made to this report in its draft form, to please provide those to us now so they can be incorporated into the final tables and report.

Given the past process, this is the point where the Forum would go into recess. Typically, it takes staff between 60 and 90 minutes to ensure all the data is correct in both the report and the tables. We will try to expedite it, but the Forum could plan to reconvene around 1:15 p.m.

CHAIR ROSENTHAL:

I think it is better to have everyone ready to go so the earliest the Forum would reconvene is 1:00 p.m.

Chair Rosenthal called a recess at 11:51 a.m. The meeting reconvened at 1:38 p.m.

CHAIR ROSENTHAL:

The Forum members have received copies of the letter, the report to the Governor and the Legislature, that includes the forecasts for the major and minor revenue sources that were approved during our meeting today. Do any of the members have any questions or items they want to discuss regarding the information in the report?

MR. GORDON:

I am not sure if I am reading the schedule correctly. Under the Gaming Percentage Fee Tax on page 24 (Exhibit I), the draft report is indicating that the FY 2025 forecast is off 3.0% from FY 2024. On the revised schedule, it appears to be down 2.8%.

MR. NAKAMOTO:

The percentages that we use for the report reflect the gross collections before tax credits rather than the net revenue. The 3.0% corresponds with the gross collections.

This is the time that I should summarize the forecast for the members of the public who may be watching. Before tax credits, the revised FY 2025 General Fund forecast is $6,129,663,278, which represents a 0.3% increase compared to actual gross collections for FY 2024. For reference, the revised forecast is $140,606,500 higher than the May 1, 2023, forecast for FY 2025. For FY 2026, the total before tax credits is $6,276,422,384, which is a 2.4% increase. For FY 2027, it is $6,456,806,884, which is a 2.9% increase. The biennial total of $12,733,229,268 for FY 2026 and FY 2027 is higher than the revised forecast for FY 2024 and FY 2025, the current biennium, by $495,029,517, or approximately 4.0%. After tax credits, the forecast for FY 2025 is $6,011,041,178, which is listed 0.02% higher than the actual collections net of tax credits for FY 2024. For FY 2026, the forecast is $6,133,728,734 which is a 2.0% increase compared to FY 2025. For FY 2027, the total is $6,299,387,184, which is a 2.7% increase compared to FY 2026. Net, the total of $12,433,115,918 is 3.4%, or $412,288,237, higher in net terms compared to the revised forecast for the current biennium—the actuals for FY 2024 and the revised forecast for FY 2025.

The members have copies of the report as well as the letter. Typically, if all five members were in the same location, we would have you sign the letters, which would accompany the report and the tables to the Governor and the Legislature; however, because three of the five members are currently in Las Vegas, with your direction, madam chair, we will obtain electronic signatures for them and append them to the report so we can expedite the documents to the members of the Legislature and the Governor.

CHAIR ROSENTHAL:

Yes, please proceed in that manner.

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

IX. 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):

The next couple agenda items are housekeeping in advance of the next meeting on or before May 1, 2025. The TAC would be required to meet to fulfill its duties at the direction of this body sometime in mid-April in advance of the meeting on or before May 1. Unless there is a desire for the members of this body to change the direction of what is forecast and when, we would proceed as we have for this meeting with Interest Income as a major revenue with the consensus on the MBT for financial institutions and mining, and essentially keeping everything as status quo for the upcoming meeting.

CHAIR ROSENTHAL:

The Forum would like to proceed in that manner.

There was no further discussion on this agenda item.

X. SCHEDULING OF FUTURE ECONOMIC FORUM MEETINGS.

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

The statutory requirement, as mentioned, is for this body to meet and if necessary, revise the forecasts for the current fiscal year and the upcoming biennium on or before May 1. May 1, 2025, is a Thursday. I know we are still a little way out from that date, but if everyone could keep May 1 available, we would appreciate it. Otherwise, I will work with Chair Rosenthal to determine whether that date is the best date or whether there is another date before May 1 that will work.

There was no further discussion on this agenda item.

XI. PUBLIC COMMENT.

There was no public comment.

XII. ADJOURNMENT.

Chair Rosenthal adjourned the meeting at 1:47 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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